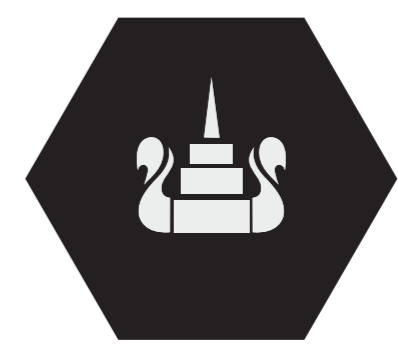


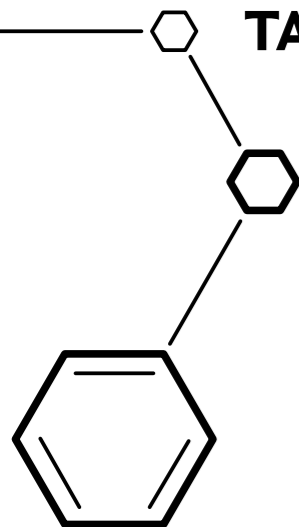
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OJSC Kazanorgsintez

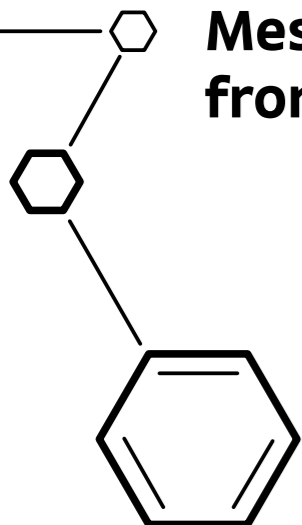


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## Message from the Chairman of the Board of Directors



### Dear shareholders, colleagues, investors!

Being a flagship of the chemical industry of the Republic of Tatarstan, OJSC Kazanorgsintez is one of the largest petrochemical producers of the Russian Federation ensuring the economic potential of the country.

Despite the highly competitive conditions in the chemical production market, OJSC Kazanorgsintez managed to close the last year with good financial and production indicators.

The tasks set by our shareholders have been successfully completed; meanwhile the basic indicators planned by the Board of Directors have been accomplished to the fullest extent. For the first time, the production of all polyethylene grades exceeded 700 thousand tonnes, with the overall polycarbonate production reaching its maximum to amount to more than 68 thousand tonnes. In spite of the price drop in the Russian and foreign markets, the Company's proceeds exceeded those of the last year and amounted to more than 46.1 billion rubles and the net profit surpassed 2.1 billion rubles. These figures have stemmed from the daily hard work performed by every single employee of the Company, its Executive directorate, and members of the Board of Directors.

The Company's efficient performance work in 2013 assured the advanced repayment of its debt to its major creditor, Sberbank of Russia, followed by considerable per cent savings. The overall debt of OJSC Kazanorgsintez to Sberbank for 2013 was reduced from 19.5 billion rubles to 15.13 billion rubles.

In 2013, the Board of Directors approved "The Plan of Key Investment Events

for OJSC Kazanorgsintez in 2013-2016 on the Performance Stabilization and Maximum Load of Production Capacities". Currently, the Board of Directors jointly with the Executive Directorate is preparing an investment program on the business development till 2020. The program implementation is designed to result in the upgrade of the Company's operating capacities, as well as to construct the new ones manufacturing modern, high quality and competitive products demanded by the global market. The program is intended to promote the growth in the production output and creation of new jobs.

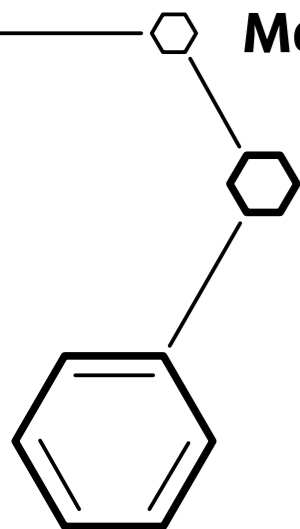
OJSC Kazanorgsintez will have to deal with a great number of complicated tasks and we have the power to tackle them. No doubt, we will have to express even more spirit, strength, patience, professionalism, teamwork between all our employees, as well as the support of our shareholders and partners. The core activities implemented by the Board of Directors, management of the Company and OJSC Kazanorgsintez team will always consist in the efficient enterprise management, vigorous development of the Company, as well as the introduction of new investment programs and innovative technologies.

I express my sincere gratitude to our 8 thousand employees, Board of Directors, shareholders, business partners and leaders of the Republic of Tatarstan for their collaborative work, as well as for their trust and support.

There is no doubt that as a modern enterprise and a leader of the petrochemical industry in the field of polymers, polycarbonates and plastics, OJSC Kazanorgsintez will persist in continuing its sustainable development, and as our 55-years history proves, together we are able to overcome any difficulties and achieve our goals!

*Ruslan A. Shigabutdinov*

## Message from the General Director



### Dear shareholders!

To summarize, I would like to emphasize that the year of 2013 was the anniversary one for OJSC Kazanorgsintez celebrating its 50th anniversary since the launch of the first products line-up and 55th anniversary since our decision to start the construction. These events went down in the history of our enterprise as the essential ones, and now we have celebrated the semicentenary landmark of our history. During this time we have been working our way up from the start of the phase 1 construction to the establishment of the largest petrochemical enterprise of the Republic of Tatarstan and the Russian Federation employing over 8.5 thousand people.

For several years, our key financial and economic indicators have been having an upward trend, and the year of 2013 is not an exception. In 2013, owing to the increase in the principal raw materials supplies, we have managed to achieve the record level of production of ethylene, LDPE and HDPE, phenol, acetone and polycarbonate enhancing our status as the largest Russian producer. Our industrial output growth rate amounted to 107.5%, with 87.5% load of the production capacities.

Compared to 2012, our sales proceeds increased by 1.5% and reached over 46.1 billion rubles. Additional 2.8 billion rubles were gained owing to our products sales growth, while our income deficiency made 2.1 billion rubles due to low prices mainly in the domestic market. The maximum price drop recorded in the domestic market was caused by the increased competition from both domestic and foreign producers. The exports made 24% of total products manufactured. The net profit amounted to over 2.1 billion rubles. Good financial performance enables us to fulfil the advanced repayment of our principal debt. In the current year, we have allocated almost 4.7 billion rubles for this purpose.



The improvement of our capital structure and financial indicators enabled us to improve the long-term issuer default rating of OJSC Kazanorgsintez from “CCC” to “B-“. The rating was assigned by Fitch Ratings Agency in August, 2013.

OJSC Kazanorgsintez pays careful attention to the issues of its products quality, environment and industrial safety. Energy saving is one of the key priorities in the development of our Company. At present, the Company is implementing the third in a row Program for Energy Saving and Energy Efficiency for 2011–2015 and though 2020 which will allow us to save over 1 billion rubles.

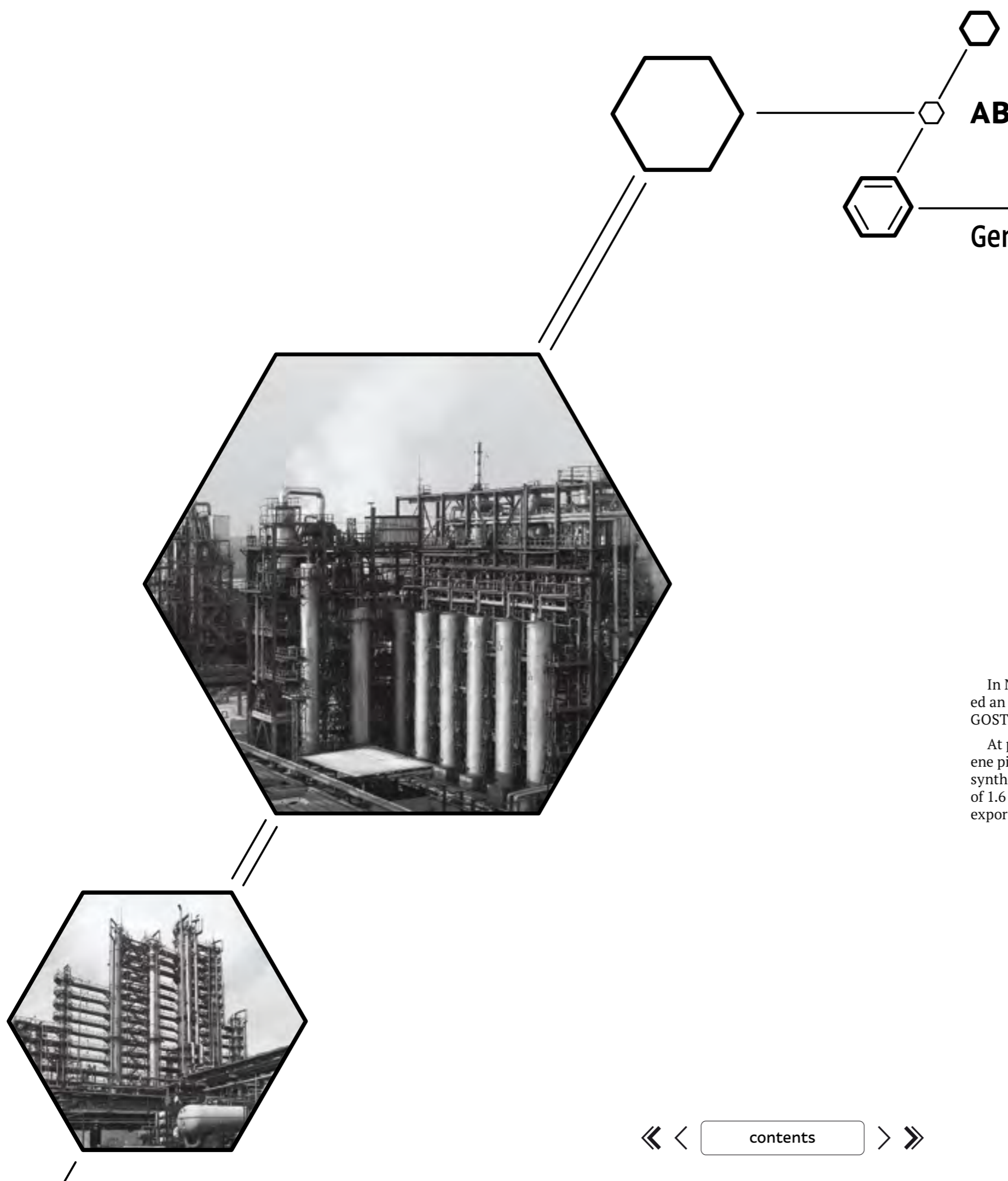
One of the core activities for OJSC Kazanorgsintez is to ensure high living standards and social well-being of its employees. The average salary in the Company reached 34,868 rubles which exceeds the 2012 indicator by 10.6%. Since January 1, 2014, the Company has conducted the regular increase of its employees’ basic wage rates and official salaries. We continue to implement projects on housing improvements for our personnel within the Republic’s Program on Social Mortgage, Non-State Pension Provision, Voluntary Health Insurance and Health Improvement for the Employees and their Family Members.

In 2013, we persisted in developing and implementing a number of strategic measures pursuing the steady operation of our existing manufacturing facilities at the maximum load of the production capacities, improving and optimizing our operation processes, as well as expanding raw material base for our ethylene production facilities.

We performed heavy work in the reporting year, but in order to attain further sustainable development we will have to work even harder, and we have all the potential to succeed. In the future, we are going to keep on applying our efficient efforts while complying with high production, environmental and social standards.

On behalf of the Executive Directorate and on my personal behalf, please allow me to express my sincere gratitude and appreciation to our employees, shareholders, members of the Board of Directors and business partners for their fruitful cooperative work. I firmly believe that our teamwork will ensure our vigorous development in the future.

*Farid G. Minigulov*



# ABOUT THE COMPANY

## General Information

OJSC Kazanorgsintez is one of the largest Russian chemical enterprises being of strategic importance for the economic development of the Republic of Tatarstan. The Company is a part of TAIF Group of Companies. OJSC Kazanorgsintez is located in Kazan, the capital city of the Republic of Tatarstan. OJSC Kazanorgsintez was founded in 1958, and its first products (phenol and acetone) were produced in 1963.

OJSC Kazanorgsintez is located in a single production site with a total area of 4.2 square kilometres, having an integrated transport, energy, and telecommunications infrastructure.

The Company applies the Integrated Management System for Quality, Health, Occupational Safety, and Environment Protection (ISMKBTiOZE) which complies with the following international and Russian standards:

- IS ISO 9001:2008 and GOST ISO 9001-2011 “Quality Management System. Requirements”;
- IS ISO 14001:2004 and GOST R ISO 14001-2007 “Environmental Management System. Requirements and Implementation Guidance”;
- IS OHSAS 18001:2007 “Occupational Safety and Health Management System. Requirements” and GOST 12.0.230-2007 “Safety Management Systems. General Requirements”.

In November 2013 representatives of JSC VNIIS (Moscow) and SGS (Switzerland) conducted an audit of ISMKBTiOZE System at OJSC Kazanorgsintez to certify its compliance with GOST requirements.

At present, the Company produces ethylene, polyethylene, polycarbonate, polyethylene pipes, bisphenol, phenol, acetone, ethylene glycols, ethanolamines, and other organic synthesis products. The whole range of products includes over 170 items with the output of 1.6 million tonnes. The products comply with the international quality standards and are exported worldwide.

### MAIN PERFORMANCE HIGHLIGHT, RUB bln

Indices	2011	2012	2013
Assets as of the end of the year	43.45	39.90	36.82
Equity capital as of the end of the year	8.18	11.36	12.51
Revenue	3.02	45.46	46.13
Net profit	0.44	3.28	2.16

## Mission and Strategy

### Mission

Our objective is to gain the leadership in the Russian market of chemicals production, as well as to meet high global standards in relations with our business partners, investors, employees, citizens, and environment.

Our shareholders have set the targets which we achieve and will persist in achieving relying on our expertise and introducing the new technologies.

The Company rigorously follows the standards of business ethics in relations with its business partners and consumers, financial and public institutions considering its reputation as one of its highest values. The Company maintains positive relations with its suppliers, customers, as well as with the authorities and concerned citizens.

Our personnel open the way for the Company's successful development and its business prosperity that is why OJSC Kazanorgsintez is striving to create such a corporate environment where all the employees would be able to unleash their professional potential and to bring the maximum benefit to the Company. We provide our employees with the working conditions conforming to the requirements of industrial and environmental safety, as well as respectable salaries.

Our main investment trends comprise the introduction of the up-to-date production technologies and our own scientific inventions to considerably and continuously increase our Company's profit.

The Company assures the high level of the industrial and environmental safety exceeding the legislation requirements and is doing its best to improve the environmental conditions and its employees' health.

### Strategy

- To increase the production capacities for the current product line and the production of new ones;
- To increase the output of the high value-added products;
- To enhance efficiency through optimising the balance between the internal and export sales;
- To enhance efficiency through the cost reduction;
- To diversify the funding sources;
- To introduce the resource saving technologies;
- To diversify the raw materials base.

## Main Risk Factors

Different kinds of risks can have negative influence on OJSC Kazanorgsintez' activity:

### Country and Regional Risks

OJSC Kazanorgsintez is registered as the tax bearer in Moscow and carries out its primary activity in Kazan that causes the dependence of its financial results from social-economic and political situation both in the Russian Federation and in the region.

Negative changes in economy can have a negative influence on the investment climate in Russia, and consequently can reduce the attractiveness of the market's segments where OJSC Kazanorgsintez carries out its business.

Russia's foreign currency international credit rating as of the end of 2013 made according to Standard&Poor's – BBB/A-2; Moody's – Baa1. The outlook for all ratings is "Stable", Fitch Ratings – BBB, outlook is "Stable".

The risks associated with social-economic and political processes in the Russian Federation are out of the Company's control.

The risks associated with geographical features of the region in which the primary activity is carried out, are insignificant, since the location of the Company is characterized by absence of the increased danger of acts of nature, and the presence of traffic intersections and ways of communication excludes inaccessibility of the Company for suppliers and consumers. Convenient access ways allow uninterrupted shipment of products by trucks and railway directly from the warehouses of OJSC Kazanorgsintez.

### Industry Risks

#### **The risks associated with possible change of prices for raw material and services used by OJSC Kazanorgsintez**

Raw materials and energy expenses have the greatest share in the structure of chemical industry expenses. Ethane, ethylene, propane-butane, and benzene are the main raw materials for the Company. Prices for the main raw materials are in different extent affected by the world oil prices. Main raw materials are supplied under long-term contracts.

The advantages promoting solution of OJSC Kazanorgsintez's raw material supply issues are close cooperation with the structures of JSC Gazprom and with petrochemical companies of the Republic of Tatarstan on mutually beneficial terms; policy of the Republic's administration aimed at active state support of the entire petrochemical complex of the Republic.

To improve production efficiency through enhancement of fuel and energy resources utilization efficiency and reduction of energy intensity of the products OJSC Kazanorgsintez has developed the Long-Term Targeted Programme of "Energy-Saving and Energy Efficiency in 2011-2015 with the outlook till 2020", approved by the Decree of the General Director.

The Programme's objective is increasing the production efficiency through enhancement of fuel and energy resources utilization efficiency and reduction of energy intensity of the products.

### **The risks associated with possible changes in the price of the Company's products in the domestic market**

High quality OJSC Kazanorgsintez's products allow setting the prices of the world market without any reduction of the sales volume over many years. When determining the price level production costs and market conditions are taken into account. However, the Company has limited ability to control own products' prices, that largely dependent on the world market conditions, as well as the balance of demand and supply in some regions of Russia.

Due to entrance of the Russian Federation into the World Trade Organization our Company conducts its business in highly competitive environment. Among the basic measures taken for adaptation of Company's activity to WTO conditions are:

- Maintaining the high quality of the processes and products (Integrated Quality, Occupational Safety and Health, and Environmental Management System corresponding to international and Russian standards);
- Reduction of production cost through expenses management (implementation of Resource Efficiency Program, raw materials purchase using electronic trade system, maximum loading of production facilities etc.);
- Increasing of sales efficiency (increasing of electronic trade system sales, search for new Russian and foreign purchasers and diversification of product range).

### **The risks associated with the effect of the world market environment on exported goods**

OJSC Kazanorgsintez exports part of its products. The policy for export contracts provides conclusion of contracts for a period of up to 1 year. Prices for the products are set according to the conditions of supply in each country. The prices may fluctuate under the influence of factors outside the control of OJSC Kazanorgsintez.

## **Risks associated with the activity of OJSC Kazanorgsintez**

### **The risks associated with production process**

Production activity of OJSC Kazanorgsintez is associated with possible influences of unfavorable factors, including equipment failure, unscheduled repairs and, consequently, production figures below expected levels. Considering this, the Company introduced an automated process control system. Regular preventive and current maintenances and major overhauls are performed timely and to full extent.

### **The risks associated with license validity**

For the activities in the field of production and utilization of natural resources, OJSC Kazanorgsintez obtains appropriate licenses. Most of the licenses provide revocation in case of non-compliance with the requirements. There are also risks associated with lack of opportunities to extend the licenses of the Company. To carry out Company's licensed activity after the expiry of the licenses it is necessary to conduct the procedure of their obtaining for new term. Failure to obtain new licenses in time is possible if requirements of regulatory documents are violated, that is currently kept to a minimum. In order to avoid revocation of licenses OJSC Kazanorgsintez complies with all requirements of licensing agreements. However, failure to renew the license or revocation of the license may adversely effect the Company's activity.

### **The risks associated with environmental protection**

Production activity of the Company is associated with potential danger of adverse effects on the environment. Realizing the magnitude of potential environmental problems, OJSC Kazanorgsintez monitors the chemical composition of air emissions and wastewater discharges, and carries out the planned conservation measures aimed at preventing the harmful effects of the production facilities on the environment.

## **Financial risks**

### **The risks associated with inflation in Russia**

An increase in inflation results in devaluation of national currency and price growth. Increasing rates of price growth may lead to increasing costs of the Company (due to increased prices of the energy, raw materials, and inventories), the borrowing costs and cause a drop in profitability. Therefore, in case of a significant exceeding of actual inflation over the Russian government forecasts, Company's management plans to take measures to control rising costs, lower accounts receivable and reduce its average turnaround time.

### **The risks associated with changes in currency exchange rates**

A part of the Company's products is sold on foreign markets, so the Company exposes itself to a certain exchange rate risks. Main costs of OJSC Kazanorgsintez are estimated in rubles, while revenues from the export sales in ruble equivalent increase with an increase in exchange rate and, conversely, decrease with reducing the rate. The share of export revenues as of the end of 2013 was 24%. Supply terms are mainly advanced payment. The Company has minor borrowings in foreign currencies. National currency rate drop may increase the debt burden of the Company, which may lead to reduction of profits.

### **The risks associated with changes in interest rates**

As a major borrower, OJSC Kazanorgsintez exposed to risks associated with changes in interest rates of the financial liabilities. The Company has long-term loans and credits in rubles and foreign currencies. Major instability at financial markets leads to an increase in interest rates, which in turn may lead to higher debt service costs. Rise of the credit value may adversely affect Company's solvency and liquidity indices. Company's credit portfolio as of the end of 2013 has a fixed interest rate.

### **Liquidity risks**

Liquidity risk of OJSC Kazanorgsintez is related to the disability to pay its liabilities as they fall due. The Company manages liquidity risk by using a combination of debt financing and own funds utilization providing balanced structure of assets and liabilities by terms.

### **Credit risks**

Credit risks are related to the disability of the buyer to fulfill obligations to OJSC Kazanorgsintez in time that would cause financial losses. In order to minimize financial loss from defaults the Company applies a policy of contracting only with creditworthy counterparties. To analyze the solvency of counterparties available financial information and their trading histories are used. Deals with new clients are made in terms of advanced payments.

## **Legal risks**

### **The risks associated with changes in customs regulations and duties**

Due to procurement of imported equipment and export supplies, there are risks associated with changes in customs legislation regulating the order of goods' movement across the customs border, and establishment and application of customs regimes, establishment and levying of customs duties, which may affect the costs of OJSC Kazanorgsintez.

### **The risks associated with changes in tax legislation**

Tax legislation is a branch of the law, which features with significant amount of changes, clarifications and additions. The risks associated with changes in tax legislation are the risks of production cost increase in case of tax rates' increase or introduction of additional taxation.

### **The risks associated with judiciary practice change**

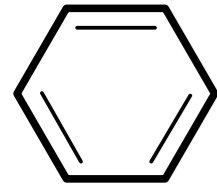
The issues connected with OJSC Kazanorgsintez's activity and capable to affect the results of the current disputes of OJSC Kazanorgsintez with the third parties are insignificant. OJSC Kazanorgsintez seeks to resolve problems with contractors in pretrial order.

## **Insurance risks**

Insurance industry in the Russian Federation is at the formation state, and different forms of insurance protection generally accepted in more economically developed countries, are not yet widely applied in the Russian Federation on comparable conditions, including coverage at business activity stop. OJSC Kazanorgsintez insures main working production facilities and equipment, including nonlife insurance due to explosion and environmental effect of the accident at the Company's production facilities and/or connected with the Company's activity. However, OJSC Kazanorgsintez does not have the coverage of financial risks in case of production activity stop and profit loss. If an emergency takes place at the production facilities of the Company due to which the Company will not be able to produce goods, it can affect adversely the Company's financial results.

*In case of occurrence of one or several risks listed above, OJSC Kazanorgsintez will take all possible measures for reduction of negative changes.*

## Key Events of the Year



### January

OJSC Kazanorgsintez participates in the 16th Specialized Exhibition of Plastics and Rubbers – entitled Interplastika – 2013.

### February

OJSC Kazanorgsintez takes part in the 2nd Regional Research and Applied Conference entitled “The Creation and Development of the Intellectual Property Market in the Region”.

Representatives of OJSC Kazanorgsintez attend the extended session of the Tatarstan Association of Enterprises and Entrepreneurs.

Children Recreation Center “Solnechny” hosts the official opening ceremony of the largest All-Russian Ski Race “Russian Ski Track 2013”.



Approval of the Addendum to the Collective Employment Agreement of OJSC Kazanorgsintez extending the social privileges and guarantees of its employees.

### March

OJSC Kazanorgsintez participates in the 4th specialized exhibition and conference entitled “Pure water. Kazan” held in Kazan.

### April

Representatives of OJSC Kazanorgsintez gain 10 diplomas in followup of the Professional Skills Contest among Young Employees of the Tatarstan Petrochemical Sector.

Annual General Meeting of OJSC Kazanorgsintez Shareholders with the participation of the President of the Republic of Tatarstan Rustam Minnikhanov and representatives from the Russian and Tatarstan ministries and agencies.

On 25 April, 2013, the 18th Conference of the International Forum “Innovations and Development” held under the umbrella of the Russian Presidential Administration, OJSC Kazanorgsintez receives an award: the Honorary Diploma in the category “The Best Chemical Industry Enterprise”.

### May

OJSC Kazanorgsintez participates in the Regional Contest entitled “The Best Goods and Services of the Republic of Tatarstan” and the Federal Contest “100 Best Goods of Russia” with its following products becoming laureates of the contests: LDPE grade 15813-020, HDPE grade 293-285D, polycarbonate grade PC-007UL.

OJSC Kazanorgsintez team consisting of 8 members becomes the winner of the regular Kazan competitions among communication groups of volunteer emergency response teams of the city’s Civil Defense and Emergency Situations Departments.



### June

The Russian Deputy Prime Minister Olga Golodets and the Tatarstan President Rustam Minnikhanov pay a visit to OJSC Kazanorgsintez and meet with its employees. The presentation of the Company summarizes the large-scale program for its revamping and modernization, while the Company’s employees have an opportunity to ask Olga Golodets questions regarding social programs of the Tatarstan Government.

OJSC Kazanorgsintez receives the Certificate of Honor from the Tatarstan Ministry of Economy “For the Best Organization of Innovative, Labor-Saving and Patent and License Activities among Organizations and Agencies of the Republic of Tatarstan”.

## July

The Medical Unit of OJSC Kazanorgsintez acquires Ford ambulance car equipped with necessary facilities to deliver first emergency aid to a patient.



## August

OJSC Kazanorgsintez hosts the meeting entitled "The Performance of the Industrial Safety and Occupational Safety Programs by OJSC Kazanorgsintez in the first half of 2013" attended by representatives of regulatory agencies and government institutions.

The Republic's Council on Charity under the auspices of the Tatarstan President Rustam Minnikhanov initiates the participation of OJSC Kazanorgsintez in the Republic's Charity Event entitled "Help Prep for School".

## September

The Federal Service for Intellectual Property (Rospatent) registers an agreement certifying the exclusive right of OJSC Kazanorgsintez for Sevilen trademark.

OJSC Kazanorgsintez took part in the 42nd IGIP International Symposium on engineering education "Global Challenges in the Engineering Education" and the 16th International Conference on Interactive Education.

OJSC Kazanorgsintez team ranks second after the persistent struggle during the Spartakiada Games organized by the Tatarstan Association under the Russian Trade Union of Chemical Industry Enterprises.

OJSC Kazanorgsintez participates in the 20th International Exhibition entitled "Oil, Gas, Petrochemistry 2013" held in Kazan.

## October

Ceremonial events dedicated to the 55th Anniversary since the establishment and the 50th Anniversary since the production launch of OJSC Kazanorgsintez attended by top officials of the Republic of Tatarstan.



OJSC Kazanorgsintez participates in the International Trade Fair for Plastics K-2013 held in Dusseldorf, Germany.

Representatives of OJSC Kazanorgsintez attend the meeting of the Expert Council for the Development of the Chemical Industry hosted by the Ministry of Industry and Trade of the Russian Federation.



## November

Representatives of OJSC Kazanorgsintez participate in the International Forum entitled "Intellectual Property and Economy of Russia's Regions".

OJSC Kazanorgsintez is honored with the highest award of the All-Russian Contest "100 Best Goods of Russia": the Quality Leader Title. OJSC Kazanorgsintez gains the award as a consistent manufacturer of high quality, eco-friendly and safe products.

Representatives of OJSC Kazanorgsintez attend the Congress of the Intersectoral Nanoindustry Association.

Representatives of OJSC Kazanorgsintez participate in the Conference entitled "Quality as a Foundation for Competitive Strength within WTO".

Integrated Management System for Quality, Health, Occupational Safety, and Environment Protection at OJSC Kazanorgsintez complies with GOST ISO 9001-2011 (ISO 9001:2008), GOST R 54934-2012/ OHSAS 18001:2007, GOST 12.0.230-2007 and GOST R ISO 14001-2007 (ISO 14001:2004) in relation to development, production and supply of organic synthesis products, inorganic products (gases and elements), polymers, plastics and plastic goods, following the results of the regular audit conducted by representatives of VNIIS (Moscow) and SGS (Switzerland) Ordinary scheduled audit was carried out by representatives of VNIIS (Moscow) and SGS (Switzerland).

## December

OJSC Kazanorgsintez participates in the Republic's Eco-leader Contest.

Representatives of OJSC Kazanorgsintez attend the 4th All-Russian Congress for Environment Protection bringing together representatives of the federal executive authorities, executive authorities of the Russian regions, as well as managers of international and public organizations.

Representatives of OJSC Kazanorgsintez attend the 7th International Conference "Polycarbonate-2013" in Moscow.

# Economy Review of the Russian Federation and the Republic of Tatarstan

## Key Indicators of the Economic Development

Indices (in % to the previous year)	2009	2010	2011	2012	2013
<b>Russian Federation</b>					
GDP	92.2	104.5	104.3	103.4	101.3
Consumer price index compared to the December previous year	108.8	108.8	106.1	106.6	106.5
Index of industrial production	90.7	108.2	104.7	102.6	100.3
Capital investment	84.3	106.0	110.8	106.6	99.7
Export of goods	64.3	132.0	130.3	102.4	98.8
Import of goods	65.7	129.7	130.2	105.4	102.6
Monthly average payable salary	107.8	112.4	111.5	113.9	112.3
<b>Republic of Tatarstan</b>					
GRP	96.6	104.3	105.7	105.5	102.0
Consumer price index compared to the December previous year	107.5	108.2	105.9	106.4	106.3
Index of industrial production	95.6	108.4	106.4	107.1	101.2
Capital investment	96.7	113.6	109.9	105.6	105.5
Monthly average payable salary	102.0	114.1	115.3	116.1	112.3
<b>Reference info</b>					
Annual average exchange rate. RUB/\$	30.24	30.48	32.20	30.37	32.73
Annual average exchange rate. RUB/€	43.39	40.33	41.67	40.23	44.97
Average Urals oil price. \$/barrel	61.1	78.2	109.3	110.5	107.9

Information is prepared based on the data from the Ministry of Economic Development of RF and Ministry of Economy of RT

The Republic of Tatarstan ranks among the most investment attractive Russian regions due to the favourable regulatory environment for investors in the republic, stable political situation, and sustainable economic development:

- following the rating results of investment attractive Russian regions-2013 by Expert Rating Agency, the Republic of Tatarstan ranked first in the “Minimal Investment Risk” category in the Volga Federal District, and sixth in the “Investment Potential” category among the Russian regions. According to Expert Rating Agency, Tatarstan has been among top ten Russian regions of high investment potential since 2000;
- in 2013, Tatarstan (along with Moscow, Moscow Region, St. Petersburg, and Krasnodar Region) was assigned 1A rating from Expert Rating Agency, which is the highest level of a region’s investment potential. 1A-rated regions have the most potential in terms of direct investments and are most reliable for investors;<sup>1</sup>
- in 2013 the leading international Forbes magazine rated Kazan, the capital city of Tatarstan, among top ten Russian cities convenient for business. The rating comprised: the shortage of qualified personnel, availability of financial resources and a city’s infrastructure for the business development, administrative burdens, and tax management. By the results of the 6th all-Russia contest of municipal entities, Kazan was recognized as the best municipal entity of the Russian Federation. All the above determines high international rating of the Republic of Tatarstan and its smooth integration into the world economic environment.

Results of the international rating agencies:

- the international long-term credit rating of the Russian Federation (as of the end of 2013) is estimated as BBB by Standard & Poor’s, as Baa1 by Moody’s, and as BBB by Fitch Ratings (estimated as stable by all three agencies).
- the international long-term credit rating of the Republic of Tatarstan (as of the end of 2013) is estimated as BBB by Fitch Ratings and as Baa3 by Moody’s (estimated as stable by both agencies)<sup>2</sup>.

<sup>1</sup> Data source: <http://www.raexpert.ru/database/regions/tatar/>

<sup>2</sup> Data source: <http://minfin.tatarstan.ru/rus/reiting.html>

## PRIORITY PRODUCTION ACTIVITY

### Production and Production Cost

Total confirmed production capacity of the Company in 2013 amounted to 1,815.3 thousand tonnes of organic synthesis products, that is 6.1% higher than the previous year. The increase in production capacity in the current year in relation to 2012 was mainly connected with acquisition of JSC Neftekhimsevilen production facilities in December 2012 and integration of them as the first turn of LDPE Plant. Production capacity utilization index made 87.5%, and increased by 5.9% compared to 2012 due to overscheduled supplies of basic raw materials in the reporting year.

The amount of commercial output in 2013 made 46,295.2 mln.rubles that by 1,226.6 mln.rubles or by 2.7% exceeds the index of 2012, including:

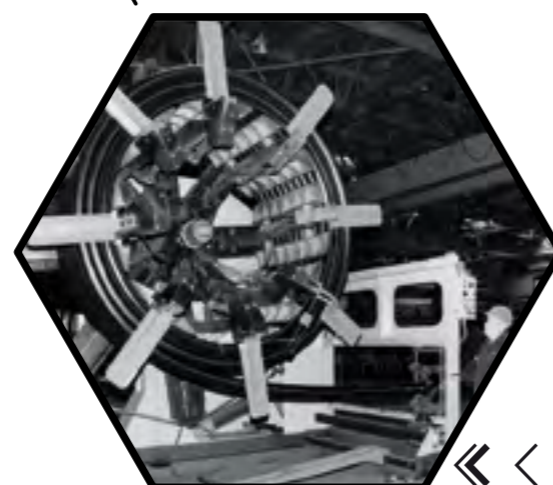
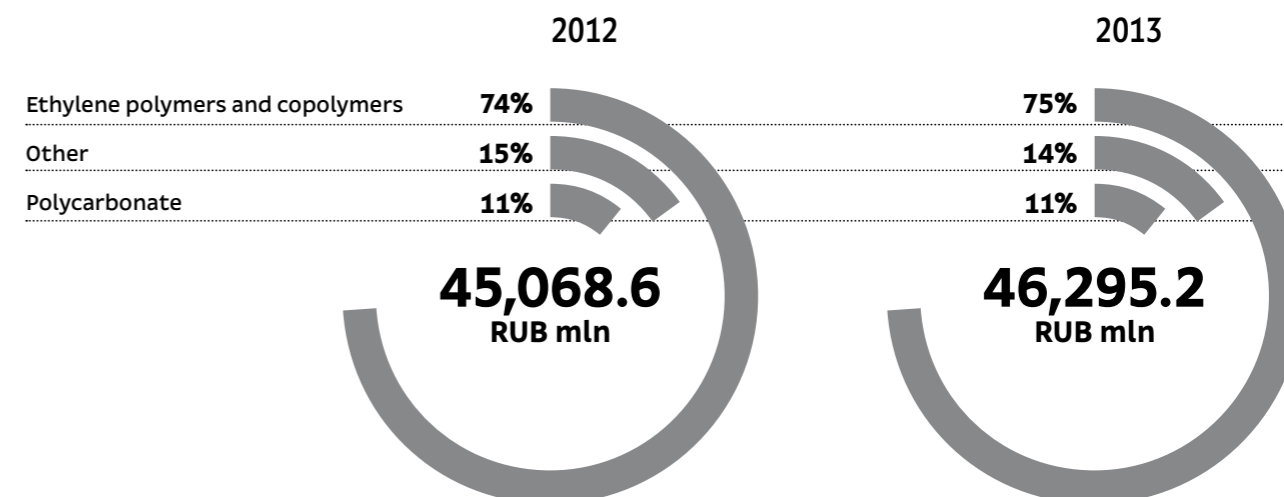
- +7.4% – due to increase in commercial output in kind;
- -4.7% – due to Company’s product prices drop.

Prices decrease by 2% was observed for ethylene polymers and co-polymers, as well as for pipes and fittings. At that the prices increased for phenol by 5.6%, bisphenol-A by 10.2%.

Increase of physical volume of commercial output was related to increase in ethylene polymers, polycarbonates and phenol-acetone production.

The change in commercial output structure in value terms is shown at the diagram below.

#### Structure of Commercial Output



The structure of commercial output in 2013 relative to the previous year changed insignificantly. The main share in the structure of commercial products is occupied by ethylene polymers and co-polymers which accounted for 75% of total production volume in value terms.

Costs of production in the reporting year increased compared to the previous year by 1,611 mln. rubles (or by 4.2%) and amounted to 40.100,6 mln. rubles.

### Cost of commercial output, RUB mln

Description of Expenses	2012	2013	2013/2012
Raw materials	24,190	24,916	103%
Energy from third parties	4,090	4,671	114.2%
Salary and social allowances	3,637	4,135	113.7%
Production services	454	373	82.2%
Fixed assets depreciation	3,452	3,464	100.3%
Other expenses	2,667	2,542	95.3%
<b>Total expenses for production</b>	<b>38,490</b>	<b>40,101</b>	<b>104.2%</b>

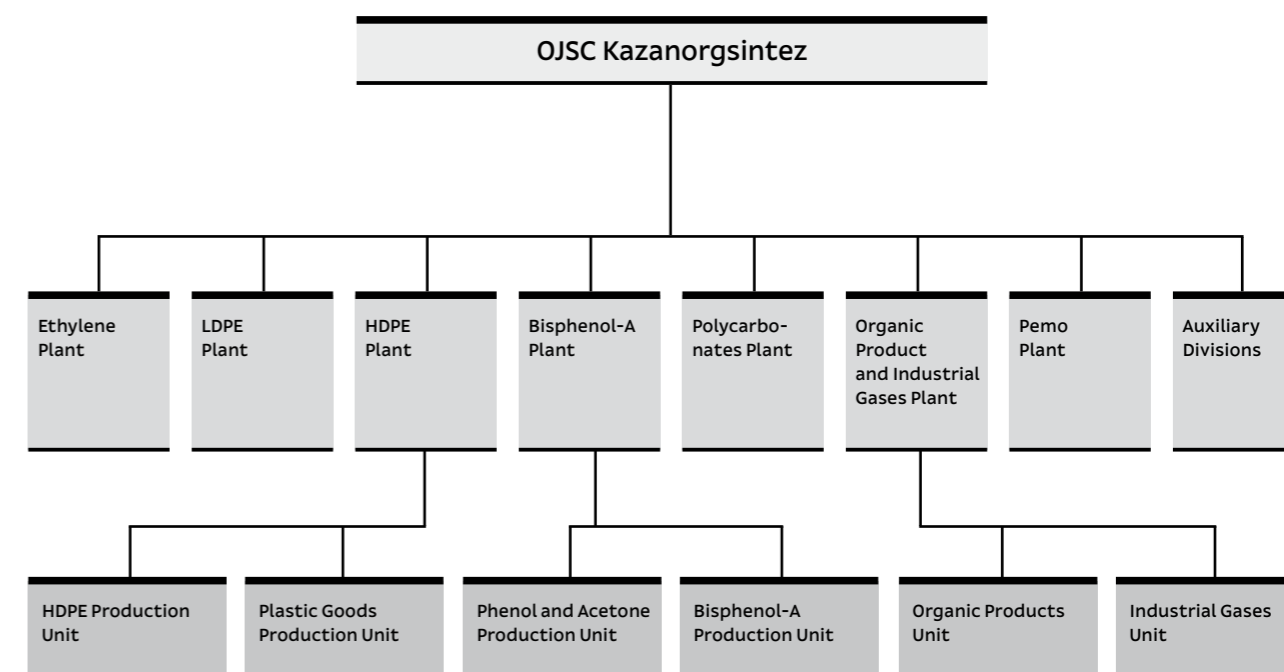
Maximum relative share in the cost of commercial output belongs to expenses for raw materials – 62%, energy from third parties – 12%, salary and social expenses – 10%, and fixed assets depreciation – 9%.

Increase in expenses compared to 2012 took place for all cost items except for production services and other expenses:

- Amount of expenses for raw materials increased compared to the previous year by 3%. The main cause of rising costs was the increase of basic gas feed prices. For the basic gas feed difference in expenses amounted to 733.3 mln.rubles including price increase – 182.5 mln.rubles and increase in feed consumption rate – 550.8 mln.rubles.

- Costs for the energy from the third parties increased by 14.2% compared to 2012 due to increase in electric power consumption by 2.4% and heat energy by 6.5% connected with increase in commercial output. Tariffs (in 2013 compared to 2012) for electric power increased by 9.5%, for heat energy increased by 12.2%.
- Expenses for salaries and social allowances increased by 13.7% compared to the previous year. The increase was mainly due to increase in basic pay rates for workers and salaries for shift engineering personnel from 01.08.2013, due to increase in rates of premium payable based on results a month and 2012 year-end bonus. The average salary increased by 10.6% compared to the previous year and amounted to 34,868 rubles.

### Production Structure of OJSC Kazanorgsintez



## Ethylene Plant

Ethylene plant is the first facility in the technological chain of conversion of OJSC Kazanorgsintez. It includes three ethylene production trains. Main raw materials for the Plant are ethane and propane-butane cuts. The main products of the plant are ethylene and propylene.

Ethylene is a raw material for polyethylene production and propylene is used for production of polypropylene, phenol, and acetone and propylene oxide.

The entire volume of ethylene is transferred to HDPE and LDPE Plants for further processing and production of commercial product.

The majority of produced propylene is sent to Bisphenol-A Plant for phenol and acetone production, the remaining is sold to the third parties.

Along with ethylene and propylene the Plant produces and ships to consumers the following auxiliary products: butylene-butadiene fraction (BBF), liquid pyrolysis products (LPP), waste diesel oil, heavy pyrolysis oil.

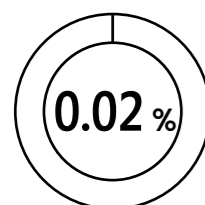
Average listed number of personnel at Ethylene Plant in the reporting year made 814 people (in 2012 – 813 people).

Relative share of the Plant's products in the commercial output of OJSC Kazanorgsintez was formed by by-products sales only and amounted to 0.02%.

Activities on reconstruction of existing facilities are constantly performed at the Plant aiming to provision of stable operation of the equipment.

814 

Average listed number of personnel at Ethylene Plant (people)



Relative share of Ethylene Plant's products



## LDPE Plant

LDPE Plant consists of three production units: the first train is Sevilen production unit; the other two trains (second and third) are Low Pressure Polyethylene production units.

The Plant produces different grades of natural low density polyethylene (LDPE). Different compositions based on LDPE are produced for manufacturing of injection molded; blow molded, extruded and film goods.

The Plant is the only CIS producer of electric conductive polyethylene compositions used for manufacture of special cables and pipes for explosive substances and mining industry. The basic raw material is ethylene.

Low-density polyethylene is used in construction, production of food and technical films, isolation.

Sevilen is produced similarly to LDPE with addition of vinyl acetate. Compared to polyethylene, sevilen has higher transparency and elasticity at low temperatures, and has higher adhesion to different materials. Sevilen properties mainly depend on vinyl acetate content. When vinyl acetate content increases, hardness, thermal stability and crystallinity (tensile stress at break) decrease but density, elasticity, transparency and adhesion increase.

Sevilen is used for external isolation and anticorrosion protection of steel pipes, for footwear industry, for production of films, sheets, hoses, hot-melt adhesives, for production of foam polysevilen, in electrical industry for cable insulation and sheathing.

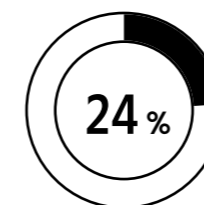
Average listed number of personnel at LDPE Plant in the reporting year increased by 189 and made 764 people. The increase was connected with acquisition in December 2012 of JSC Neftekhimsevilen facilities and integration them into LDPE Plant as workshop 503-505.

The products of the Plant are supplied to the market under trademarks Kazpelen (for low-density polyethylene) and Sevilen (for sevilen).

Relative share of LDPE Plant's products in the commercial output of OJSC Kazanorgsintez made 24%.

764 

Average listed number of personnel at LDPE Plant (people)



Relative share of LDPE Plant's products



## HDPE Plant

Average listed number of personnel at HDPE Plant in 2013 made 787 people.

Relative share of HDPE Plant's products in the commercial output of OJSC Kazanorgsintez made 54%.

The Plant for Production and Processing of High Density Polyethylene (HDPE) consists of two production complexes:

### HDPE Production Unit

Ethylene is the main raw material for HDPE production. Polyethylene is produced under gas phase copolymerization of ethylene under Unipol technology using catalysts.

The Plant produces different grades of low-pressure polyethylene of high and medium density, as well as linear polyethylene of low density, bimodal high density polyethylene. The products are used for extrusion, blow molding and injection molding of goods, for film materials production and for production of gas and water supply pressure pipes.

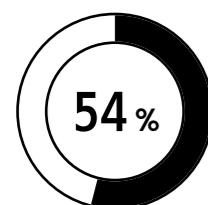
HDPE pipe grades are sent to Plastic Goods Production Unit for production of plastic articles and are sold to the third parties; the remaining grades are sold the third parties in full amount.

The products of the Plant are supplied to the market under the Kazpelen and Pallant trademarks.

The year of 2013 was the most effective year for the entire operation period of the Plant. The increase in production was mainly due to favorable feed (ethylene) supply conditions from Ethylene plant. Production capacities utilization index amounted to 92.8% for HDPE production Unit.

787 

Average listed number of personnel at HDPE Plant (people)



Relative share of HDPE Plant's products



### Plastic Goods Production Unit

HDPE is used as raw material.

Modern technologies and equipment allow production of different diameter pressure and gas pipes, as well as connection elements for them (fittings).

Polyethylene pipes are widely used in gas supply and water supply systems, sewage systems and process pipelines.

Pipes are produced by extrusion, and connection elements are produced by injection molding, pressure molding and winding.



## Bisphenol-A Plant

Average listed number of personnel at Bisphenol-A Plant in the reporting year made 504 people.

Relative share of Bisphenol-A Plant's products in the commercial output of OJSC Kazanorgsintez made 5.5%.

Bisphenol-A (BPA) Plant consists of two separate production units:

### Phenol and Acetone Production Unit

Benzene and propylene are the main raw materials for phenol and acetone production.

Phenol is used in the industry for production of caprolactam (semi-product for fibers), bisphenol-A (diphenylpropane), medical supplies, synthetic resins, plasticizers, herbicides, plant protection chemicals, chemical photo-products, aniline paints, for petroleum oils rectification and for production of additives to oils.

Acetone is used in acetic anhydride, acetonecyanhydrine, bisphenol-A, paints, solvents and paint remover production.

### Bisphenol-A Production Unit

Phenol and acetone are the basic raw materials for Bisphenol-A production. Bisphenol-A is produced by phenol and acetone condensation in presence of catalyst – cation-exchange resin. Bisphenol-A produced under this method is characterized by high purity.

The majority of bisphenol-A is used for production of polycarbonates at OJSC Kazanorgsintez. The remaining Bisphenol-A is used for production of epoxy resins used for paints and powder coatings, adhesives, details for electronic boards, production of polysulfones, polyarilate resins, special phenol aldehyde resins, polyester imide resins, unsaturated polyester resins, bromine fire inhibitors and stabilizers for different polymers.

504 

Average listed number of personnel at Bisphenol-A Plant (people)



Relative share of Bisphenol-A Plant's products



## Organic Products and Industrial Gases Plant

Average listed number of personnel at Organic Products Plant in 2013 made 984 people.

Relative share of the Plant's products in the commercial output of OJSC Kazanorgsintez made 3.5%.

Organic Products and Industrial Gases Plant consists of two production complexes:

### Organic Products Unit

The Plant produces ethylene oxide-based products (ethanolamines, cooling agents, butyl cellosolve (ethylene glycol monobutyl ether), textile processing chemicals, as well as products for primary oil treatment – corrosion and paraffin inhibitors, proxanols-proxamines, and demulsifiers).

Ethanol amines are used in oil and gas industry for gas purification from acid and sulfur-containing organic compounds and in perfume production.

Butyl cellosolves are used in perfumery and coating industry.

Textile processing chemicals – stearoxes, oleoxes, oxamines, oxyethyleted fatty acids – are used in production of wool, cotton, silk, artificial fibers to give them antistatic properties and to modify their structure and to improve their strength characteristics.

Oil de-emulsifiers, corrosion and paraffin inhibitors are used by oil production companies to separate oil and water and to improve oil recovery and to protect drilling equipment.

Cooling agents are designed for use in heat exchangers and internal combustion motors.

The increase in commodity output was connected with increase in ethanol amines production. Share of ethanol amines in Organic Products and Industrial Gases Plant's commercial output amounted to 80.6%.

### Industrial Gases Unit

Industrial Gases Unit produces gaseous and liquid nitrogen, gaseous and liquid oxygen, gaseous and liquid argon, cold and dry compressed air. Nitrogen, oxygen and argon are produced from atmospheric air by low temperature rectification.

About 90% of the products produced by the Plant are consumed by other Plants and production units of the Company. Main commercial products of the Unit are gaseous and liquid process oxygen, liquid nitrogen, and liquid argon.

Gaseous nitrogen is used as an inert atmosphere for production, storage and transportation of easily oxidized products, for high temperature treatment of metals not reacting with nitrogen and for conservation of closed metal vessels.

Liquid nitrogen is used as a coolant and (after gasification) for the same purposes as gaseous nitrogen.

Process gaseous and liquid oxygen is used for metal flame treatment, for intensification of chemical and metallurgical processes.

Argon is used as a protection medium for welding, cutting and melting of active and rare metals and alloys, aluminum, aluminum and magnesium alloys, stainless nickel-chromium heat-resistant alloys and different grades of alloyed steel, as well

as for metal purification in metallurgy.

Dry compressed air is used for instruments.

Cold is used in production processes for intensification of production, for increase of product yield and to improve the quality of the products.

Organic Products and Industrial Gases Plant includes the following auxiliary shops: liquefied hydrocarbon feed shop, hydrocarbon feed and flaring facilities shop, raw materials and products shop, liquid and gaseous wastes treatment shop, industrial wastewaters neutralization and treatment shop.

Liquefied hydrocarbon feed shop and hydrocarbon feed and flaring facilities shop provide timely and uninterrupted acceptance and transfer of purchased raw materials – propane cut, propane-butane cut, propane-propylene cut, purchased propylene, methanol, hexane-1, isopentane cut etc. – to divisions of the Company.

Industrial wastewaters neutralization and treatment shop performs mechanical and biological treatment of industrial, storm and sanitary waters of the Company amounting to 36 thousand m<sup>3</sup>.

984 

Average listed number of personnel at Organic Products and Industrial Gases Plant (people)



Relative share of Organic Products and Industrial Gases Plant's products



## Polycarbonates Plant

Polycarbonates production process is a re-esterification of diphenyl carbonate with bisphenol-A (non-phosgene method) designed by Asahi Kasei Engineering Corporation. Non-phosgene method is safer in terms of operation and environment.

The main products of the plant are polycarbonates, which are linear polyesters of carbonic acid. Ethylene glycol is a by-product of polycarbonate production.

Thanks to their thermal stability, high impact property and inreactiveness, polycarbonates are widely used as construction materials in machine industry, electronic and electro-technical industry, household and medical equipment, instrumentation and aircraft engineering, industrial and civil construction.

Product range includes 5 basic grades of general applications. Precision details (gears, hubs etc), car headlamps, optic lens, compact discs, safety helmets, blood filters are produced of polycarbonates. Polycarbonate sheets are used for glass cover of buildings and sport facilities, green houses and for production of high-strength multilayer glasses.

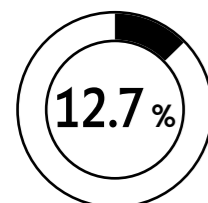
The products of the Plant are supplied to the market under the GREEN TOWER trademark.

Average listed number of personnel at Polycarbonates Plant in 2013 made 393 people.

Relative share of Polycarbonate Plant's products in the commercial output of OJSC Kazanorgsintez in the reporting year made 12.7%.

393 

Average listed number of personnel at Polycarbonates Plant (people)



Relative share of Polycarbonates Plant's products



## PEMO Plant

Plant for preparation and execution of major overhauls (PEMO) carries out preparation and performance of maintenance and major overhauls of industrial equipment in all divisions of the Company.

PEMO Plant includes two shops and nine subdivisions:

- Steel structures and pipe spools manufacturing shop;
- Repair and construction shop;
- Pipelines repair subdivision;
- Equipment repair subdivision;
- Engineering structures and buildings repair subdivision;
- Rotating equipment repair subdivision;
- Underground water pipelines and sewers repair subdivision;
- Mechanical subdivision;
- Transport subdivision;
- Lifting devices subdivision;
- Assembly and process subdivision.

The Plant performs the following types of activities: installation and repair of process equipment, vent systems, process pipelines and steam lines, heat insulation, structures and buildings; manufacturing of steel structures and equipment; installation and dismantling of the equipment during modernization and reconstruction of the Plants; development of engineering documentation for equipment assembly and repair.

The Plant is equipped with modern unique lifting cranes and other equipment which allow prompt operation.

Steel structures and pipe spools manufacturing shop allow performing preparation activities for shutdown repairs and for manufacture of pipe

spools and steel structures in advance that lead to reduction in duration of installation works during the repairs.

The Plant has Process Preparation Group which includes authorized highly qualified specialists who develop work execution programs and planning sheets using lifting machines; they also develop design documentation (Steel structure drawings and Steel structure detail drawings). The Plant also includes accredited Non-destructive Testing Laboratory. The Laboratory performs welding seams quality control and rotating equipment vibration monitoring.

The share of the works performed by PEMO Plant in the repair stock of the Company amounts to 23.9% (2012 – 21.6%).

Repair shops and subcontractors perform repair works along with PEMO Plant. The share of services rendered by the third parties amounts to 50.1% (2012 – 57%) of the repair stock.

Average listed number of personnel at the Plant in the reporting year made 444 people.

444 

Average listed number of personnel at PEMO Plant (people)



## Auxiliary Divisions

2,849 

Average listed number of personnel at Auxiliary Divisions (people)

The Auxiliary Divisions of the Company provide the main Plants' production processes with materials and utilities, road and railway transport, storage facilities; they perform repair of buildings and equipment, process polymer wastes, produce polypropylene tare and perform quality analysis and environment monitoring.

Average listed number of personnel at the Auxiliary Divisions in 2013 made 2,849 people.

## Technologies and Branded Assortment Development

### TECHNOLOGIES DEVELOPMENT

#### Organic Products and Industrial Gases Plant

##### Industrial wastewaters neutralization and treatment shop

- Mastering of chemically contaminated wastewaters neutralization technology using carbon dioxide. Replacement of sulfuric acid with carbon dioxide allows decreasing of sulfates content in treated effluents.
- Integration of pump station into existing flow diagram of the shop to pump industrial and storm waters to recycle water supply system of the Company.

#### Ethylene Plant

##### Second turn of gas separation (shop 2021 – 2045)

Commissioning of coke removal unit (CRU) at cracked gas oil wash unit of second turn gas separation plant.

#### Bisphenol-A Plant

##### Phenol and Acetone Production Unit Shop 0403-0406

Commissioning of a unit for decomposition reaction mass cleaning from sour impurities on anion filters F-1, F-2, F-3 using new distributors by Johnson Screens preventing anion resin carry over.

#### Synthesis shop

- Fresh acetone supply has been changed, this allowed increasing the selectivity of BPA synthesis reaction through feeding pure acetone to reaction, and, consequently, decreasing the yield of by-products that led to saving the feed (phenol and acetone) and prolongation the catalyst service life.
- Use of ethyl benzene fraction as per TU 2415-195-00203335-2010 being a by-product of iso-propyl benzene production unit as extraction agent for C-240 phenol recovery column in synthesis shop instead of purchased industrial ethyl benzene.

#### Polycarbonates Plant

##### DPC and PC synthesis shop

- Separate additive feeding to extruders EX-651, EX-661 has been implemented. Separate additive feeding to extruders EX-651, EX-661 prevented plugging of extruder transfer valves and excluded extrusion and pelletizing unit shutdown for replacement of these valves.
- Vacuum units waste sealing liquid treatment procedures have been implemented. It allowed recovery of additional phenol from the waste sealing liquid and using it as a feed for DPC synthesis unit.

### BRANDED ASSORTMENT DIVERSIFICATION

The reason of development of new products was the intention to satisfy the requirements of certain customers and the market in general.

The following chemicals were produced at Organic Products and Industrial Gases Plant, shop No. 1 for the reporting period:

1. Corrosion inhibitor SNPH-6201, designed for protection of oil-field equipment from sulfide corrosion;
2. Salting inhibitor SNPH-5316, designed for drill-holes and oil-field equipment protection from sulfate and calcium carbonate deposition under conditions of produced water high salinity;
3. Salting inhibitor SNPH-5317 designed for drill-holes and oil-field equipment protection from deposits of barium and strontium sulfates and carbonates as well as calcium carbonate and sulfate. Formulation 1 using methanol and partially desalted water as solvent, Formulation 2 using low-boiling hydrocarbons from polycarbonates production (UVNpc) and partially desalted water as solvent.

## RAW MATERIALS DIVERSIFICATION

### Organic Products and Industrial Gases Plant

#### Industrial wastewaters neutralization and treatment shop.

Use of alternative chemical – citric acid – for microfiltration unit filters regeneration instead of aggressive hydrochloric acid.

#### Nitrogen and Oxygen shop

Use of active aluminum oxide – gas dehumidifier grade A and B as per TU 2163-015-94262278-2009 at compressed air drying and purification units.

### Ethylene Plant

- Use of industrial propane (compressed fuel hydrocarbon gases) as per GOST R 52087-2003 grade PT.
- Use of propane-propylene fraction as per STO 05766623-014.23-2012 in shops 2021-2045, 65-76 at propylene recovery units.
- Use of industrial caustic soda as per GOST R 55064-2012.

#### First turn of gas separation unit (shop 0204 – 0205)

Use of fouling inhibitor CHIMEC 3335 in columns tag No. 55, 57 for reducing polymers formation.

#### Third turn of gas separation unit (shop 0771-0776)

Use of Shell Turbo Oil T-46 for lubrication of pumps and compressors and use of corrosion inhibitor EC 1405 A (by Nalco) for quench water pH-value stabilization in cracked gas water wash system.

#### Fourth turn of gas separation unit (shop 65-76)

- Use of Shell Turbo Oil T-46 for lubrication of pumps and compressors.
- Use of selective hydrogenation catalyst OleMax T-2873 (by Sud-Chemie) in hydrogenation reactors R-301.

### Polycarbonates Plant

#### DPC and PC synthesis shop

- Use of additive PETS (by FACI (Italy) being an analog of additive AD-3 to produce pilot batch of polycarbonate.
- Use of additive Oraset Violet 580 (by BASF) being an analog of additive AD-9 to produce pilot batch of polycarbonate.

## Resource Efficiency

The top target for OJSC Kazanorgsintez in developing and implementing the energy and resource efficient measures is to increase the products output while minimising the energy consumption per each product and making the most use of the secondary and renewable resources.

In the reporting year OJSC Kazanorgsintez adhered to the selected program Energy-Saving and Enhancing Energy Efficiency in 2011-2015 with the outlook till 2020 being a constituent of the Long-Term Targeted Programme “Energy-Saving in the Republic of Tatarstan in 2011-2015 with the outlook till 2020”.

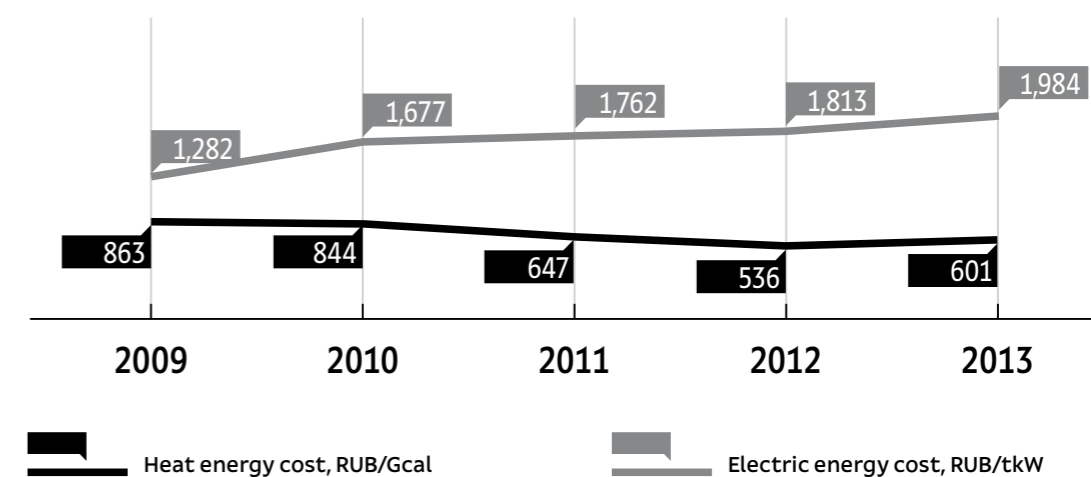
### Program objectives

are to enhance the material, financial, labour, and administrative-management resources efficiency.

### Program tasks are:

- To introduce the advanced technologies, materials, and equipment reducing the consumption of raw materials, fuel, and energy, as well as to increase the labour capacity;
- To update the technological processes and equipment being applied;
- To optimise the technological process parameters;
- To create the organisational, regulatory, and economic conditions for resource efficiency;
- To use the secondary resources.

### Average cost of heat and electric energy , RUB (excl. VAT)



OJSC Kazanorgsintez regularly performs works on increasing the power supply reliability. In 2013 the Company approved the Plan of Organizational and Technical Measures on Improving Power Supply Reliability at OJSC Kazanorgsintez for 2013-2016. The Plan provides for modernization and revamp of both external and internal power supply systems.

Electric energy rates increased in 2013 by 9.5% compared to 2012, heat energy rates increased by 12.2%.

Starting from July 2012 OJSC Kazanorgsintez purchases electricity and power for production needs from wholesale market of electric energy and power as a major consumer.

In 2013 electric consumption increased by 2.4% compared to 2012 and made 1,681.8 mln. kWh. Electric capacity index decreased by 4% compared to 2012.

Total heat energy consumption including internal generation increased by 2.8% and made 3,472 thousand Gcal, whereas heat energy purchase from outside increased by 6.5% and made 2,307 thousand Gcal.

The increase in heat energy purchase from outside was connected with scheduled activities within the frames of cooperation with JSC TGK-16. The target is decrease the value of purchased energy resources and exclusion of simultaneous deep voltage drops from Power Plant No.3. Within the scope of this cooperation a new direct heating water pipeline from Power Plant No.3 was installed and boiler station of shop No. 88 of OJSC Kazanorgsintez was shutdown.

Internal steam and heating water generation in 2013 decreased by 45 thousand Gcal or by 3.7% compared to 2012. Heat capacity index maintained steady and made 0.0567 Gcal/thousand rubles.

Expenses for electric and heat energy from outside made 4,724 mln. rubles.

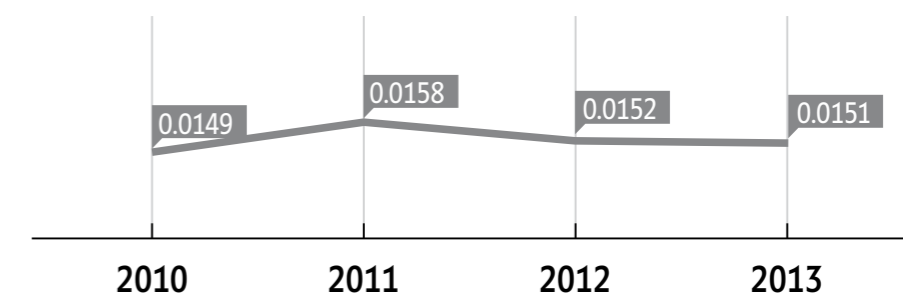
Energy capacity index is used to evaluate energy resources utilization efficiency. This index shows the amount of electric and heat energy consumed per each ruble of commodity output. The commodity output is presented in comparable prices within reference period.

Comparing to the previous year the energy capacity index of the commodity output dropped by 1% which is explained by stable operation of OJSC Kazanorgsintez facilities due to increase in raw materials supply volume and implementation of energy efficient measures in 2013.

The economic benefit obtained due to utilities saving through implementation of the program measures in 2013 amounted to 185.5 mln. rubles (in 2012– 127 mln. rubles, increase by 46%) including energy resources saving for amount of 60.5 mln. rubles (in 2012– 29 mln. rubles, double increase).

Within the frameworks of Federal Law No. 261-FZ dated 23 November 2009 “About energy saving and increasing of energy efficiency and about making changes in specific legislative acts of Russian Federation” specialists of Kazan State Power University performed energy inspection (energy audit) of OJSC Kazanorgsintez from March to December 2012. Based on energy audit results the specialists prepared action plan on energy saving and energy efficiency with calculation of potential economy (energy saving potential) and prepared OJSC Kazanorgsintez’s energy passport containing report on energy inspection and energy passports of main production units and major energy-consuming subdivisions of the Company.

### Energy capacity of commercial output in prices of 2010 (TFOE / thousand RUB)



OJSC Kazanorgsintez annually takes an active part in the International Symposium “Energy and Resource Efficiency and Energy Saving” and International Specialized Exhibition entitled “Power Engineering. Resource Saving”. Specialists from Russian regions and foreign countries take part in the Exhibition. The exhibition covers the most important aspects of the area, demonstrates advanced achievements and scientific researches, effective technical decisions and prospective projects of Russian and foreign companies.

The table below shows Company’s outside utilities consumption dynamics in accordance with Regulations on Information Disclosure by Equity Securities Emitters, approved by the Order of Federal Service for Financial Markets dated 04 October 2011 No.11-46/pz-n.

### OJSC Kazanorgsintez energy consumption (without sub-consumers)

Utility	Units	In natural terms		In monetary terms RUB mln, VAT excl.	
		2012	2013	2012	2013
Heat energy	Thousand Gcal	2,166	2,307	1,161	1,387
Electric energy	Thousand kWh	1,642,622	1,681,766	2,977	3,337
Motor gasoline	t	855	782	26	25
Diesel fuel	t	9,226	9,973	233	282
Flammable natural gas	thousand m <sup>3</sup>	54,778	68,753	197	279

## Basic raw Materials Consumption for Good Production

In 2013 OJSC Kazanorgsintez expenses for feed and raw materials made 24,916.4 mln. rubles. Compared to the same period of the previous year the expenses for feed and materials increased by 3%. Expenses growth was mainly connected with the increase of purchased raw material prices.

The basic raw materials for OJSC Kazanorgsintez are ethane, ethylene, propane, propane-butane, benzene. Share of expenses for basic raw material in total expenses for feed and materials in 2013 made 82.5% (in 2012 – 82.8%).

*Ethane* is used for ethylene production. Ethane supplies to OJSC Kazanorgsintez are performed via ethane pipeline connecting Orenburg Gas Processing Plant (supplier JSC Gazprom) and Minnibaevsk Gas Processing Plant (supplier JSC Tatneft). Ethane supplies in 2013 increased by 8% in comparison with the previous year.

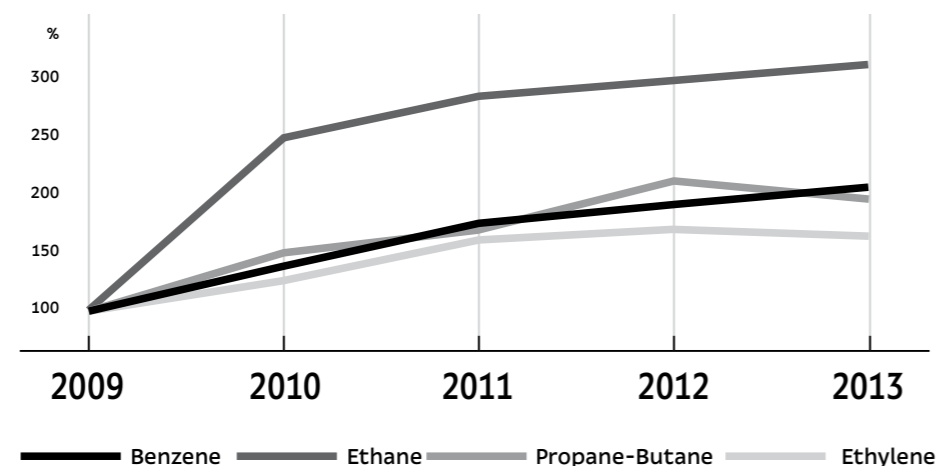
Mutually beneficial long-term contracts are signed between OJSC Kazanorgsintez and main suppliers (JSC Gazprom, JSC Tatneft).

*Propane-Butane* is an alternative to ethane raw material that is also used for ethylene production. Propane-Butane is supplied from Russian petrochemical companies. Transportation of this feed is performed in liquefied condition by rail tank cars.

*Ethylene* is used for polyethylene and sevilen production. OJSC Kazanorgsintez produces ethylene internally and purchases it from outside. Transportation of ethylene is performed via ethylene pipeline connecting five industrial companies – OJSC Kazanorgsintez, OAO Nizhnekamskneftkhim, JSC Ufaorgsintez, JSC Sterlitamak Petrochemical Plant and JSC Gazprom Neftkhim Salavat. Thanks to that any producer can supply ethylene to other one.

*Benzene* is used for phenol and acetone production. Benzene supplies are performed in rail tank cars from Russian refineries and coking plants.

**Raw Materials Prices Growth Rates Compared to 2009, %**



Prices for the main raw materials to varying extent are depending on the world prices for oil with benzene and propane-butane being the most affected.

## Quality, Environment and Occupational Health and Safety



Integrated Management System for Quality, Occupational Safety and Health, Environment (ISMKBTiOZE) of OJSC Kazanorgsintez corresponds to following international and Russian standards:

- IS ISO 9001:2008 and GOST R ISO 9001-2008 “Quality Management System. Requirements”.
- IS ISO 14001:2004 and GOST R ISO 14001-2007 “Environmental Management System. Requirements and Implementation Guidance”.
- IS OHSAS 18001:2007 and GOST R 54934-2012 “Occupational Health and Safety Management System. Requirements” and GOST 12.0.230-2007 “Safety Management System. General Requirements”.

In 2013 Educational and Consultation Center VNI-IS (Moscow) performed inspection audit of Integrated Management System for Quality, Occupational Safety and Health, Environment. Followed by the audit results OJSC Kazanorgsintez received the Certificate of Conformity of the System to International Standards, of its successful implementation and improvement.

### Quality

Quality of processes and quality of products are the determining factors for OJSC Kazanorgsintez’s successful development. Quality Management System functions at the Company since 1999.

Quality management and OJSC Kazanorgsintez’s products safety are based on international standards requirements to management systems, legislative regulations, and market requirements considering the interests of all concerned parties (shareholders, government, society, personnel) within the frames of existing Integrated Quality Management System.

In 2013 the Company continued carrying out its activity in achieving the stated goals and implementation of voluntary commitments in the area of quality and environment.

The basic goals of OJSC Kazanorgsintez in the field of quality are as follows:

- increasing of the competitiveness of the Company and improving financial and economic indicators for providing the stable profit and further production development for the benefit of consumers, shareholders and investors;
- manufacture of products with the stable quality, corresponding to consumers requirements;

- strengthening of the leadership of the Company in the field of plastics production on the Russian market, through increase of the existing production units' capacities, and creating the new production capacities;
- mastering of new kinds of products through the introduction of innovative energy – and resource-saving technologies;
- renovation of the fixed assets of the Company;
- constant improvement and enhancing the efficiency of quality management and process quality system;
- development of mutually beneficial and long-term cooperation with consumers, investors, and all other interested parties;
- personnel motivation and stimulation directed to the development of Company, processes enhancement and production quality improvement.

General products quality level keeps stably high. Volume of products accepted by the Quality Control Department upon initial presentation made 99.9%.

By 2013 OJSC Kazanorgsintez certified 50 product items. The amount of the certified products in the total production output of the Company made 95.8% (in 2012– 93.9%). In 2013 Certification Authorities certified 16 kinds of products and issued Certificates of Conformity in GOST R certification system. Inspection control of 34 kinds of products was performed based on contracts signed with OJSC Kazanorgsintez. Upon the results of the inspection control, the earlier issued certificates of conformity have been confirmed. The amount of certified products produced in 2013 made 44.3 bln. rubles.

To evaluate the Company's activity by the independent third party as well as to improve the image, awareness and marketability of the products, OJSC Kazanorgsintez annually takes part in the “Best Goods of the Republic of Tatarstan” and “100 Best Goods of Russia” contests.

In 2013 the following products became laureates at “The Best Goods of the Republic of Tatarstan 2013” contest:

- Low density polyethylene, grade 15813-020;
- High density polyethylene composition, film grade 293-285D, designed for extrusion of films used for cold food packing and other purposes;
- Polycarbonate, grade PC-007UL, designed for extrusion of items with improved consumer properties; and also can be injection molded.

Diploma winners of “100 Best Goods of Russia 2013” contest were:

- High density polyethylene composition, film grade 293-285D, designed for extrusion of films used for cold food packing and other purposes;
- Polycarbonate, grade PC-007UL, designed for extrusion of items with improved consumer properties; and also can be injection molded.

Polycarbonate, grade PC-007UL also was awarded with the title “Novelty of the year”.

Starting from 2006 specialists of OJSC Kazanorgsintez are awarded with “Quality Expert” and “For Achievements in Quality Field” badges of honor.

In 2013 the Board of Organizers of “100 Best Goods of Russia” program rewarded the Director of Polycarbonates Plant, Mr. A.V. Presnyakov, with “Quality Expert” badge of honor.

In 2013 OJSC Kazanorgsintez was honored with the highest award of the All-Russian Contest “100 Best Goods of Russia”: the Quality Leader Title. OJSC Kazanorgsintez gained the award as a consistent manufacturer of high quality, eco-friendly and safe products.



## Environment

OJSC Kazanorgsintez uses the precautionary principle and carefully evaluates possible consequences when making certain decisions thus avoiding serious or irreversible damage to environment. Due to intensive production growth scheduled under the strategic development program of OJSC Kazanorgsintez, the Company annually prepares Environment Management Program to provide for sustainable development. Specific tasks of the Program are environmental progress and increasing of emergency reliability of production, development of environmental facilities, creation of effective monitoring system and improvement of environmental management system, and addressing of certain environmental issues.

The activity in this field is carried out based on the necessary permissive documentation, in accordance with environmental regulations and Environmental Management System, which allows not only managing, but also continuous monitoring and evaluation of the effectiveness of the Company in this area.

The Environmental Management System has been operating at OJSC Kazanorgsintez since 2005. Within the framework of Environmental Management System the ecological policy is approved, corresponding goals and tasks are assigned, standards are developed, which show the procedures for environmental management planning, handling of production and consumption wastes, relations with interested internal and outer parties, monitoring the factors influencing both environment and people, preventing and liquidation of emergency situations.

### Environmental Policy

OJSC Kazanorgsintez manufactures the organic synthesis products, inorganic products, polymers and polymer goods and understands that production processes and production wastes affect the environment, and in this connection, the Company considers Environmental Management System as one of the most important field of activity and the basis for successful development of the Company.

### Strategy

Improvement of the environment conditions and preservation of the environment for the fully-featured life of future generations are possible under complex approach to environmental activity by means of the following procedures:

- Minimization of negative impact of the industrial process on the environment;
- Reduction of raw materials and power resources consumption for the unit of output product;
- Increase of ecological and industrial safety of the processes.

## Objectives

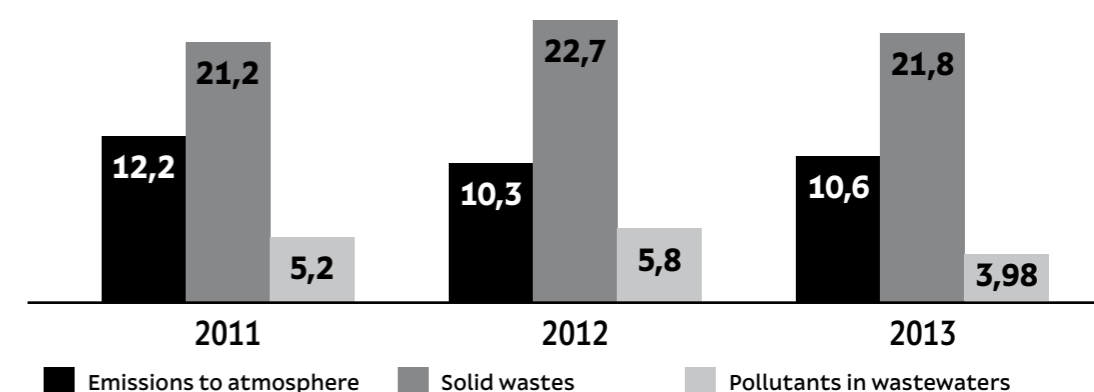
- Increase of efficiency of Environmental Management System by means of making the conditions for its effective operation in correspondence with the requirements of GOST R ISO 14001-2007;
- Arrangement of production process in accordance with the environmental protection legislation of RF and RT;
- Efficiency improvement of environmental protection equipment;
- Reduction of specific quantity of emissions, effluents and wastes;
- Integration of resource saving technologies;
- Arrangement of efficient use of raw materials and power resources;
- Arrangement of primary and secondary processes impact monitoring on the environment;
- Reduction of the number of accidents with ecological consequences through technological equipment reliability improvement, and providing safe and accident-free operation for this equipment;
- Increase the Company's personnel qualification in the field of environment protection.

In 2013 the Company operated within the frames of current environmental laws of RF and RT based on developed and approved permissive environmental documents.

Normatives for total gross emission of hazardous substances to atmosphere, water consumption limits, pollutants discharge to water basins, and waste generation limits were not exceeded in 2013.

Operation expenses for environmental protection (stat. Form No. 4-OS) in the reporting year amounted to 328.2 mln. rubles that is by 6.5 % less than in 2012. Fixed capital investments aimed to environmental protection and efficient use of natural resources (stat. Form No. 18-KS) in 2013 amounted to 66.8 mln. rubles (in 2012 – 67 mln. rubles).

### Production and consumption pollution figures of OJSC Kazanorgsintez, kt



Total amount of wastes in 2013 made 2.31% of the volume of total production output (in 2012 – 2.59 %).

The amount of pollutants emitted to the atmosphere in comparison with 2012 slightly increased by 2.9% and made 10.6 thousand tonnes whereas the fixed normative is 15.2 thousand tonnes. The increase in carbon oxide, methane and solid carbon effluents was due to increase of ethylene, HDPE and LDPE production. Atmospheric emission normative limits from main sources were not exceeded.

In the reporting year 21.8 thousand tonnes of production and consumption wastes were generated in the Company (in 2012 – 22.7 thousand tonnes), of them 5.8 thousand tonnes (in 2012 – 6 thousand tonnes) were neutralized and 1.0 thousand tonnes were utilized by the Company (in 2012 – 1.2 thousand tonnes). The remaining part of the wastes was transferred to outside organizations licensed to handle hazard wastes. Use of effective coke formation inhibitors in Ethylene production shops allowed solving both environmental task of coke wastes reduction (down to 50 tonnes per year) and the task of preventing the coke and heavy hydrocarbons getting into sewer system that negatively affects water treatment facilities.

In 2013 the Company finished construction and commissioning of treated storm waters pump station for feeding recirculation water systems 906 and 912. Currently a design assignment is developed for construction of pipelines for feeding recirculation water systems No. 509, 2051, 781, 77 with treated industrial and storm waters that would allow for further decrease in consumption of Volga-river water and, as a consequence, the amount of wastewaters discharge. In industrial wastewaters neutralization and treatment shop neutralizing agent sulfuric acid was replaced with liquid carbon oxide that led to decrease of sulfates and solids residue content in treated wastewaters by 1,140.5 tonnes and by 727.3 tonnes correspondingly.

The source of water supply is surface water of Volga-river and underground waters from artesian wells at recreation camps. In the reporting 2013 year the shop of water treatment facilities and external communications (Water intake structure) of OJSC Kazanorgsintez has drawn 27,229.6 thousand m<sup>3</sup> of water from Kuibyshev water basin (Volga river) (in 2012 – 27,196.5 thousand m<sup>3</sup>), of them 16,570.5 thousand m<sup>3</sup> were used internally and 10,659.1 thousand m<sup>3</sup> were transferred to consumers. In 2012 these figures amounted to 16,378.2 thousand m<sup>3</sup> and 10,818.3 thousand m<sup>3</sup> correspondingly.

Water withdrawal from underground sources (artesian wells) located at “Shelanga”, “Observatoria” recreation camps and “Lebyazh’e” guest house in 2013 made 5.4 thousand m<sup>3</sup> (in 2012 – 3 thousand m<sup>3</sup>).

OJSC Kazanorgsintez constantly performs works on increase of recirculation water utilization efficiency through integration of advanced technologies for water preparation and cooling towers revamp. Water consumption in recirculation water system made 564,498.4 thousand m<sup>3</sup>. Water cycle percentage made 97.2% (in 2012 – 538,275 thousand m<sup>3</sup>, 97.04%).

Release of pollutants to water bodies is performed based on the following documents: Draft Maximum Permissible Level of Substances and Microorganisms Released with Wastewaters to Surface Water Bodies, Water Pollutant Discharge Permits, Decision on Granting of Water Bodies for Use. All contaminated industrial, storm and domestic effluents of the Company undergo a treatment at treatment facilities of industrial

wastewaters neutralization and treatment shop of OJSC Kazanorgsintez where the wastewaters separately pass mechanical treatment and jointly pass biological treatment.

For preliminary treatment and neutralization of extremely polluted effluents the production shops are equipped with local treatment facilities. In the reporting year the Company discharged to Volga river 11,889.3 thousand m<sup>3</sup> of wastewaters (at established limit of 14,216.6 thousand m<sup>3</sup>/year), all effluents passed mechanical and biological treatment (2012 – 11,791.6 thousand m<sup>3</sup>). Total amount of pollutants discharged with wastewaters to Volga river in 2013 made 3.98 kta (2012 – 5.8 kta).

The residual cost of industrial nature protection assets as of the end of the year decreased comparing to 2012 by 14.8% and amounted 910 million rubles.

Main industrial nature protection assets include:

- Flare units;
- Liquid wastes thermal neutralization unit;
- Unit for collection and recycling of hydrocarbon purges with their return to the process;
- Green plantings;
- Cycle waters cooling towers;
- Effluents treatment unit;
- Other assets.

According to the “Environmental Action Plan Aimed to Prevent Harmful Environmental Impact from Production Facilities”, 65 activities were planned for protection of atmospheric air, water bodies, soil and land resources for the year 2013 (of them 53 activities were accomplished) (in 2012 – 47 activities). Total amount of expenses for environmental measures aimed to prevent harmful environmental impact from production facilities in the reporting year amounted to 142.3 million rubles (in 2012 – 123.9 mln. rubles). All expenses are for OJSC Kazanorgsintez’s account.

The complex inspection of OJSC Kazanorgsintez’s activity carried out by inter-district environmental prosecutor’s office of Federal Office of RosprirodNadzor in RT of Federal Office of RosPotrebNadzor in RT of Ministry of Ecology of RT in 1Q 2013, revealed eight violations of environmental legislation. Penalties for the violations in the area of environmental protection at OJSC Kazanorgsintez for the reporting year amounted to 0.1 mln. rubles. Improvement notices were not issued; all violations were corrected.

Payments for harmful environmental impact in 2013 amounted to 2.6 million rubles (in 2012 – 3.3 million rubles). The main reason of decrease in payments for harmful environmental impact are revision and approval of new permitting documents, absence of above-limit payments and decreasing of pollutants concentration in treated wastewaters.

In 2013 OJSC Kazanorgsintez traditionally took part in Ecolider ecological republican contest among companies of the Republic of Tatarstan and demonstrated its activity in the field of environmental protection and in Oil, Gas, Petrochemistry – 2013 Exhibition.

## Occupational and Industrial Safety

OJSC Kazanorgsintez's activity in the field of industrial and occupational safety is based on the principle of workers' life and health priority and imposes responsibility on the Company's management for creating healthy and safe conditions to form workers' sustainable motivational mechanism of safe behavior in the workplace. Every year, on an ongoing basis the Company carries out targeted work for improving the accident-free work system, for creation of safe and healthy work conditions and prevention of industrial injuries and occupational diseases.

The Company carried out the procedure of documentation and implementation of Occupational Health and Safety Management Systems (SM OZiOBT), and obtained the Certificate of Compliance of Occupational Safety Management System to international standards OHSAS 18001:2007, and GOST 12.0.230.2007.

On 21 February 2013 the admission board consisting of the Head of Civil Defence Office of Executive Committee of Kazan and Head of Communication and ACS Department of the Main Office of the Ministry of Emergency Situations of Russia in the Republic of Tatarstan accepted the local alarm system of OJSC Kazanorgsintez hazard object operating in a test mode. This system is the result of years of work of the specialists of OJSC Kazanorgsintez, Main Office of the Ministry of Emergency Situations of Russia in RT, Civil Defence Office of Executive Committee of Kazan, JSC PPO Tatsvyasproekt, OOO Private Security Company Kennard, CJSC NPO Sensor (Yaroslavl), JSC Tattelekom.

The system is a part of a Single State Warning and Emergency Recovery System of the Russian Federation and is implemented under the pursuance of the Russian President's Decree No. 1522 dd. 13.11.2012 On creation of On-site Emergency Warning System for Impending and Actual Emergency Situations.

OJSC Kazanorgsintez has the Occupational Safety Division that has been functioning in the Company from the very first start-up and carries out purposeful work on improvement of uninterrupted operation system, creation of healthy and safe work conditions, prevention of industrial injuries and occupational diseases according to the requirements of the current Russian and Tatarstan legislation, laws and regulations, as well as technical standards on occupational and industrial safety,

## Occupational Health and Safety Policy

Management and employees of OJSC Kazanorgsintez strongly believe that economic stability in the region largely depends on the stable operation of the Company, compliance of its activity to international standards including those in the area of health and safety protection at OJSC Kazanorgsintez production facilities.

Taking into account the extent of possible consequences of accidents and incidents during operation of hazardous production facilities of OJSC Kazanorgsintez and damage caused to health and safety of the employees, the Management of the Company declares provision of occupational safety to be one of priority activities of OJSC Kazanorgsintez and to be one of the determining factors in the Management System development and improvement.

### Strategy

The Management of OJSC Kazanorgsintez undertakes to take all necessary measures to prevent personnel injury and disease, constantly improve management and increase performance of occupational health and safety system. The Management of OJSC Kazanorgsintez undertakes to provide compliance of the Company's activity to the requirements set in respect of health protection and labor security.

### Objectives:

- Provision of safe work conditions for personnel and trouble-free operation for equipment;
- Provision of Occupational Health and Safety Management System functioning in accordance with OHSAS 18001:2007 and increase of its efficiency;
- Resource allocation management taking into account the significance of risks in the area of labor protection and industrial security;
- Extension of Occupational Health and Safety Management System requirements to activity of outside companies performing works at OJSC Kazanorgsintez objects;
- Giving coverage of occupational health and safety issues at OJSC Kazanorgsintez official web-site and Sintez newspaper;
- Provision of occupational health and safety for all OJSC Kazanorgsintez employees through prevention of incidents and professional diseases at workplaces;
- Observance of legislative and other normative, legal acts, collective agreements, different documents and requirements that OJSC Kazanorgsintez have undertaken to fulfill.

Health and security of the employees and of those who work around, integrity of equipment, buildings and premises is the responsibility of every single employee of OJSC Kazanorgsintez.

In 2013 Industrial Safety Department of OJSC Kazanorgsintez adhered to selected Comprehensive Program for Industrial Safety Improvement of OJSC Kazanorgsintez Production Facilities for 2012-2015. The Program includes 103 actions.

In the reporting year OJSC Kazanorgsintez re-registered its hazardous production facilities in the State Register of hazardous production facilities. Registration certificate No. A43-00117 dd. 25.12.2013 was issued.

Labor Protection Agreement between Managerial Board and Trade Union of OJSC Kazanorgsintez aimed to improve work conditions is prepared and fulfilled annually. In 2013 some 71 actions on improving work condition for total amount of 58.1 million rubles were implemented under this Agreement.

Labor protection costs in 2013 amounted to 439.5 million rubles which is by 28.2% more than that in 2012. According to the Summary Plan of the Company's Activity in the Area of Labor Protection, Industrial Safety, Industrial Work Control and Ecology, 58 complex examinations have been carried out in 2013 aiming to discover the breach of standards and rules in the field of labor protection and industrial safety.

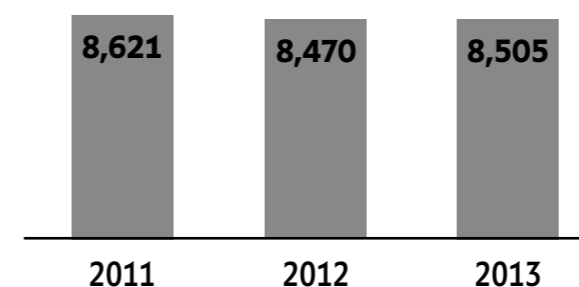
All new workers of OJSC Kazanorgsintez undergo a complex medical examination in the hospital of the Company. Workers employed with hazardous working conditions, receive special free food and milk and annually undergo medical check-ups.

The Company carries out works on certification of work places according to work conditions to satisfy the Order of the Russian Ministry of Healthcare and Social Development No. 342 dated 26.04.2011 "On Approving of Work Places Certification Procedure According to Work Conditions". Based on Order No. 232 dated 31.08.2012 of FSS RF GU – Regional RT branch "About Financing of Preventive Measures on Reduction of Industrial Injuries and Occupational Diseases of the Insured Party's Employees" in 2011 – the Company performed works on certification of work places according to work conditions for the amount of 1.1 million rubles; the works have been carried out for the account of charged insurance contributions in 2013 for mandatory social insurance against industrial accidents and professional diseases.

## Human Resources Management

Just like any production company, OJSC Kazanorgsintez is focused on maximization of profit which primarily depends on the company's manpower. For that reason OJSC Kazanorgsintez follows the policy of social responsibility to its personnel, members of their families, population of the Republic and the society in general. Relations with employees are built in correspondence with Company's development strategy, objectives and personnel policy tasks. Further, the Company developed and approved document titled Basic Directions of Personnel Policy of OJSC Kazanorgsintez from 2011 to 2015 which is followed by the Company.

**Number of personnel as of the end of the year, people**



**Personnel policy of OJSC Kazanorgsintez is based on the following principles:**

- justice;
- consecution;
- observance of labor law;
- equality;
- non-discrimination.

**The main objective of personnel policy** is timely provision of the Company with necessary number of personnel with required qualification.

### **Main areas of personnel policy:**

- determination of basic requirements to the personnel, taking into account the Company's development perspectives;
- formation of new HR structures and development of personnel management procedures;
- formation of the labour remuneration concept, moral and material personnel incentives, taking into account the planned business strategy;
- choice of the ways of personnel attraction, use, preservation and deliverance;
- social relations development;
- choice of the ways of manpower development, study, training, raising the level of their skills, career development;
- improvement of employee morale.

The number of employees as of the end of 2013 in general did not undergo significant changes compared to 2012 and made 8,505.

Selection of candidates is made based on availability of vacancies, requests from heads of departments for recruitments, prospective development plans of the Company and demand and training of qualified workers and specialists.

In 2013 the Company developed a document describing the employment

procedures – Provisions on organization of works on employment to vacancies in Kazan Open Joint Stock Company “Organichesky Sintez” approved by the Order of the General Director of OJSC Kazanorgsintez No. 252, dd 19.04.2013.

A part of vacancies of the Company are covered from local employees especially it relates to managerial positions. Such policy allows transferring of an employee having certain working experience and being familiar with production process, having all required permits to a vacant managerial position. On the other hand such practice, apparently, motivates the talented employees and gives them a real chance for carrier promotion.

Outside selection of the personnel was performed mainly through attraction of graduates by means of presentations in the education institutions and interviewing of future graduates. As a part of the targeted training program, 555 students passed the field experience training at the facilities of the Company.

In 2013 HR Department arranged 2521 transfers. Of them 254 people were transferred to higher position and for 107 workers the category was increased.

In 2013 the Company employed 793 people of them 645 workers, 11 office employees, 117 specialists, 20 managers. The number of employees having higher education hired in the reporting year made 313 people or 43%. A half of the employees recruited in 2013 (48.3%) are aged below 25 years.

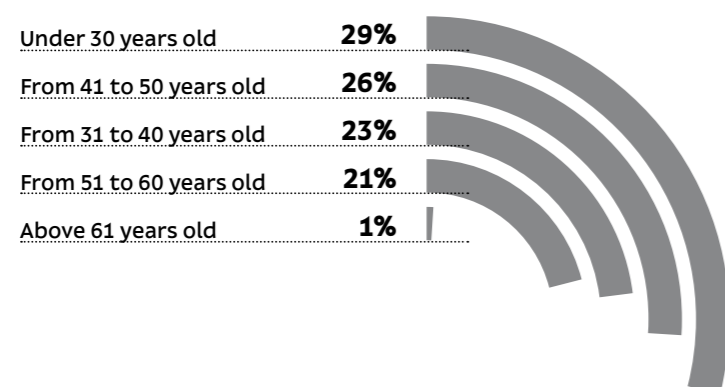
Professional education of Company’s personnel in 2013 was performed in accordance with Collective Labor Agreement of OJSC Kazanorgsintez and with Company’s Human Resources Standard prepared in correspondence with GOST R ISO 9001-2008 (ISO 9001: 2008), GOST R ISO 14001-2007 (ISO 14001 : 2004), OHSAS 18001:2007.

Investment into human capital is the strategic priority for the Company. In 2013 the Company spent 12,846 thousand rubles for training of its personnel. In the reporting year 5,849 people got the professional education, which makes 72% of the average listed number of personnel. The necessary educational base including 23 classes for personnel professional education is created. There are highly skilled pedagogical experts among the employees of the Company: teachers – 597 people and instructors – 548 people, who carry out on-job professional training. The necessary conditions for combining work and study are created for employees carrying out the education without discontinuing work. During 2013, about 4,131 employees of the Company studied without discontinuing work.

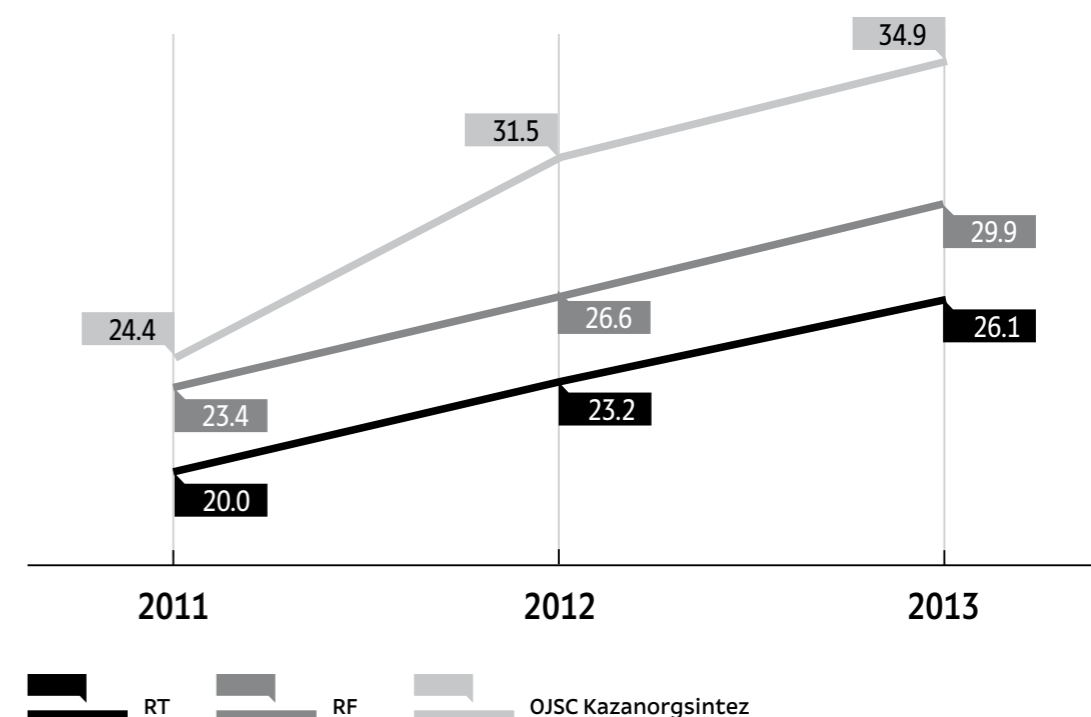
Personnel age structure is shown in the pie chart.

The number of personnel as of the end of 2013 made 8,505 people, with the increase compared to the previous year of less than 1%. Average personnel age at the Company remains at the level of 40 y.o., at the same time the share of the personnel with higher education increased insufficiently in comparison with 2012 from 42.4% to 43.1%. Moreover, among

### The structure of personnel by the age composition



### Average salary dynamics, thousand rubles



the Company’s employees there are 33 Candidates of Science and 1 Doctor of Engineering Science.

The staff turnover in comparison with the previous year decreased and made 9.2% (in 2012 – 13.7%).

Labor efficiency growth compared to 2012 increased by 2.3% in current prices and by 7% in comparable prices.

The average salary in the Company in 2013 made 34.9 thousand rubles, which is by 10.8% higher than that of 2012. The salary growth in 2013 was mainly connected with indexation of tariff rates as well as with increase of the size of awards.

As of the results of 2013, monthly average salary in OJSC Kazanorgsintez exceeded the average salary in the Republic of Tatarstan by 33.7% and the average salary in the Russian Federation – by 16.7%.

In the reporting year 1,099 employees of OJSC Kazanorgsintez were honored with different rewards. For model fulfillment of employment duties as well as for special work achievements before OJSC Kazanorgsintez and the State, 131 employees of the Company were awarded with outside acknowledgements, honorary titles and other awards.

## Social Policy and Charity

OJSC Kazanorgsintez follows a policy of social responsibility to its personnel, members of their families, population of the Republic and the society in general.

OJSC Kazanorgsintez's activity in the social field is directed to the creation and keeping up of favorable conditions for effective labor activity, creation of healthy psychological environment, and giving social support to the staff of the Company. The Company keeps its salary payment and material consideration obligations to employees.

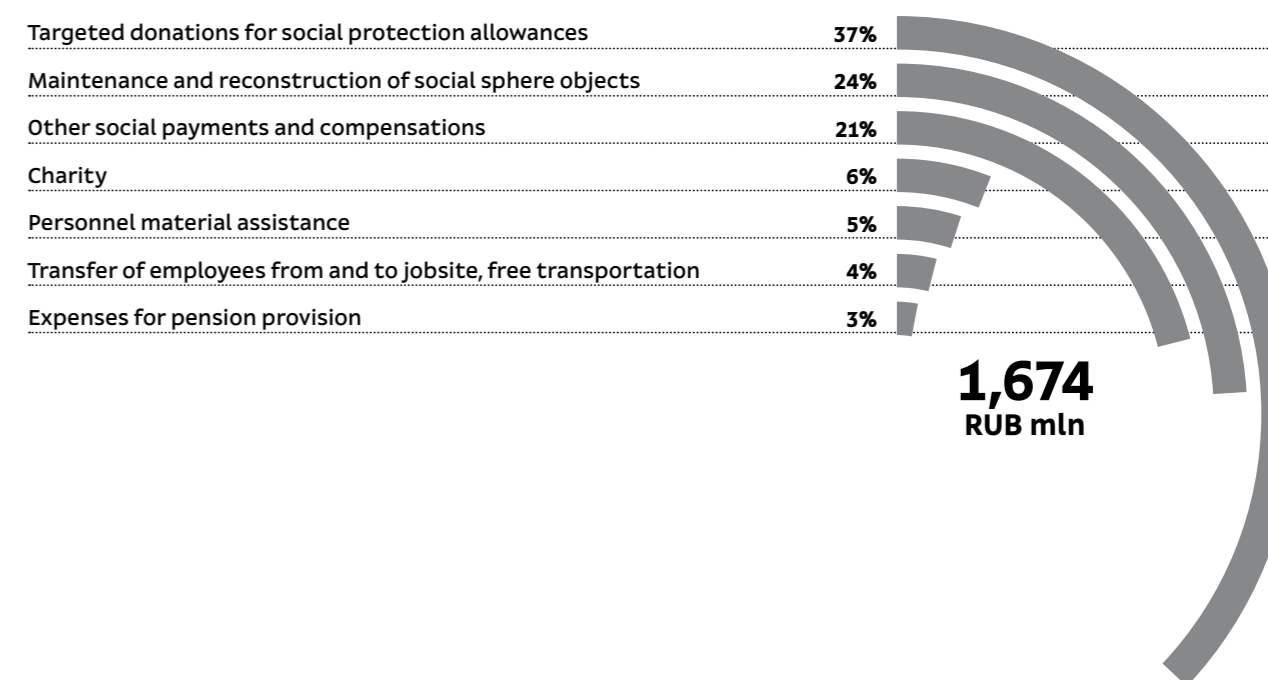
Control over relations in social and labor area between employee and employer is performed through Collective Labor Agreement. In 2013 basic statements of OJSC Collective Labor Agreement for 2011-2013 are implemented to full extent.

For the account of OJSC Kazanorgsintez the personnel was provided with different kinds of social benefits, such as: lump-sum payments to labor veterans retired on a pension, partial repayment for treatment or recreation to Company's personnel and their family members, privileges to pregnant women and to women with children, refund of payments for pre-school institutions, refund of dentoprosthetic expenses, non-state pension provision, delivery of the personnel to and from their job offices by Company's bus, allocation of funds to the Pensioners Council to render financial assistance to former Company's employees.

Aiming to harmonize the own business-purposes with the purposes of society development, OJSC Kazanorgsintez builds up a system of social guarantees and benefits according to its financial capabilities and specificity of the industry. The expenses for social field objects maintenance and social payments in 2013 made 1,674 million rubles.

The majority of the expenses falls at earmarked donation for social protection and makes 37% of total social expenses.

### Structure of social expenses and social benefits in 2013



Nine social divisions are held in inventory of OJSC Kazanorgsintez. Their activity is directed to solving the social tasks, creation the favorable conditions for labor activity and formation of the healthy psychological climate in the team:

#### Public catering complex.

OJSC Kazanorgsintez aims not only to provide its personnel with lunch, but also bears the majority of the expenses; thanks to that the employees may have proper warm meal at a discount from the price. Control over food preparation quality, assortment of dishes and service level is performed in 3 luncheon bars and 12 canteens with 1,448 seats functioning at the territory of the Company.

#### Medical and sanitary unit.

The structure of the medical-sanitary unit of OJSC Kazanorgsintez includes polyclinic with day time hospital, 2 round-the-clock working health centers and the sanatorium equipped with the up-to-date medical equipment. OJSC Kazanorgsintez takes care of the health of its personnel and places all efforts to make medical service qualitative and affordable. Company's personnel get medical services under the state program (OMS), as well as under voluntary medical insurance program (DMS). About 6,934 employees of OJSC Kazanorgsintez have undergone the annual medical examination in 2013.

### **Sintez swimming pool**

provides services to the population of the city and to OJSC Kazanorgsintez's employees on equal terms. Sport and health groups, groups for swimming lessons, aqua-aerobics and shaping groups are successfully working in the pool. Personnel of the Pool pays great attention to work with school students, to their swimming training and to attraction of children to systematic swimming exercises aimed at health promotion and cold training from early age. In the reporting period the Pool hosted 32 mass sport events with participation of 26 thousand people.

### **Housing complex**

includes 2 hostels for 393 people. The complex provides living accommodation for Company's employees. The rooms in hostels are equipped with furniture, consumer electronics and provide for weekly change of bedclothes.

### **Recreation centers: Solnechny, Shelanga, Observatoriya**

The comfortable territory and buildings equipped with all necessary facilities allow accepting the workers of the Company and members of their families for the rest at Solnechny recreation center all the year round. In summer period recreation camps Shelanga and Observatoriya are working. In winter season in Observatoria recreation center "The House of Fisherman" is opened to provide rest for the Company's employees and outsiders. In total 3,243 people had a rest in the centers during 2013. Also OJSC Kazanorgsintez takes care of the children of its personnel. Traditionally OJSC Kazanorgsintez pays special attention to children summer health promotion campaign. In 2013 due to holding of the 17th World-wide Summer Universiade the Solnechny recreation center couldn't host the Company's employees.

### **Sintez Water-rowing center**

is situated on the bank of Kazanka river. The center has the steam-ship Sintez, which is used for excursions along the river Volga for employees and guests of the Company.

### **OJSC Kazanorgsintez's History Museum**

has been working since 1977. During 2013 the museum held 143 excursions with 1,253 visitors.

Realizing that high social responsibility to all interested parties is an indisputable condition of efficiency and competitiveness enhancement, OJSC Kazanorgsintez continued to support different social projects in 2013. The priority social policy directions of OJSC Kazanorgsintez correspond to national projects being realized in the region and country.

### **Non-state pension provision**

The program of non-state pension provision of OJSC Kazanorgsintez employees has been functioning since 1999. In 2013, about 116 non-state pensions were allocated to former Company's employees. As of the end of the reporting year there were more than 2 thousand people, getting the pension from the non-state pension fund. In 2013 the Company transferred 27.4 million rubles to the non-state pension provision fund.

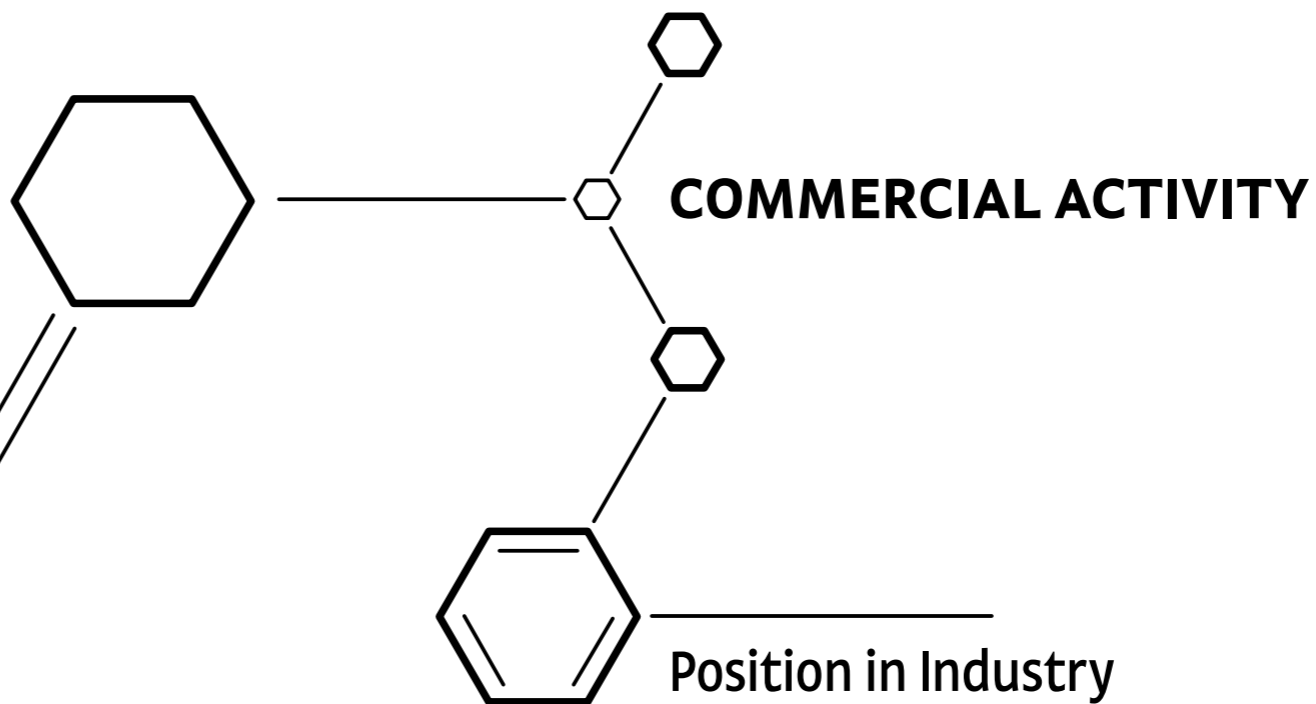
### **Charity**

Total amount of funds transferred by OJSC Kazanorgsintez for charity and sponsorship made 101.9 million rubles in 2013.

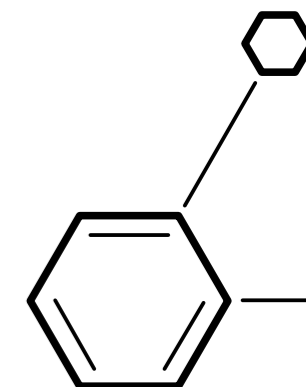
### **Provision of housing**

From 2005 to 2013 the employees of OJSC Kazanorgsintez and their families got 513 flats with total area of 32,703.0 sq.m., of them 23 flats with area of 1,666.68 sq.m. were provided in 2013.

An internal web-site and the newspaper Sintez published in the Company provide for a uniform information space at OJSC Kazanorgsintez. The basic tools of the social reporting of the Company are the official web-site of the Company [www.kazanorgsintez.ru](http://www.kazanorgsintez.ru), weekly meetings of the trade-union committee leaders, annual report of financial and economic activity of the Company. In 2014 the Company for the first time publishes "OJSC Kazanorgsintez Sustainable Development Report" for 2013 where social policy of the Company will be shown in more details.



Annually OJSC Kazanorgsintez sells over 170 kinds of various chemical products. In 2013 the commodity output made more than 900 thousand tonnes. The products correspond to international quality standards GOST R ISO 9001-2008 (ISO 9001:2008) and GOST R ISO 14001-2007 (ISO 14001:2004). Sales geography of the Company is constantly expanding that increases the share of OJSC Kazanorgsintez in the key products market. In 2013 OJSC Kazanorgsintez sold products to 28 countries of the world including Russia. Manufactured products are shipped directly to customers and through dealers system both in the large industrial regions of Russia and abroad. Nowadays about 1,000 companies are the consumers of our products.



## Basic Products Markets Review

### Ethylene Polymers and Copolymers

In 2013, the total volume of ethylene polymers and copolymers consumption in Russia made 1,710 thousand tonnes.

The volume of ethylene polymers and copolymers production in Russia made 1,715 thousand tonnes, and increased by 22% compared to 2012. The growth is determined by increase in production of HDPE from 734.9 thousand tonnes up to 1,047.9 thousand tonnes, LDPE – from 641.32 thousand tonnes up to 655.9 thousand tonnes and Sevilen – up to 11.1 thousand tonnes. The major impact to HDPE production growth was increase of outputs of LLC Stavrolen (+345% compared to the level of 2012) and JSC Gazprom NeftekhimSevilen (+52% compared to the level of 2012).

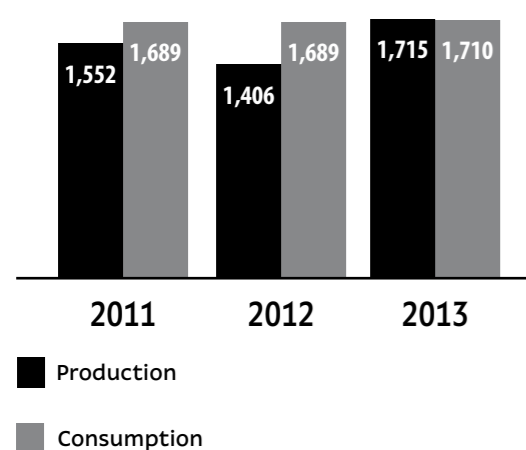
The main impact to increase of LDPE output was caused by JSC Ufaorgsintez (+8% compared to 2012) and JSC Angarsky Zavod Polymerov (+19.5% compared to 2012). The share of OJSC Kazanorgsintez in total ethylene polymers and copolymers production output in Russia in 2013 amounted to 41% (in 2012 – 46.5%).

Polyethylene export from Russia in 2013 increased by 72,3% compared to 2012 and made 416.36 thousand tonnes. The increase in LDPE and HDPE export accounted for 11.6% and 189% correspondingly.

Polyethylene import to Russia in 2013 dropped by 21.6% and made 411,13 thousand tonnes. LDPE import increased by 9% up to 124,96 thousand tonnes, HDPE import decreased by 30.2% and made 286.17 thousand tonnes when compared to the previous year.

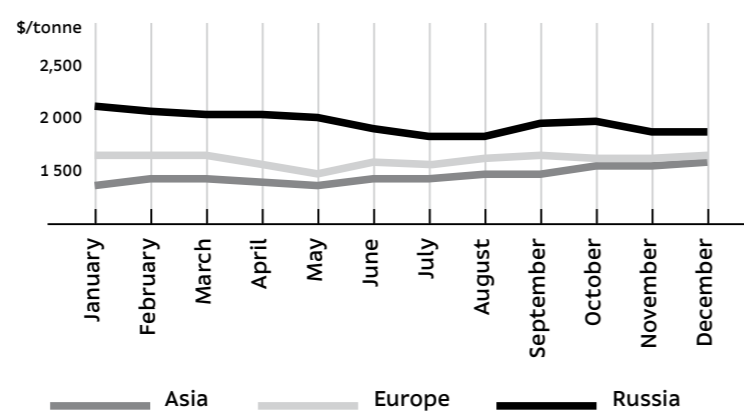
Average prices dynamics for ethylene polymers and copolymers in Russia, Europe and Asia is given in the diagram below.

**Ethylene polymers and copolymers market in Russia, kt**



Source: OJSC Kazanorgsintez

**Average ethylene polymers and copolymers prices**



Terms of supply: Europe FOB NWE, Asia CFR, Russia.

Source: OJSC Kazanorgsintez, MRC, Kortex, Khim-Kurier.

Prices at Russian and European markets are given in US dollars at average nominal rate of RF Central Bank for the period.

### Polyethylene Pipes

In 2013 total volume of polyethylene pipes consumption made 398 thousand tonnes and increased by 12% compared to the level of 2012. Consumption gain was satisfied by increasing the production capacity in the country.

Production volume in Russia increased by 13% compared to 2012 and made 390 thousand tonnes.

Main Russian polyethylene pipes producers are GK Poliplastic, OJSC Kazanorgsintez, and CJSC Tekhstroy. The share of OJSC Kazanorgsintez in total volume of polyethylene pipes production decreased from 7% in 2012 to 6.0% in 2013. That was mainly connected with production capacity growth at main competitors – GK Poliplastic (Moscow) and CJSC Tekhstroy (Kazan).

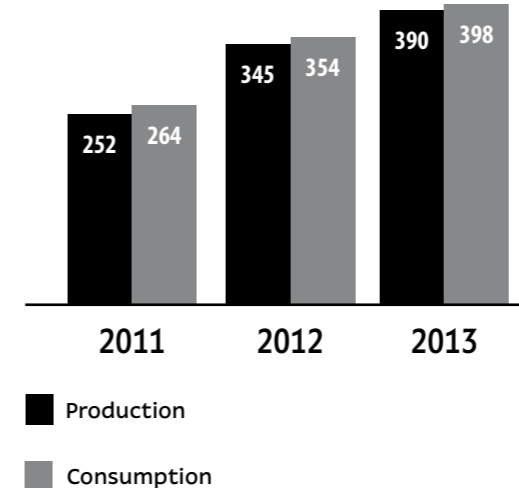
Import share in total polyethylene pipes consumption volume in Russia decreased from 3.1% in 2012 to 2.3% in 2013.

Polyethylene pipes export from Russia in 2013 dropped by 25% compared to 2012 and made 1.5 thousand tonnes.

OJSC Kazanorgsintez did not export pipes in 2013.

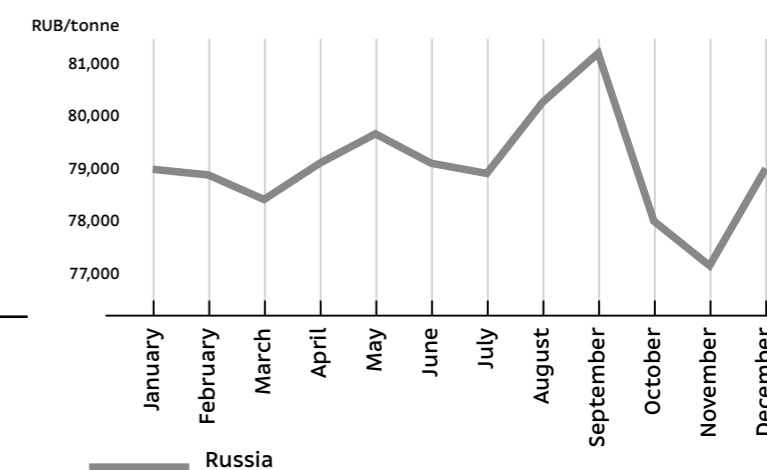
Average prices dynamics for polyethylene pipes in Russia is given in the diagram below.

**Polyethylene pipes market in Russia, kt**



Source: OJSC Kazanorgsintez

**Average polyethylene pipes prices**



Terms of supply: Russia

Source: OJSC Kazanorgsintez, MRC, Kortex, Khim-Kurier.

## Ethylene glycol

In 2013 total ethylene glycol consumption volume in Russia increased by 5% and made 298 thousand tonnes.

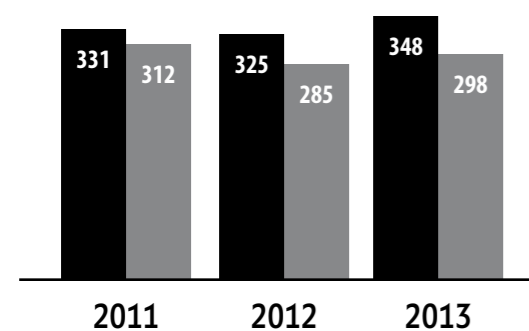
At that, production volume of ethylene glycol manufactured by Russian producers in 2013 increased by 7% and made 348 thousand tonnes. The main producers of ethylene glycol in 2013 were JSC Sibur-Neftekhim (64.1% of total production capacity), JSC Nizhnekamskneftekhim (30.8%). The increase was mainly caused by JSC Nizhnekamskneftekhim production capacity growth by 19%, and by increase of production capacities at OJSC Kazanorgsintez by 2% and JSC Sibur-Neftekhim by 2.8%. The share of OJSC Kazanorgsintez in total ethylene glycol production output in Russia in 2013 made 5.1% (on 2012 – 5.4%).

Ethylene glycol export from Russia in 2013 grew by 6.6% compared to the previous year and made 80.52 thousand tonnes. In 2013 OJSC Kazanorgsintez did not export ethylene glycols.

Ethylene glycol import volume to Russia decreased by 14% and made 31 thousand tonnes. Import share makes 10.3% from the volume of domestic market.

Average prices dynamics for ethylene glycol in Russia is given in the diagram below.

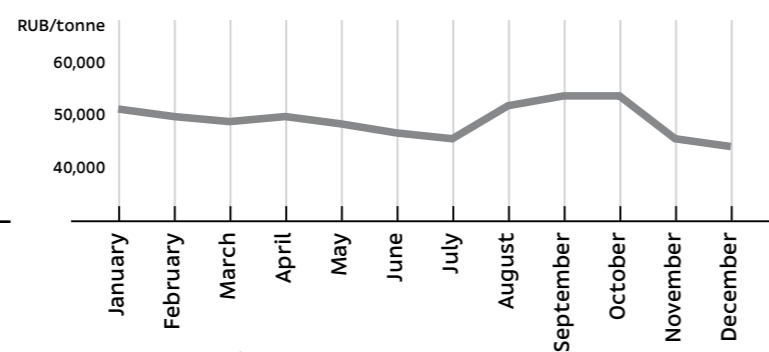
Ethylene glycol market in Russia, kt



■ Production  
■ Consumption

Source: OJSC Kazanorgsintez

Average ethylene glycol prices



— Russia

Terms of supply: Russia

Source: OJSC Kazanorgsintez, MRC, Kortez, Khim-Kurier.

## Phenol

In 2013, phenol consumption in Russia made 264 thousand tonnes that is by 3.8% less than in 2012.

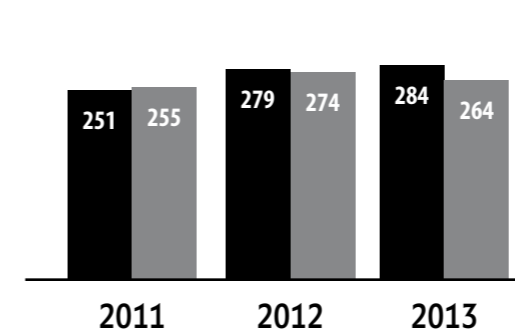
At that, phenol production capacity in Russia increased by 1.5% compared to 2012 and made 284 thousand tonnes. It was mainly connected with production capacity increase at the following companies: LLC Samaraorgsintez (+7% compared to 2012), OJSC Kazanorgsintez (+5.1% compared to 2012). However JSC Ufaorgsintez (-0,23%) and JSC Omsky Kautchuk (-7%), to the contrary, decreased the production outputs compared to 2012. The share of OJSC Kazanorgsintez in total phenol production increased from 23.3% in 2012 up to 24.2% in 2013.

Phenol export volume from Russia in 2013 increased 2 times and amounted to 22.50 thousand tonnes against 11.10 thousand tonnes in 2012.

OJSC Kazanorgsintez did not export phenol in 2013. About 84% of total produced phenol was processed internally for production of Bisphenol-A, the remaining volume was sold in domestic market due to more favorable market conditions.

Phenol import to Russia in 2013 decreased by 57.1% compared to 2012 down to 2.42 thousand tonnes which makes 1% of domestic market volume. Average prices dynamics for phenol is given in the diagram below.

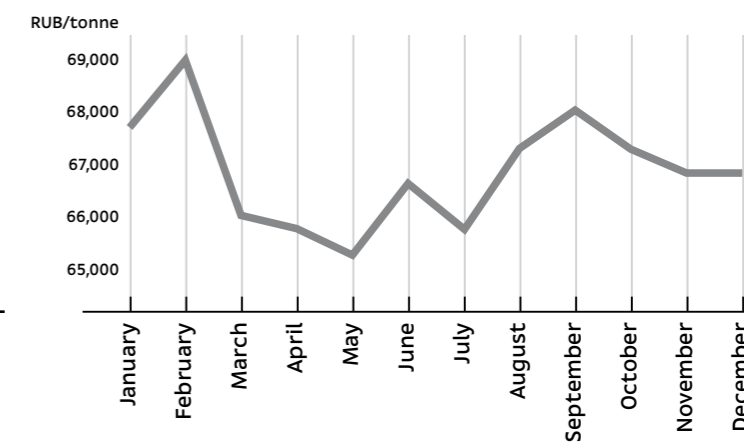
Phenol market in Russia, kt



■ Production  
■ Consumption

Source: OJSC Kazanorgsintez

Average phenol prices



— Russia

Terms of supply: Russia

Source: OJSC Kazanorgsintez, MRC, Kortez, Khim-Kurier

### Bisphenol-A

Bisphenol-A consumption at the Russian market in 2013 increased compared to the previous year by 4% and made 64 thousand tonnes. The main part of bisphenol-A consumption falls on polycarbonate production with OJSC Kazanorgsintez being the only polycarbonate producer in Russia. The remaining part is used for epoxy and phenol-formaldehyde resins production. In 2013 about 95% of total bisphenol-A produced by OJSC Kazanorgsintez was used for production of polycarbonate.

Total Bisphenol-A production volume in Russia decreased by 3.2% compared to the previous year and made 118 thousand tonnes. The main producers are OJSC Kazanorgsintez and JSC Ufaneftekhim. In 2013 bisphenol-A production capacity at OJSC Kazanorgsintez decreased by 6% compared to 2012. OJSC Kazanorgsintez's share in total production volume in Russia in 2013 made 54%.

Bisphenol-A export from Russia made 54.8 thousand tonnes, it is by 11% less than that in 2012. In 2013 OJSC Kazanorgsintez exported 5.2% of internally produced bisphenol-A. The export supplies in 2013 were mainly to European countries and were connected with most favorable market conditions. Average prices dynamics for bisphenol-A is given in the diagram below.

### Polycarbonate

The volume of polycarbonate consumption at the Russian market in 2013 did not change significantly and made 92.36 thousand tonnes. The main part of polycarbonate consumption falls on the following market segments: engineering industry, construction, electrical engineering and electronics, optical discs production.

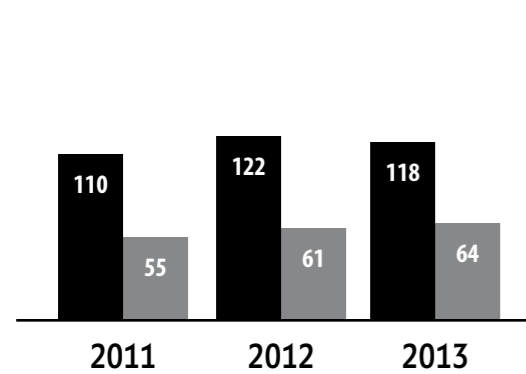
In 2013 about 68.13 thousand tonnes of polycarbonate were produced in Russia. The only polycarbonate producer in Russia is OJSC Kazanorgsintez. The first batch of polycarbonate was produced in November 2008. Annual capacity of the unit is 65 thousand tonnes.

Polycarbonate export from Russia made 19.01 thousand tonnes or 28% of total production output, which is by 31% below export volume in 2012. The majority of OJSC Kazanorgsintez's polycarbonate export volume in 2013 falls on China and EC-countries. The decrease in export volume was connected with more favorable polycarbonate price condition at domestic market.

Import of polycarbonate made 43.2 thousand tonnes and decreased by 24% compared to 2012. The main world manufacturers importing polycarbonate to Russia are SABIC, Bayer, Samsung, LG.

Average prices dynamics for polycarbonate is given in the diagram below.

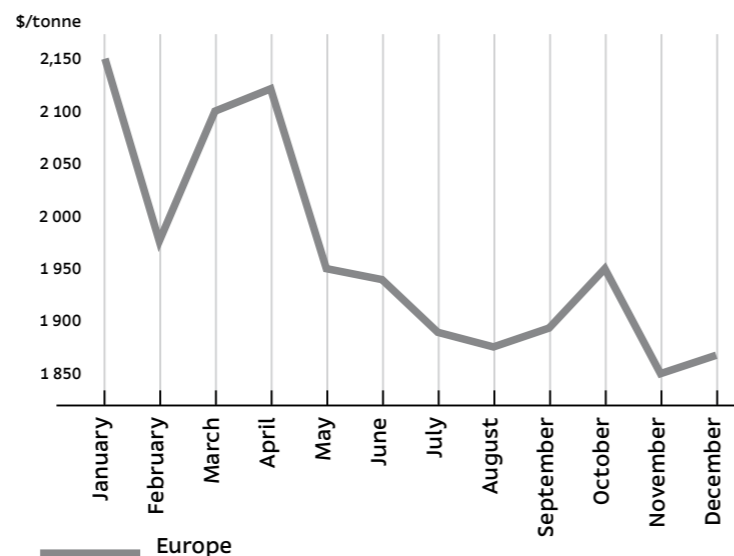
Bisphenol-A market in Russia, kt



■ Production  
■ Consumption

Source: OJSC Kazanorgsintez

Average bisphenol-A prices

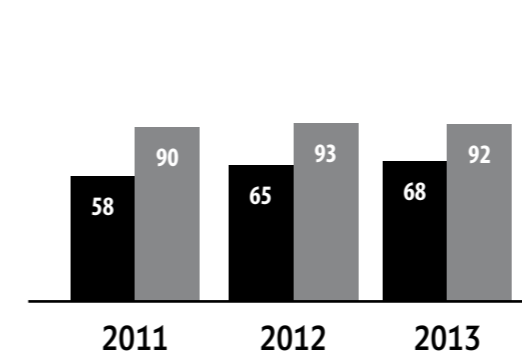


Terms of supply: Europe FD NWE

Source: OJSC Kazanorgsintez, MRC, Kortez, Khim-Kurier

Prices at European market are given in US dollars at average nominal rate of RF Central Bank for the period.

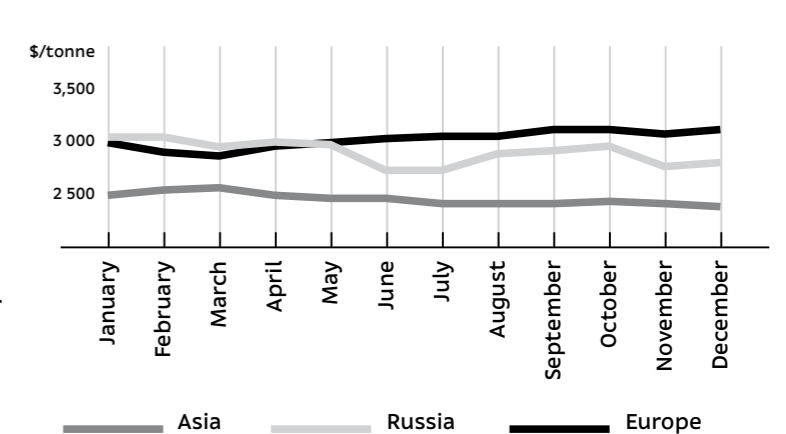
Polycarbonate market in Russia, kt



■ Production  
■ Consumption

Source: OJSC Kazanorgsintez

Average polycarbonate prices



Terms of supply: Europe FD NWE.

Source: OJSC Kazanorgsintez, MRC, Kortez, Khim-Kurier.

Prices at Russian and European markets are given in US dollars at average nominal rate of RF Central Bank for the period.

## Sales Results Review

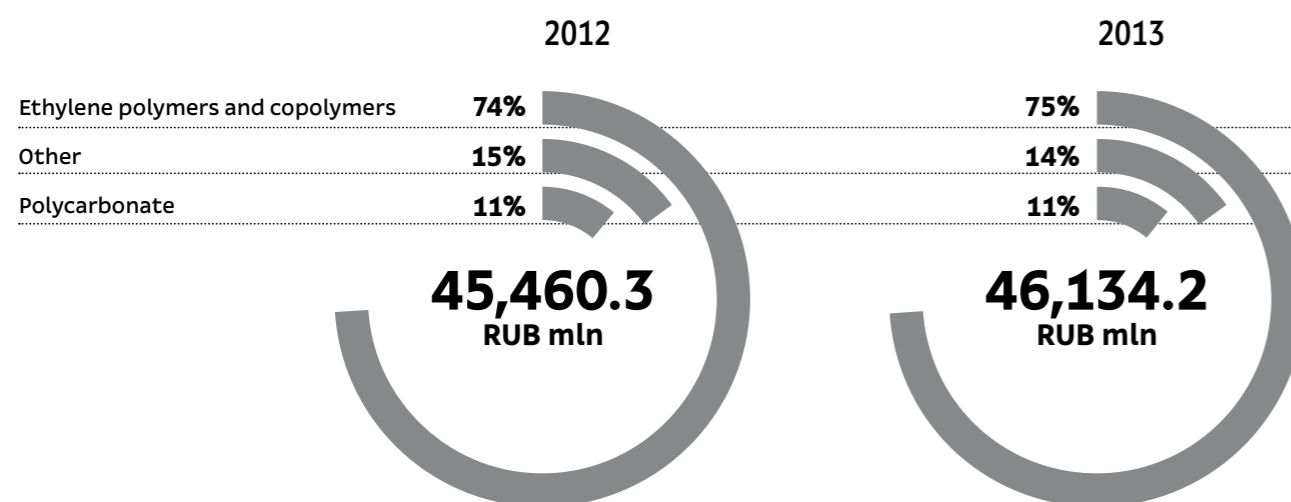
In 2013 OJSC Kazanorgsintez sold goods and services for the total amount of above 46,134.2 mln rubles, which is by 673.9 mln rubles higher than that of the previous year. The main reason of revenue growth in the reporting year was increase in the actual volume of products sold caused by additional loading of production facilities with above-plan deliveries of feed and consequential increase of production volume compared to 2012. At the mean time prices for the majority of products tended to decrease.

Due to increase of volume of products sold in 2013 revenue increment amounted to 2,808.2 mln. rubles. The majority of the increment falls on ethylene polymers and copolymers and amounts to 2,698.9 mln. rubles.

In 2013 due to change of average annual product prices OJSC Kazanorgsintez lost revenues in amount of 2,134.3 mln. rubles.

The main specific share of proceeds of sales falls on ethylene polymers and copolymers – 75% and polycarbonate – 11%. The majority of product sales are preformed within Russian Federation.

### Structure of Main Products Sales Proceeds



Selling prices for OJSC Kazanorgsintez's products are in direct relation to the prices in global and Russian goods markets. In 2013, prices for polyethylene and polyethylene pipes produced by the Company had the negative dynamics due to sufficient amount of offers from domestic and foreign producers.

### Sales of the Company are based on the following principles:

#### Achieving of the planned sales proceeds and the profit amount

- selection of deliveries to the domestic or the foreign market is aimed to maximize sales profitability;
- establishment of the highest prices depending on the market conditions, to maximize profit of the Company;
- reduction of commercial and logistics expenses by optimization of sales activity and increasing the turnover;
- priority in operation with direct processors of OJSC Kazanorgsintez's products;
- sales of products via ONLINECONTRACT electronic trading system to get the maximum profit and to provide equal access to the Company's products for all customers.

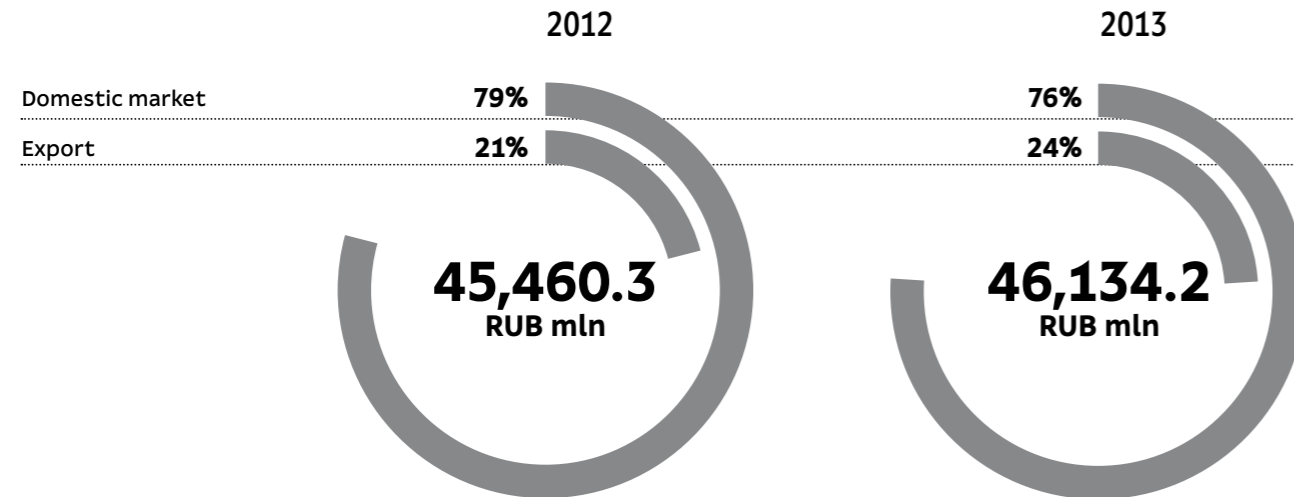
#### Provision of sustainable demand for OJSC Kazanorgsintez's products

- granting preferential terms to the regular consumers who buy significant volumes of products for a long time;
- maximum possible coverage of regions for products sales;
- expansion of the client base;
- access to the new markets for the products;
- accurate fulfillment of contractual terms and conditions.

#### New products sales increase

provision of additional related services to customers.

### Proceeds Structure by Sales Markets



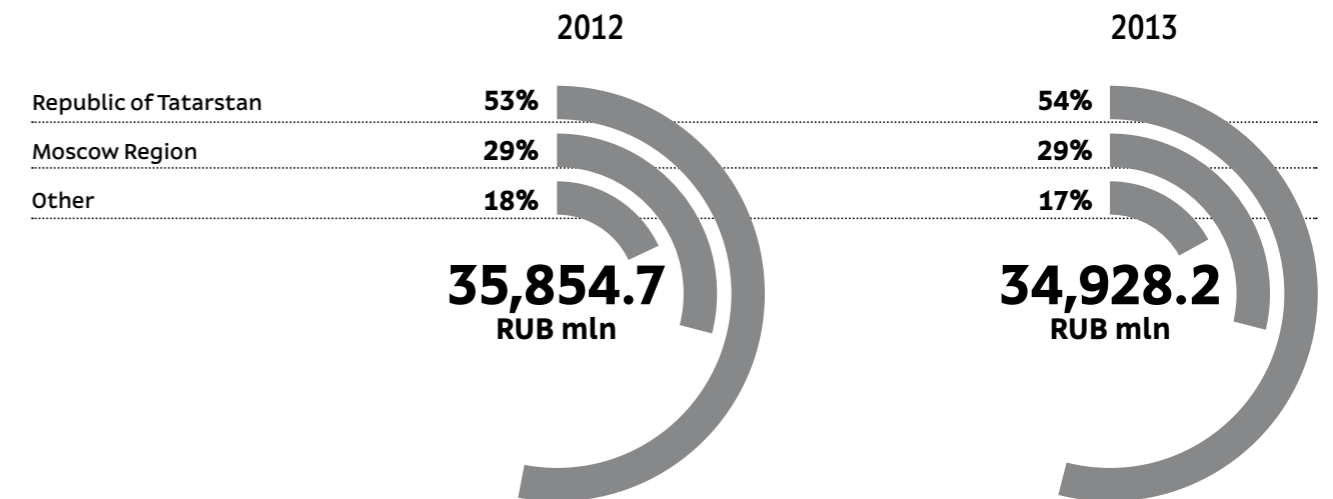
Domestic market sales proceeds from products and services amounted to 34,928 mln. rubles, which is by 2.6% less than in 2012. Export sales volume growth is connected with increase in ethylene polymers and copolymers production capacity in Russia (see Polymers and Copolymers Market Review).

Maximum revenue growth at domestic market falls on polycarbonate – increase by 34% in volume and by 25.4% in sales proceeds.

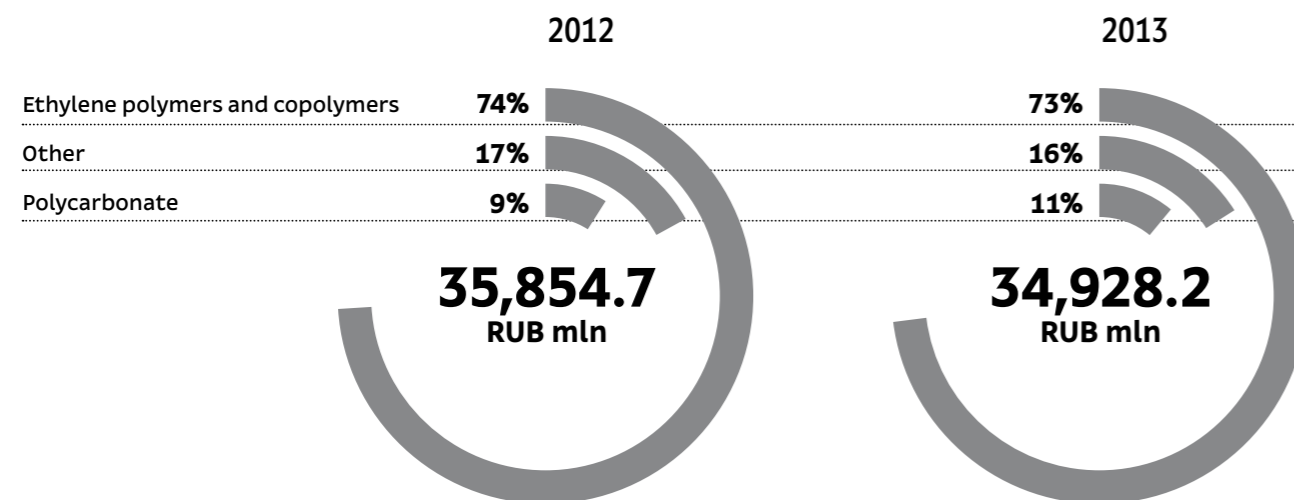
Shipment of high density polyethylene as well as pipes and fittings in natural units to the domestic market decreased compared to the previous year by 3.2% and 10.5% correspondingly. Phenol shipment increased by 120.1% due to increase in production volume. In 2013 polycarbonate sales growth in natural units made 34% compared to 2012.

The majority of OJSC Kazanorgsintez's sales at Russian market fall for Republic of Tatarstan and Moscow district (82.8%).

### Structure of Domestic Market Sales Proceeds by Regions



### Structure of Domestic Market Sales Proceeds by Main Products



In 2013 OJSC Kazanorgsintez exported products for the amount of 11,206 mln. rubles to 27 countries of the world. The Company's products are widely known and represented at the external markets of CIS countries, China, Turkey, Western and Eastern Europe, Great Britain and USA. Export proceeds increased in 2013 by 1,600.4 mln. rubles. The main impact to export proceeds growth was caused by increase in actual volume of products sold.

The share of export sales in total sales proceeds did not change substantially compared to the previous year and made 24% in the reporting year.

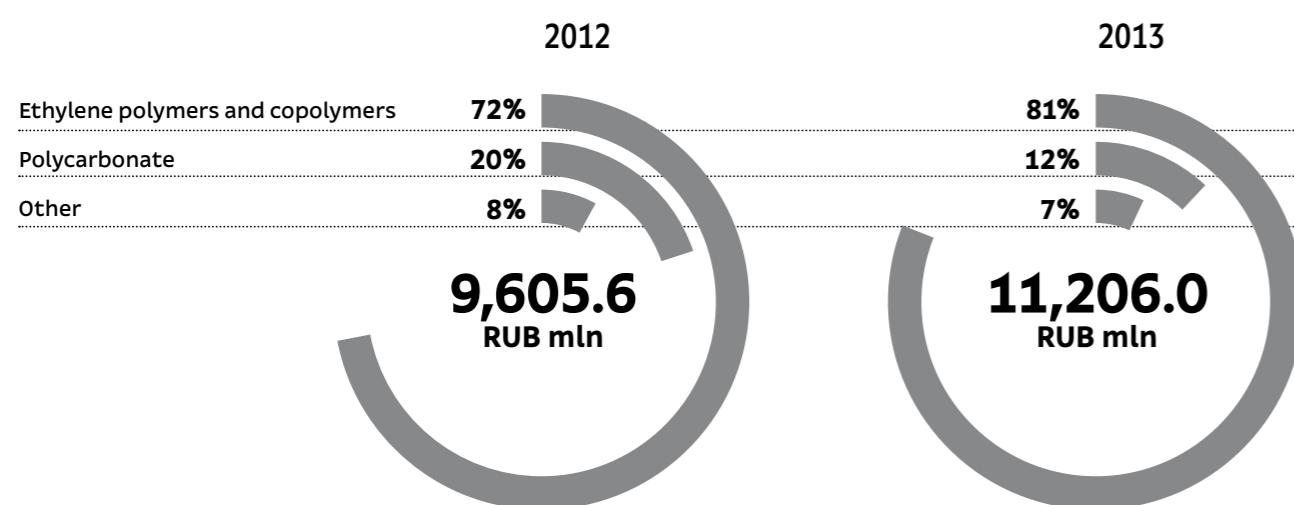
The main share in export structure still belongs to ethylene polymers and copolymers – 81% (in 2012– 72%). Share of proceeds from polycarbonate sales decreased down to 12% (in 2012 – 20%).

Compared to the previous year, physical volume of export sales in 2013 increased: for ethylene polymers and copolymers – by 32%, monoethanol amines – by 24.1%, acetone – by 11.0%. Meanwhile export sales of polycarbonate and bisphenol-A decreased by 36.2% and 69.1% correspondingly.

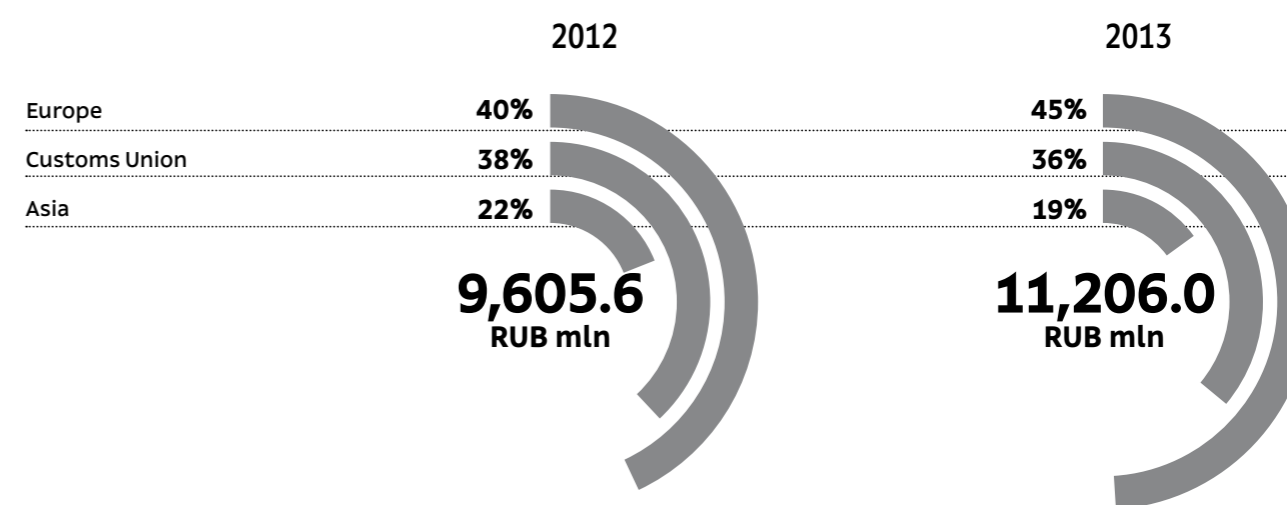
Export pricing policy for Company's products is based on international quotes for corresponding markets, on Company's wholesale prices, on prices of Russian and foreign producers; and export prices are determined based on market conditions.

In 2013 export deliveries primarily were oriented to the countries with higher level of contractual prices.

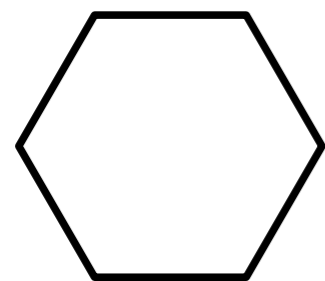
### Export Sales Proceeds Structure by Main Products



### Export Structure by directions



Compared to 2012 export sales to Kazakhstan, Ukraine and China decreased, whereas sales to Germany, Belorussia and Lithuania increased. Kazakhstan, Ukraine and China remained the main foreign markets in 2013.



## INVESTMENT ACTIVITY

In 2013 the Board of Directors approved Main Capital Investment Measures Program of OJSC Kazanorgsintez for 2013 – 2016 aimed to stabilize Company's activity and maximize loading of production facilities.

The Plan includes the following actions:

- measures on provision of Ethylene Plant stable operation and feedstock diversification;
- measures on provision of HDPE Plant stable operation;
- improvement of polycarbonate production technology;
- measures to enhance reliability of energy supply system of the entire Company.

## Capital Investment Financing

Within the scope of the Program the amount of works financed in 2013 made 1,337.31 mln. rubles. The main financed objects were:

- Measures to ensure stable operation of existing facilities, diversification of feedstock and improvement of technologies – 247 mln. rubles;
- Construction of gas distribution sub-station – 10.78 mln. rubles;
- Motor-truck and rail road-track scale – 65.85 mln. rubles;
- Heat pipeline revamp – 61.53 mln. rubles;
- Revamp of gravity-flow pressure sewer header – 161.96 mln. rubles;
- Coke removal unit – 65.4 mln. rubles;
- Re-equipment, replacement of worn-out equipment – 683.81 mln. rubles.

Financing of capital investments was performed from own resources of OJSC Kazanorgsintez.

In November 2013 the Company signed two Master Agreements with Sberbank of RF on opening of multi-currency renewable limit facility for trade financing operations with use of uncovered letters of credit for purchase of equipment – double-cell cracking furnace by Technip and extrusion line by Coperion.

## Repayment of Liabilities

Thanks to the positive dynamics observed from the beginning of 2013 in availability of raw materials, increase of production capacity and sales, OJSC Kazanorgsintez repaid credits for the amount of 4.7 bln. rubles including liability to JSC Sberbank in the amount of about 4.4 bln. rubles. Interests on credits and borrowings totalling 1.8 bln. rubles were repaid.

Liability to CJSC Raiffeizenbank was refinanced at more favorable conditions through raising the credit facilities from LLC MKB AVERS with maturity on December 31, 2013 which was extended to 31.12.2014.

As of 31.12.2013 the share of secured credits makes 80% of total credit portfolio (only Sberbank credits are secured with OJSC Kazanorgsintez's property pledge).

## Development Prospects

Currently OJSC Kazanorgsintez also considers an investment program for the next stage of development for a period of up to 2020 which foresees implementation of investment projects aimed to create new production capacities and increase the capacity output.

## Credit Rating

Starting from 2005 the credit agencies assign the international credit ratings to OJSC Kazanorgsintez. Currently the Company cooperates with Fitch Ratings credit agency.

## Fitch Ratings

Date of Rating Assignment / Revision	Issuer Default Rating	Outlook
21.11.2005	B	Stable
29.04.2008	B	Rating Watch Negative
10.11.2008	CCC	Rating Watch Negative
12.02.2009	CC	Rating Watch Negative
27.04.2009	C	Rating Watch Negative
06.11.2009	RD	-
29.07.2010	CC	-
15.08.2011	CCC	-
10.08.2012	CCC	-
09.08.2013	B-	Stable
17.12.2013	B-	Stable

On 09.08.2013 Fitch Ratings increased long-term issuer default rating of OJSC Kazanorgsintez in foreign currency from CCC to B-.

Increase of the rating reflects significant improvement of capital structure and performance figures of OJSC Kazanorgsintez.

On December 17, 2013 Fitch Ratings confirmed long-term issuer default rating of OJSC Kazanorgsintez to be at the level of B-.

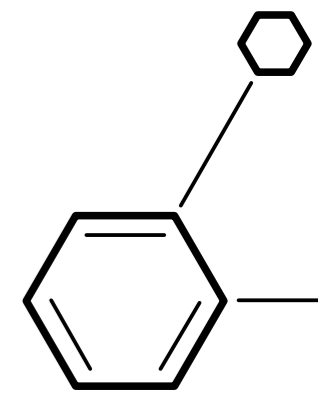
Information about credit ratings is prepared using data from website [www.fitchratings.ru](http://www.fitchratings.ru).

# CORPORATE GOVERNANCE

Corporate governance of OJSC Kazanorgsintez is carried out according to the current legislation of RF, the Charter, and other internal documents of the Company.

OJSC Kazanorgsintez's corporate governance system is based on Russian and international practice, principles of Corporate Code of Conduct recommended by RF FCSM and is aimed to keep and increase the Company's assets, to increase the market value, to maintain financial stability and profitability of the Company, and to respect the rights and interests of all persons interested in the Company's successful activity.

All the most significant events are carried out based on the open information interchange with shareholders and other interested parties.



## Structure of the Board of Directors of OJSC Kazanorgintez



**Albert K.  
Shigabutdinov**

Chairman of the Board of Directors of OJSC Kazanorgsintez until 08.08.2013

Year of birth: 1952

Graduated from Kazan Aviation Institute

From 1995 till nowadays – General Director of TAIF PSC

Honored economist of the Republic of Tatarstan

Does not hold the shares of OJSC Kazanorgsintez



**Ruslan A.  
Shigabutdinov**

Chairman of the Board of Directors of OJSC Kazanorgsintez

Year of birth: 1976.

Graduated from Kazan State University.

From 2005 till nowadays – Deputy General Director for Corporate Governance, Property and Investments TAIF PSC.

Does not hold the shares of OJSC Kazanorgsintez.



**Farid G.  
Minigulov**

Deputy Chairman of the Board of Directors of OJSC Kazanorgsintez

Year of birth: 1966.

Graduated from Kazan Chemical-Technological Institute.

From 2004 to 2012– Director of Polycarbonates Plant, OJSC Kazanorgsintez.

From June 2012 till nowadays – General Director of OJSC Kazanorgsintez.

Candidate of Chemical Sciences, Honored Chemist of the Republic of Tatarstan.

Does not hold the shares of OJSC Kazanorgsintez.



**Sergey V.  
Alekseev**

Year of birth: 1966.

Graduated from Kazan State University and Tatar Institute of Business Assistance.

From 2003 till nowadays – First Deputy General Director of JSC Svyazinvestneftekhim.

Does not hold the shares of OJSC Kazanorgsintez.



**Marat M.  
Garaev**

Year of birth: 1973.

Graduated from Saint-Petersburg University of Economics and Finances.

From 2005 to 2014 – Deputy Head of Marketing and Gas and Liquid Hydrocarbons Processing Department – Head of Industrial Products Marketing Division, JSC Gazprom.

From 2014 till nowadays – First Deputy Head of Marketing and Gas and Liquid Hydrocarbons Processing Department, JSC Gazprom.

Does not hold the shares of OJSC Kazanorgsintez.



**Evgeny A.  
Grishin**

Year of birth: 1961.

Graduated from Kazan Institute of Finance and Economics.

From 2007 to 2010 – State Advisor to the President of the Republic of Tatarstan for Economic Issues.

March 2010 – Assistant to the President of RT for Economic Issues.

From April 2010 to January 2013 – Deputy Head of Secretariat of the Tatarstan State Counsellor.

From January 2013 till nowadays – Head of Secretariat of the Tatarstan State Counsellor.

Honored Economist of the Republic of Tatarstan.

Does not hold the shares of OJSC Kazanorgsintez.



**Vladimir V.  
Presnyakov**

Year of birth: 1951.

Graduated from Kazan Chemical-Technological Institute.

From 2003 till nowadays – Deputy General Director of TAIF PSC for Refinery and Petrochemicals.

Honored Chemist of the Republic of Tatarstan.

Does not hold the shares of OJSC Kazanorgsintez.



**Rinat K.  
Sabirov**

Year of birth: 1967.

Graduated from Kazan State University.

From 2006 to 2008 – Head of Petrochemical Complex Department of RT Cabinet of Ministers.

From 2008 to 2010 – Assistant to the Prime Minister of the Republic of Tatarstan on the issues related to Petrochemical Complex.

From 2010 till nowadays – Assistant to the President of the Republic of Tatarstan.

Candidate of Chemical Sciences.

Does not hold the shares of OJSC Kazanorgsintez.



**Albert F.  
Sulteev**

Year of birth: 1974.

Graduated from Moscow State Foreign Affairs Institute (University) under the MFA of Russia.

From 2006 to nowadays – Deputy Head of Production and Sales Department, TAIF PSC.

Does not hold the shares of OJSC Kazanorgsintez.



**Dmitry I.  
Teslenko**

Year of birth: 1961.

Graduated from Leningrad Institute of Fine Mechanics and Optics.

From 2006 till nowadays – Head of Finance and Economic Department of TAIF PSC.

Honored Economist of the Republic of Tatarstan.

Does not hold the shares of OJSC Kazanorgsintez.



**Midhat R.  
Shagiakhmetov**

Year of birth: 1969.

Graduated from Kazan Institute of Finance and Economics.

From 2007 to 2009 – Head of Federal Tax Service Department in the Republic of Tatarstan.

From 2009 to 2010 – Assistant to the Prime-Minister of the Republic of Tatarstan.

From July 2010 till nowadays – Minister of Economy of the Republic of Tatarstan.

Doctor of Economic Sciences, Honored Economist of the Republic of Tatarstan.

Does not hold the shares of OJSC Kazanorgsintez.



**Rushan R.  
Shamgunov**

Year of birth: 1978.

Graduated from Kazan Technological State University and Kazan State Institute of Finance and Economics.

From 2008 to 2010 – Head of Petrochemistry and Refinery Department, TAIF PSC.

From 2010 to 2014 – Head of Petrochemistry and Refinery Division, TAIF PSC.

From February 2014 till nowadays – General Director of JSC TAIF NK.

Candidate of Engineering Sciences.

Does not hold the shares of OJSC Kazanorgsintez.

According to the Charter of OJSC Kazanorgsintez, the Board of Directors of the Company is elected for a period till the next Annual General Shareholders' Meeting and consists of eleven members, ten of them are elected by the General Shareholders' Meeting, and one member of the Board of Directors is appointed by the Direction of the President of the Republic of Tatarstan based on the special right ("golden share").

Midhat R. Shagiakhmetov, the Minister of Economy of the Republic of Tatarstan was appointed to be a representative of the Republic of Tatarstan in the Board of Directors of OJSC Kazanorgsintez, based on a special right ("golden share") in accordance with the Direction of the President of the Republic of Tatarstan No. 27 dated 16.01.2013.

### Changes in the Board of Directors in 2013

Members of the Board of Directors before the General Shareholders Meeting held on 24.04.13	Members of the Board of Directors elected at the General Shareholders Meeting held on 24.04.13	Members of the Board of Directors elected at the Extraordinary General Shareholders Meeting held on 08.08.13.
A.K. Shigabutdinov	A.K. Shigabutdinov	-
F.G. Minigulov	F.G. Minigulov	F.G. Minigulov
S.V. Alekseev	S.V. Alekseev	S.V. Alekseev
M.M. Garaev	M.M. Garaev	M.M. Garaev
E.A. Grishin	E.A. Grishin	E.A. Grishin
V.V. Presnyakov	V.V. Presnyakov	V.V. Presnyakov
R.K. Sabirov	R.K. Sabirov	R.K. Sabirov
R.N. Sulteev	R.N. Sulteev	-
A.F. Sulteev	-	A.F. Sulteev
D.I. Teslenko	D.I. Teslenko	D.I. Teslenko
M.R. Shagiakhmetov	M.R. Shagiakhmetov	M.R. Shagiakhmetov
-	R.A. Shigabutdinov	R.A. Shigabutdinov
-	-	R.R. Shamgunov

### Participation of the Board of Directors' Members in the Sessions Held in 2013

Name	Participation in sessions (times)	
	in internal form	by questionnaire (in correspondence form)
A.K. Shigabutdinov	5	1
F.G. Minigulov	6	4
S.V. Alekseev	7	4
M.M. Garaev	3	4
E.A. Grishin	7	4
V.V. Presnyakov	5	4
R.K. Sabirov	5	4
R.R. Shamgunov	2	3
R.N. Sulteev	3	1
A.F. Sulteev	1	3
D.I. Teslenko	7	4
M.R. Shagiakhmetov	5	4
R.A. Shigabutdinov	6	4

### **OJSC Kazanorgsintez's Board of Directors Report on the Company's Development Results under Priority Areas of Activity.**

In 2013 the Board of Directors held meetings in accordance with approved schedule. In total 11 meetings were held. The issues proposed for discussion by the Board of Directors were preliminarily studied by the Audit Committee and by the Personnel and Remuneration Committee of the Board for detailed review.

The following issues were discussed at the meetings of the Board of Directors: priority areas of activity of the Company; approval of revenues and expenditures budget; plans for capital investment and its financing; efficiency of production and commercial activity; fulfillment of obligations to Sberbank of Russia; the actions to improve general and economic security; affiliates performance; development of power supply reliability and efficiency program; efficiency of measures on improvement of industrial and environmental security and occupational safety; progress in settlement of social issues and other issues with the competence of the Board of Directors and foreseen by the Charter of the Company and by current Russian law.

In accordance with recommendations of the Corporate Code of Conduct and within the improvement of OJSC Kazanorgsintez's Management Structure, the following continuously operating committees were created under the Company's Board of Directors:

- Audit Committee;
- Personnel and Remuneration Committee.

The main task of the Committees is preliminary review of the most important issues within the competence of the Board of Directors and development of recommendations to the Board of Directors for decision-making.

### **Audit Committee of OJSC Kazanorgsintez's Board of Directors**

The Audit Committee shall provide for an actual participation of the Board of Directors in the control over the financial and economic activity of the Company. The Audit Committee acts in accordance with the Regulations on Audit Committee of OJSC Kazanorgsintez and Work plan, approved by the Board of Directors of the Company.

#### **Members of the Audit Committee:**

- Midhat R. Shagiakhmetov – Chairman;
- Sergey V. Alekseev;
- Dmitry I. Teslenko.

#### **Functions of the Audit Committee:**

- Preparing recommendations for preliminary confirmation of the Company's annual reports;
- Preparing recommendations for the Company's profit distribution, including the amount of dividends on shares, forms and procedures of dividend payments;
- Development of recommendations for confirmation of the candidate auditors of the Company, determination of the amount of payment for auditor's services;
- Analysis of risk management procedures efficiency, preparing recommendations for their improvement;
- Preparing recommendations for improvement of the Company's activity internal control;
- Other functions within the Committee's competence.

## Personnel and Remuneration Committee of OJSC Kazanorgsintez's Board of Directors

The Personnel and Remuneration Committee shall attract the qualified experts to the management of the Company and create necessary stimulus for their successful work. The Personnel and Remuneration Committee acts in accordance with the Regulations on Personnel and Remuneration Committee of OJSC Kazanorgsintez and Work plan, approved by the Board of Directors of the Company.

### Members of the Personnel and Remuneration Committee:

- Evgeny A. Grishin – Chairman;
- Rinat K. Sabirov;
- Ruslan A. Shigabutdinov.

### Personnel and Remuneration Committee functions:

- Preparing recommendations to the General Shareholders Meeting for determination of the amount of bonuses and compensations to the members of the Board of Directors and the Audit Commission of the Company;
- Preparing recommendations for determination the amount of compensation to the Chief Officers of the Company;
- Preparing recommendations for election the individual executive body of the Company, and the candidates for his Deputies;
- Preparing recommendations for quantitative composition and election members of the collective executive body of the Company;
- Preparing recommendations for appointment of the managers of the branches and representative offices of the Company;
- Other functions within the Personnel and Remuneration Committee's competence.

## Information on Observance of the Corporate Code of Conduct

No.	Statement of the Corporate Code of Conduct	Compliance / Noncompliance	Notes
General Shareholders Meeting			
1.	Notification of the shareholders about holding the General Shareholders Meeting minimum 30 days in advance irrespective of the issues included in the agenda if the law does not prescribe longer term	Compliance	para. 15.17. Article 15 of the Charter  para. 8.1. Article 8 Rules and Regulations for the General Shareholders Meeting
2.	Ability of the shareholders to review the list of persons entitled to take part in the General Shareholders Meeting starting from the date of announcement of the Meeting to the date of closing the attendee Meeting, and in case of correspondence Meeting – to the date of voting bulletins acceptance stop	Compliance	para. 15.18. Article 15 of the Charter  para. 7.8. Article 7 Rules and Regulations for the General Shareholders Meeting
3.	Ability of the shareholders to review the information (materials) to be presented during preparation to the General Shareholders Meeting through electronic means of communication including Internet	Compliance	para. 15.18. Article 15 Of the Charter  para. 8.6. Article 8 Rules and Regulations for the General Shareholders Meeting
4.	Ability of the shareholders to bring an issue to the agenda of the General Shareholders Meeting and to require calling the Meeting without provision of extract from the shareholder register, if his right to shares is registered in shares registry system, and if his right to shares is registered in securities account – sufficiency of an abstract from securities account to execute above rights	Compliance	para. 15.19. Article 15 of the Charter  para. 7.8. Article 7 Rules and Regulations for the General Shareholders Meeting
5.	Existence of the provision in the Company's internal documents about mandatory attendance of general director, members of management board, members of inspection commission and auditor at General Shareholders Meeting	Noncompliance	Specified persons usually attend the General Shareholders Meetings held, however, Company's internal documents do not contain provisions on their mandatory attendance at General Shareholders Meeting
6.	Mandatory attendance of candidates at General Shareholders Meeting when discussing the issues related to election of members of the Board of Directors, General Director, management board, inspection commission as well as the issue related to approval of Company's auditor	Noncompliance	Specified persons usually attend the General Shareholders Meetings held, however, Company's internal documents do not contain provisions on their mandatory attendance at General Shareholders Meeting

No.	Statement of the Corporate Code of Conduct	Compliance / Noncompliance	Notes
7.	Presence of General Shareholders Meeting participants registration procedure in the internal documents of the Company	Compliance	Article 9 Rules and Regulations for the General Shareholders Meeting
<b>Board of Directors</b>			
8.	Existence of the powers of the Board of Directors to annually approve financial and economic plan of the Company	Compliance	para.16.2.1. Article16 Of the Charter
9.	Existence of Company's risk management procedure approved by the Board of Directors	Compliance	Risk Management as per para.17.5 Article17 of the Charter is assigned to Management Board
10.	Existence of the powers of the Board of Directors to make decisions regarding suspension of powers of the General Director appointed by General Shareholders Meeting, stipulated in the Charter of the Company	Compliance	para.16.2.30. Article16 of the Charter
11.	Existence of the powers of the Board of Directors to set requirements to qualification and amount of remuneration to the General Director, Members the Management Board, Head of main structural subdivisions, stipulated in the Charter of the Company	Compliance	para.16.2.32. Article16 of the Charter
12.	Existence of the powers of the Board of Directors to approve terms and conditions of agreements with General Director and management Board Members, stipulated in the Charter of the Company	Compliance	para.16.2.32., 16.2.38. Article16 of the Charter
13.	Existence of the requirement stipulated in the Charter or internal documents of the Company saying that when approving the terms of the contract with General Director (managing company, managing officer) and members of Management Board the votes of members of the Board of Directors being the General Director and members of Management Board shall not be taken into account during counting of votes.	Noncompliance	Such requirement is not provided in the Charter and internal documents of the Company
14.	Presence in the Company's Board of Directors of at least three independent directors complying to the Corporate Code of Conduct	Compliance	Such members of the Board of Directors are present
15.	Absence in the Company's Board of Directors of persons who were find guilty of misdeed in the area of business activity or misdeeds against state power, interests of state authorities and work in local governing authorities; or who were invoked to a punishment for a law violation in the area of entrepreneurial activities or in the area of finance, taxes and fees, securities market.	Compliance	Such persons are not present in the Company's Board of Directors

No.	Statement of the Corporate Code of Conduct	Compliance / Noncompliance	Notes
16.	Absence in the Company's Board of Directors of persons being a member, general director (managing officer), member of managing body or a member of a legal person competing to the Company.	Compliance	Such persons are not present in the Company's Board of Directors
17.	Existence of the requirement stipulated in the Charter of the Company on election of the Board of Directors through cumulative voting	Compliance	para.16.5. Article 16 of the Charter
18.	Presence of obligation for the Board of Directors members in internal documents of the Company to refrain from actions which will lead or potentially may lead to conflict between their interests and interests of the Company; and in case of such conflict – the obligation to disclose information of such conflict to the Board of Directors	Compliance	para.3.3. Article 3 Rules and regulations for the Board of Directors
19.	Presence of obligation for the Board of Directors members in internal documents of the Company to inform in the written form the Board of Directors about their intention to make a transaction with securities of the Company to which Board of Directors they belong or in case they belong to the Board of Directors of its affiliated (dependent) companies; and to disclose information on transactions made with such securities	Compliance	para.3.3. Article 3 Rules and regulations for the Board of Directors
20.	Presence of the requirement to hold the meetings of the Board of Directors minimum once per six weeks, stipulated in the internal documents of the Company.	Compliance	para. 8.14. Article 8 Rules and regulations for the Board of Directors
21.	Holding of the Company' Board of Directors meetings with regularity of at least once per six weeks during the year for which the annual report is prepared	Compliance	In 2013 eleven Board of Directors meetings were hold
22.	Presence of Procedures for Board of Directors Meetings, stipulated in the internal documents of the Company.	Compliance	Article 8 Rules and regulations for the Board of Directors
23.	Existence of the provision in the Company's internal documents about the necessity for Board of Director's approval of Company's transactions for amounts above 10 and more percents of Company's assets excluding transactions made during normal business activity.	Compliance	n.16.2.41. Article16 Of the Charter
24.	Existence of the Board of Directors' right contained in the company's internal documents to obtain from Executive Bodies and Heads of the main Company's divisions of the information required to perform their functions; as well as liability for provision of such information	Compliance	para. 21.3. Article 21 Of the Charter, para.11.3. Article 11 Rules and regulations for the Board of Directors  Liability for non-provision of such information is provided in labor legislation

No.	Statement of the Corporate Code of Conduct	Compliance / Noncompliance	Notes
25.	Existence of Board of Director's Committee on Strategic Planning or entrusting the functions of such Committee on other Committee (except for Audit Committee and Personnel and Remuneration Committee)	Noncompliance	n.16.2.36 Article16 of the Charter, possibility to create the Board of Director's Committee is foreseen. The Committee is not created.
26.	Existence of a Committee of the Board of Directors (Audit Committee) which recommends to the Board of Directors an Auditor and communicate with the Auditor and Audit Commission of the Company	Compliance	Regulations on Audit Committee of the Board of Directors
27.	Presence of independent and non-executive Directors in the structure of the Audit Committee	Compliance	Members of Audit Committee are independent
28.	Managing of the Audit Committee by an independent director	Compliance	Audit Committee chairman is an independent director
29.	Existence of Audit Committee's members' right contained in the company's internal documents to have access to any information and documents of the Company provided non-disclosure of such confidential information	Compliance	Article 5 Regulations on Audit Committee of the Board of Directors
30.	Creation of a Committee of the Board of Directors (Personnel and Remuneration Committee) which will define the criteria for selection of candidates to the Board of Directors and develop Company's policy for remuneration	Compliance	Regulations on Personnel and Remuneration Committee of the Board of Directors
31.	Managing of the Personnel and Remuneration Committee by an independent director	Compliance	Personnel and Remuneration Committee chairman is an independent director
32.	Absence of Company's officers in the Personnel and Remuneration Committee	Compliance	Company's officers are not present of the Personnel and Remuneration Committee
33.	Creation of Board of Director's Risk Committee or entrusting the functions of such Committee on other Committee (except for Audit Committee and Personnel and Remuneration Committee)	Noncompliance	n.16.2.36 Article 16 of the Charter, possibility to create the Board of Director's Committee is foreseen. The Committee is not created.
34.	Creation of Board of Director's Corporate Conflict Management Committee or entrusting the functions of such Committee on other Committee (except for Audit Committee and Personnel and Remuneration Committee)	Noncompliance	n.16.2.36 Article 16 of the Charter, possibility to create the Board of Director's Committee is foreseen. The Committee is not created
35.	Absence of Company's officers in the Corporate Conflict Management Committee	Noncompliance	The Committee is not created

No.	Statement of the Corporate Code of Conduct	Compliance / Noncompliance	Notes
36.	Managing of the Corporate Conflict Management Committee by an independent director	Noncompliance	The Committee is not created
37.	Existence of Company's internal documents approved by the Board of Directors regulating creation and operation procedures for the Board of Directors Committees	Compliance	Regulations on Audit Committees of the Board of Directors
38.	Existence in the Charter of the Company of a procedure for defining the quorum of the Board of Directors allowing for mandatory participation of independent directors in the meetings of the Board.	Noncompliance	The Charter does not contain such requirement
<b>Executive Bodies</b>			
39.	Existence of collective executive body (Management) of the Company	Compliance	Regulations on Executive Directorate
40.	Existence of the provision contained in the Charter or internal documents of the Company that specifies the necessity for Management's approval of real-estate transactions and obtaining credits by the Company if such transactions do not relate to major transactions and to normal business activity of the Company.	Compliance	para. 17.5.15. Article 17 Regulations on Executive Directorate
41.	Existence in the Charter of the Company of a procedure for approval of transactions outside the finance and economic plan of the Company	Compliance	All transactions beyond the finance and economic plan of the Company are considered by the Board of Directors. As per para.16.2.41. Article 16 of the Charter, the competence of the Board of Directors includes approval of the Company's transactions for amount of 10 percent and more of Company's assets.
42.	Absence in the Company's Executive Bodies of persons being a member, general director (managing officer), member of managing body or a member of a legal person competing to the Company.	Compliance	Such persons are not present in the Company's Board of Directors
43.	Absence in the Company's Executive Bodies of persons who were find guilty of misdeed in the area of business activity or misdeeds against state power, interests of state authorities and work in local governing authorities; or who were invoked to a punishment for a law violation in the area of entrepreneurial activities or in the area of finance, taxes and fees, securities market. Should the functions of individual executive body are performed by a managing company or managing officer – correspondence of the general director and officers of the managing company to requirements specified for General Director and executive officers of the Company	Compliance	Such persons are not present in the Company's Executive Bodies

No.	Statement of the Corporate Code of Conduct	Compliance / Noncompliance	Notes
44.	Existence in the Charter or internal documents of the Company of an interdiction for a managing company (officer) to perform similar functions in a competing company and stay in any other property relations with the Company beyond the function of managing company (officer)	Noncompliance	Functions of an individual executive body of the Company were not transferred to a managing company (officer).
45.	Presence of obligation for the Executive Bodies members in internal documents of the Company to refrain from actions which will lead or potentially may lead to conflict between their interests and interests of the Company; and in case of such conflict – the obligation to disclose information of such conflict to the Board of Directors	Compliance	para. 3.3. Article 3 Regulations on Executive Directorate
46.	Existence in the Charter or internal documents of the Company of criteria for selection of a managing company (officer)	Noncompliance	Functions of an individual executive body of the Company were not transferred to a managing company (officer).
47.	Provision of the Executive Body's monthly job reports to the Board of Directors	Compliance	para. 3.5. Article 3 Regulations on Executive Directorate
48.	Provision in the contracts signed by the Company with general director (managing company, officer) and members of the Board of responsibility for violation of statements on use of confidential and inside information.	Compliance	Article 18 of the Charter
<b>Secretary of the Company</b>			
49.	Existence in the Company of a special officer (Secretary of the Company) responsible for enforcement of procedural requirements by the bodies and officers of the Company assuring rights and legal interests of the shareholders of the Company.	Compliance	A position of the Secretary of the Company is not foreseen. This function is in the competence of Corporate Governance Department
50.	Existence in the Charter or internal documents of the Company of a procedure for appointment (election) of the Secretary of the Company and his duties.	Noncompliance	A position of the Secretary of the Company is not foreseen.
51.	Existence in the Charter of the Company of requirements to a candidate to the Secretary of the Company	Noncompliance	A position of the Secretary of the Company is not foreseen.
<b>Significant Corporate Actions</b>			
52.	Existence of the requirement contained in the Company's Charter or internal documents about approval of the significant transaction before settling such transactions.	Compliance	para.15.2.12. of the Charter
53.	Mandatory engaging of an independent assessor for assessing the market value of the property being a subject of major transaction	Compliance	Independent assessor is engaged

No.	Statement of the Corporate Code of Conduct	Compliance / Noncompliance	Notes
54.	Existence in the Charter of the Company of an interdiction (when acquisition of major stock of Company's shares) for any actions aimed to protection of interests of executive bodies (members of such bodies) and members of the Board of Directors and impairing shareholders condition compared to the current state (in particular interdiction for making decision by the Board of Directors on issue of additional shares, on issue of securities convertible to shares or securities giving rights for acquisition of Company's shares prior to expected acquisition dates even if such right is provided to the Board by the Charter)	Noncompliance	Not provided in Charter and internal documents
55.	Existence in the Charter of the Company of a requirement about mandatory engagement of an independent assessor for assessing current market value of shares and possible change of their market price due to merger	Noncompliance	Not provided in Charter and internal documents. Shares of the Company are traded at ZAO MICEX Stock Exchange where their current price is determined.
56.	Non-existence in the Charter of the Company of a release of an acquirer from obligation to propose shareholders to sell the ordinary shares of the Company (issuable securities converted into ordinary shares) during the merger	Noncompliance	Not provided in Charter
57.	Existence in the Charter and internal documents of the Company of a requirement about mandatory engagement of an independent assessor to determine correlation of stocks conversion during restructuring	Noncompliance	Not provided in Charter and internal documents
<b>Information Disclosure</b>			
58.	Existence of an internal document approved by the Board of Directors determining procedures and approaches of the Company to information disclosure (Regulations on information policy)	Compliance	Information disclosure is performed as per Russian legislation
59.	Existence in internal documents of the Company of a requirement about disclosure of information on purpose of placement of shares, persons intending to purchase the placed shares, including major stock of shares, and information whether Chief Executives of the Company shall take part in acquisition of placed shares.	Compliance	Information disclosure is performed as per Russian legislation
60.	Existence of list of information, documents and materials contained in the company's internal documents that shall be made available to the shareholders to settle the issues brought to the General Shareholders Meeting	Compliance	Article 21 of the Charter
61.	Existence of Company's web-site and regular Company's information disclosure on this site.	Compliance	www.kazanorgsintez.ru

No.	Statement of the Corporate Code of Conduct	Compliance / Noncompliance	Notes
62.	Existence in internal documents of the Company of a requirement about disclosure of information on transactions of the Company with persons classified as per the Charter as Chief Executives of the Company; as well as information on Company's transactions with companies where Chief Executives of the Company directly or indirectly possess above 20 percent of authorized capital or to which such persons may significantly impact otherwise.	Compliance	Information disclosure is performed as per Russian legislation
63.	Existence in internal documents of the Company of a requirement about disclosure of information about all transactions that may affect the market value of the Company's shares.	Compliance	Information disclosure is performed as per Russian legislation
64.	Existence of an internal document approved by the Board of Directors determining the procedures of use of essential information about Company's activity, shares and other securities of the Company and transactions with them which is not publically known and such disclosure may materially affect the market value of the Company's shares and other securities.	Compliance	Information disclosure is performed as per Russian legislation
<b>Control over Financial and Economic Activity</b>			
65.	Existence of procedures of internal control over financial and economic activity of the Company approve by the Board of Directors	Compliance	Regulations on Company's Internal Control Service approved by the Board decision dd. 02.11.2012
66.	Existence of a special department in the Company providing observance of internal control procedures (control and supervision service)	Compliance	Internal Control Service is created and functioning in the Company.
67.	Existence in internal documents of the Company of a requirement about structure and composition of the control and supervision service approved by the Board of Directors.	Compliance	Regulations on Company's Internal Control Service approved by the Board decision dd. 02.11.2012
68.	Absence in control and supervision service of persons who were find guilty of misdeed in the area of business activity or misdeeds against state power, interests of state authorities and work in local governing authorities; or who were invoked to a punishment for a law violation in the area of entrepreneurial activities or in the area of finance, taxes and fees, securities market.	Compliance	Such persons are not present in control and supervision service
69.	Absence in control and supervision service of persons being a member of Executive Bodies of the Company and persons being a member, general director (managing officer), member of managing body or a member of a legal person competing to the Company.	Compliance	Such persons are not present in control and supervision service

No.	Statement of the Corporate Code of Conduct	Compliance / Noncompliance	Notes
70.	Existence in internal documents of the Company of dates of submission of documents and materials to control and supervision service for evaluation of business transaction conducted, as well as provisions determining the responsibility of officers and employees of the Company for failure to submit within specified terms.	Compliance	Regulations on Company's Internal Control Service approved by the Board decision dd. 02.11.2012
71.	Existence in internal documents of the Company of responsibility of the control and supervision service to inform the Audit Committee of detected violations (and in case such Audit Committee is not available – inform the Board of Directors)	Compliance	Regulations on Company's Internal Control Service approved by the Board decision dd. 02.11.2012
72.	Existence in the Charter of the Company of requirement about preliminary feasibility study by control and supervision service of a transactions not foreseen in business plan of the Company ( Наличие в уставе акционерного общества требования о предварительной оценке контрольно-ревизионной службой целесообразности совершения операций, не предусмотренных финансово-хозяйственным планом акционерного общества (nonstandard transactions)	Noncompliance	Such requirement is not foreseen in the Charter of the Company
73.	Existence in internal documents of the Company of procedure for approval the nonstandard transactions with the Board of Directors.	Noncompliance	Such requirement is not foreseen in the internal documents of the Company. All nonstandard transactions are considered by the Board of Directors
74.	Existence of the internal document approved by the Board of Directors defining the procedure of Company's financial and economic activity audit performed by Audit Commission	Compliance	Regulations on Audit Commission
75.	Evaluation of the Auditor's Report by the Audit Committee before presentation it to the General Shareholders Meeting	Compliance	para. 3.1. Article 3 Regulations on Audit Committee of the Board of Directors
<b>Dividends</b>			
76.	Existence of the internal document approved by the Board of Directors regulating the Board of Director's decision in respect of the amount of the dividends (Regulations on dividend policy)	Compliance	As per para.10.17 article 10 of the Charter holders of preference shares have a preferential right for dividends in amount of 25% of nominal value of the share.

No.	Statement of the Corporate Code of Conduct	Compliance / Noncompliance	Notes
77.	Existence in Regulations on dividend policy of a procedure for determination of minimum fraction of Company's net profit allocated for dividends distribution and condition under which dividends on preference shares are not paid or paid not to the full extent in case such dividends are specified in the Charter of the Company.	Compliance	Rights of preference shareholders are defined in para.10.17-10.24 Article 10 of the Charter.
78.	Publishing of Company's dividend policy and modifications in periodical publication provided in the Charter of the Company for publishing the information about holding the General Shareholders Meetings and posting the above information at Company's web-site	Compliance	Information disclosure is performed as per Russian legislation

## Structure of Executive Board of OJSC Kazanorgsintez



**Farid G.  
Minigulov**

Chairman of the Management Board of OJSC Kazanorgsintez.

Year of birth: 1966.

Graduated from Kazan Chemical-Technological Institute.

From 2004 to 2012 – Director of Polycarbonates Plant, OJSC Kazanorgsintez.

From June 2012 till nowadays – General Director of OJSC Kazanorgsintez.

Candidate of Chemical Sciences, Honored Chemist of the Republic of Tatarstan.

Does not hold the shares of OJSC Kazanorgsintez.



**Zinnur A.  
Akhmetgaleev**

Year of birth: 1958.

Graduated from Kazan State Technological University.

From 2007 to 2009 – Director of LLC Stroy-Uslugi, Naberezhnye Chelny.

From 2009 to 2013 – Deputy Head of Division, First Deputy Head of Department of Municipal Organization "Capital Construction and Reconstruction Department of Executive Committee", Kazan.

From March 2013 till nowadays – Deputy General Director for Capital Construction, OJSC Kazanorgsintez.

Does not hold the shares of OJSC Kazanorgsintez.



**Rinat T.  
Zaripov**

Year of birth: 1966.

Graduated from Kazan State Technological University.

From 2008 to 2013 – Chief Engineer of Ethylene Plant, OJSC Kazanorgsintez.

From January 2013 till nowadays – Deputy General Director for Production, OJSC Kazanorgsintez.

Honored Chemist of the Republic of Tatarstan.

Stake in authorized capital of OJSC Kazanorgsintez – 0.0002%, no ordinary shares.



**Larisa N.  
Kaleeva**

Year of birth: 1957.

Graduated from Kazan Institute of Finance and Economics.

From 2006 till nowadays – Chief Accountant of OJSC Kazanorgsintez.

Honored Economist of Tatarstan Republic.

Stake in authorized capital of OJSC Kazanorgsintez – 0.013%, stake of ordinary shares – 0.0017%.



**Fanis M.  
Kalimullin**

Year of birth: 1969.

Graduated from Kazan Institute of Finance and Economics.

From 2007 to 2010 – Deputy Director for Finance and Economy, OJSC Kazanorgsintez.

From 2011 to 2013 – Head of Finance and Economy Department, OJSC Kazanorgsintez.

From January 2013 till nowadays – Deputy General Director for Economy and Finance, OJSC Kazanorgsintez.

Honored Economist of the Republic of Tatarstan.

Stake in authorized capital of OJSC Kazanorgsintez – 0.0001%, no ordinary shares.



**Rafael A.  
Safarov**

Year of birth: 1965.

Graduated from Kazan State Chemical-Technological University and Kazan State University named after V.I. Ulyanov-Lenin.

From 2005 to 2010 – Chief Engineer of Organic Products Plant, OJSC Kazanorgsintez.

From 2010 to 2012 – Director of Organic Products Plant, OJSC Kazanorgsintez.

From June to November 2012 – Director of Organic Products and Industrial Gases Plant, OJSC Kazanorgsintez.

From December 2012 till nowadays – Chief Engineer, OJSC Kazanorgsintez.

Honored Chemist of the Republic of Tatarstan.

Does not hold the shares of OJSC Kazanorgsintez.



**Rashit N.  
Khafizov**

Year of birth: 1957.

Graduated from Kazan Aviation Institute and Higher School of KGB USSR.

From 2007 to 2012 – Federal Security Service Directorate in RT.

From June 2012 till nowadays – Deputy General Director of OJSC Kazanorgsintez for Economic Security and Regime.

Does not hold the shares of OJSC Kazanorgsintez.



**Gaifutdin G.  
Shaikhiev**

Year of birth 1951.

Graduated from Kazan Agricultural Institute.

From 2004 to 2010 – Deputy General Director of OJSC Kazanorgsintez – Director for Personnel and General issues.

From 2011 till nowadays – Deputy General Director for Personnel and General issues, OJSC Kazanorgsintez

Honored Constructor of the Russian Federation and Tatarstan Republic.

Does not hold the shares of OJSC Kazanorgsintez.



**Timur A.  
Shigabutdinov**

Year of birth: 1983.

Graduated from Kazan State University named after V.I. Ulyanov-Lenin.

From 2008 to 2010 – TAIF PSC General Director's Council.

From 2010 to 2012 – Deputy Director for Commerce – Head of Commerce and New Projects Division of TAIF PSC.

From December 2012 till nowadays – Deputy General Director for Commerce, OJSC Kazanorgsintez.

Does not hold the shares of OJSC Kazanorgsintez.

The amount and criteria for remuneration of the members of the Board of Directors and Executive Board of the Company are defined based on the Statements "On principles and criteria for remuneration of the members of the Board of Directors, members of the Committees under the Board of Directors, members of Executive Board, members of Inspection Commission of OJSC Kazanorgsintez". The main criterion for remuneration is availability of net profit.

Total amount of remunerations received by members of the Board of Directors, members of Executive Board and General Director of the Company in 2013 (including insurance fees) made 94,247 thousand rubles.

## Authorized Capital and Stock Market

As of December 31, 2013 the amount of authorized capital of OJSC Kazanorgsintez made 1,904.71 mln. rubles and did not change in the reporting year.

### The authorized capital of 1,904,710,000 shares is distributed by share category as follows:

Type of securities	Face value, RUB	Number of shares	Share in authorized capital, %
Ordinary shares	1	1,785,114,000	93.72
Preference shares	1	119,596,000	6.28
<b>Total</b>		<b>1,904,710,000</b>	<b>100.00</b>

The authorized capital has been paid completely.

### Information on share issue

No.	Decision about issue	Type of shares	Number of shares in issue	Type of issue	State body, caring out registration of an issue, registration No	Status of issue
1.	Privatization plan	Ordinary shares, face value 10,000 rubles	1,785,114	Closed subscription	RT Ministry of Finance; No.11-1p-436 dd.31.08.1993	Canceled
2.	Privatization plan	Privileged shares, face value 10,000 rubles	119,596	Closed subscription	RT Ministry of Finance; No.11-1p-436 dd.31.08.1993	Canceled
3.	Shareholders' Meeting 26.06.1998	Ordinary shares, face value 1 ruble	17,851,140	Converting	RT regional office of the Federal Commission on Securities No. 1-02-55245-D dd.08.02.1999	Issued
4.	Shareholders' Meeting 26.06.1998	Privileged shares, face value 1 ruble	1,195,960	Converting	RT regional office of the Federal Commission on Securities No. 2-02-55245-D dd.08.02.1999	Issued
5.	Supervisory Board 17.03.2003	Ordinary shares, face value 1 ruble	1,767,262,860	Distribution of additional shares among shareholders	RT regional office of the Federal Commission on Securities No. 1-03-55245-D dd.09.04.2003	Canceled (combined with the issue No.1-02-55245-D)
6.	Supervisory Board 17.03.2003	Privileged shares, face value 1 ruble	118,400,040	Distribution of additional shares among shareholders	RT regional office of the Federal Commission on Securities No. 2-03-55245-D dd.09.04.2003	Canceled (combined with the issue No. 2-02-55245-D)

### Structure of Company's Authorized Capital

Name	Share in the authorized capital as of 31.12.2013, %
OOO Telecom-Management	51.48
OAO Svyazinvestneftekhim	26.64
Other legal entities and individuals	21.88
<b>Total</b>	<b>100.00</b>

### Dividends

Number of shares on which dividends are charged: 1,904,710,000 shares.

#### Dynamics of the Company's dividend payments are as follows:

Type of securities	% to the face value, by years		
	2010	2011	2012
Ordinary shares	17.52	6.0	53.53
Preference shares	25	25	25

### Announced (Accrued) Dividends Distribution Report for 2013 Based on 2012 Results:

Shares category (type): ordinary shares

The amount of announced dividends on shares of this category (type) calculated per single share, ruble: 0.5353

The amount of announced dividends in total on all shares of this category (type), ruble: 955,571,524.2

Total amount of dividends distributed on all issuer shares of this category (type), ruble: 955,514,496.53

Source of the announced dividends: net profit for the reporting year

Share of the announced dividends in net profit for the reporting year, %: 29.09

Share of the distributed dividends in total amount of announced dividends on shares of this category (type), %: 99.99

Shares category (type): preference shares

The amount of announced dividends on shares of this category (type) calculated per single share, ruble: 0.25

The amount of announced dividends in total on all shares of this category (type), ruble: 29,899,000

Total amount of dividends distributed on all issuer shares of this category (type), ruble: 29,867,850

Source of the announced dividends: net profit for the reporting year

Share of the announced dividends in net profit for the reporting year, %: 0.91

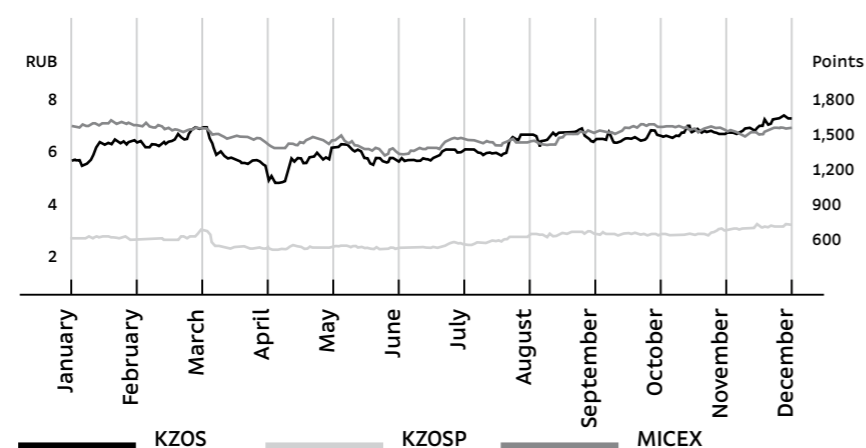
Share of the distributed dividends in total amount of announced dividends on shares of this category (type), %: 99.89

The announced dividends on issuer shares were distributed by the issuer not to the full extent due to unavailability of shareholders – legal entities and individuals – requisite details. The distribution shall be performed upon clarification of requisition details of such shareholders.

## OJSC Kazanorgsintez's Shares Quotations at Trading Platforms

Last year the majority of key economic sectors represented at the Russian stock market showed growth dynamics. The leader was the consumer's sector: its sectorial index increased by 25.59%. Compared to the previous year the chemical and petrochemical sector decreased by 17.49%.

### OJSC Kazanorgsintez ordinary & preference shares price dynamics in comparison with MICEX index during 2013



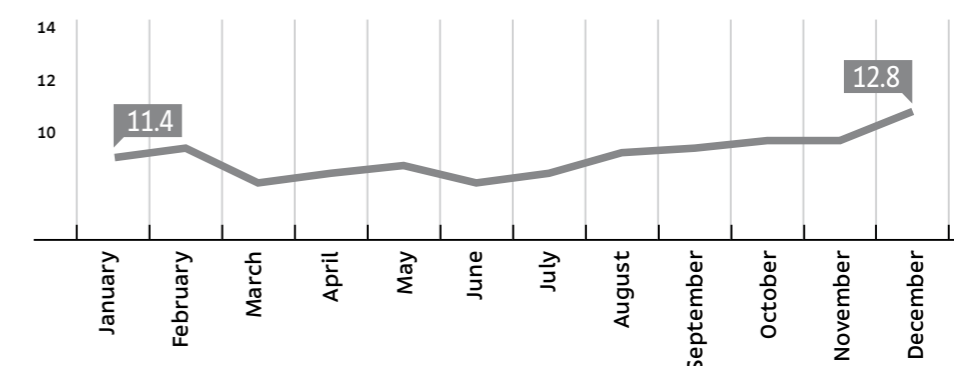
Starting from 05.12.2011 the shares of OJSC Kazanorgsintez are listed in the CJSC MICEX Stock Exchange. Earlier OJSC Kazanorgsintez's shares were presented at the trade platforms of JSC Russian Trading System Stock Exchange. OJSC Kazanorgsintez's shares belong to non-listed securities, i.e. eligible for trades without listing (without inclusion to quotation lists). Ordinary and preference shares of OJSC Kazanorgsintez are represented in stock market (share codes are KZOS and KZOSP correspondingly). From December 18, 2012 the ordinary shares of OJSC Kazanorgsintez are included in chemical and petrochemical sector share index calculation of MICEX CHM.<sup>3</sup>

In 2013 the OJSC Kazanorgsintez's stock trading volume amounted to 270.6 mln. rubles. Maximum quotation for purchase of one

OJSC Kazanorgsintez's ordinary share made 7 rubles 10 kopecks per share, minimal deal price made 4 rubles 5 kopecks. For the preference shares the maximum quotation for purchase amounted to 3 rubles 51 kopecks per share, minimal deal price made 2 rubles 21 kopecks.

Capitalization of OJSC Kazanorgsintez calculated per data provided by CJSC MICEX Stock Exchange as of December 31, 2013 made 12,878.5 mln. rubles. Capitalization dynamics of OJSC Kazanorgsintez's shares in 2013 is given below.

### OJSC Kazanorgsintez shares capitalization in 2013, RUB bln



<sup>3</sup> New lists of shares for calculation of Moscow Exchange indexes: <http://rts.micex.ru/n2103>

## Substantial Facts and Transactions

### Substantial Facts

Date, the Body that made the Decision	Content of the Decision
15 February 2013 Board of Directors OJSC Kazanorgsintez	1. Early termination of the powers of some members of the Executive Board of OJSC Kazanorgsintez. 2. Election of members of the Executive Board of OJSC Kazanorgsintez.
24 April 2013 Annual General Shareholders Meeting of OJSC Kazanorgsintez	1. Approval of Annual Report, Annual Financial Statements including Profit and Losses Report of OJSC Kazanorgsintez for 2012. 2. Making decisions on OJSC Kazanorgsintez's profit distribution including payment (announcement) of dividends on the basis of 2012 results. 3. Election of the Board of Directors of OJSC Kazanorgsintez. 4. Election of Inspection Commission of OJSC Kazanorgsintez. 5. Approval of OJSC Kazanorgsintez's Auditor.
07 June 2013 Board of Directors of OJSC Kazanorgsintez	Election of the Executive Board of OJSC Kazanorgsintez.
25 June 2013 Executive Board of OJSC Kazanorgsintez (Protocol No. 3 dd. 11.02.2013)	Dissolution of LLC Orgsintez-Servis
08 August 2013 Extraordinary General Shareholders Meeting of OJSC Kazanorgsintez	1. Election of the Board of Directors of OJSC Kazanorgsintez. 2. Election of Inspection Commission of OJSC Kazanorgsintez. 3. Making changes in Statement on the Board of Directors of OJSC Kazanorgsintez.
09 August 2013 Rating Agency Fitch Ratings Ltd	Increasing of long-term issuer default rating of OJSC Kazanorgsintez from CCC to B-
13 December 2013 Board of Directors of OJSC Kazanorgsintez	Dissolution of Moscow Representation Office of OJSC Kazanorgsintez and, in this connection, making changes in the Charter of the Company.

### Major Transactions and Related Party Transactions

Approving Body	Essential Conditions of the Transaction	Related Parties (Party)
Board of Directors of OJSC Kazanorgsintez	Approval of a transaction (related transaction) between OJSC Kazanorgsintez and LLC MCB Avers – signing a contract on opening of nonrevolving credit line.	Member of the Board of Directors of OJSC Kazanorgsintez

## Information about OJSC Kazanorgsintez

### Full brand name of the Company:

Kazan Open Joint Stock Company "Organichesky Sintez"

### Shortened name:

OJSC Kazanorgsintez

### Address of the Company:

101 Belomorskaya street, Kazan, Tatarstan Republic, Russian Federation, 420051.

### Information on state registration of the Company:

Registered by RT Ministry of Finance on the 31st of August, 1993, under the filing number 400

Main state registration number in the uniform legal entities state register: 1021603267674

### Head of the Company:

General Director – Farid G. Minigulov

**Main kinds of the Company's activities according to the Russian National Classifier of Economic Activities:**

- Production of plastics and synthetic resins in the initial forms
- Production of lubricating oil, additives to oils and antifreezes
- Production of plastic plates, stripes, pipes and profiles
- Production of plastic goods for packing
- Production of other main organic chemical products, not included in other groups
- Processing of nonmetal wastes and scraps
- Water collection, purification and distribution
- Wholesale trade of synthetic resins and plastics in initial forms
- Wholesale trade of other industrial chemical products
- Production of soap and detergents

**Management bodies of the Company:**

- General Shareholders' Meeting
- Board of Directors
- Individual Executive Body (General Director)
- Collective Executive Body (Management Board)

**Control body of the Company:**

Inspection Commission

**Inspection Commission structure:**

Olga V. Ignatovskaya – Chairman of Inspection Commission, Chief Accountant, TAIF PSC

Yulia V. Voronina – Principal Adviser of the Tatarstan Directorate of Presidential Affairs

Aida R. Gabdrachmanova – Head of Economic Planning Department, OJSC Kazanorgsintez

Fanis G. Gabdulkhakov – Head of Department, Ministry of Finance, Republic of Tatarstan

Lyaisan Z. Nurullina – 1-st category economist of Controlling Service, Financial And Economic Division, TAIF PSC

Composition of the Inspection Commission underwent changes in 2013. At extraordinary shareholders meeting held on 8 August 2013, Tatiana A. Barchenkova left the Inspection Commission and Lyaisan Z. Nurullina was elected to be a member of the Inspection Commission.

**Information about auditor:**

The Company's Auditor is ZAO "PricewaterhouseCoopers Audit"

Member of noncommercial partnership Audit Chamber of Russia (UP ACR) being a self-regulating organization of auditors – registration number 870 in UP ACR members registry.

Principal Number Registration Entry (ORNZ) in the Register of Auditors and Audit Organizations – 10201003683.

**Information about registry holder:**

Register is kept by OOO Eurasian Registrar (Kazan branch)  
 Location: 6 Vishnevsky Street, Kazan, Tatarstan, 420043  
 Telephone: (843) 236-63-96, Fax (843) 236-27-52  
 Website: www.erd.ru  
 Number of license: 10-000-1-00332  
 Date of issue: 10.03.2005  
 Valid till: without limitation of the period of validity  
 Body issued the license: Federal Service on the financial markets of the Russian Federation

**Information about the Company is published:**

- In Respublika Tatarstan, Vatanym Tatarstan, Trud newspapers,
- In Internet websites of the Company: [www.kazanorgsintez.ru](http://www.kazanorgsintez.ru); [www.disclosure.skrin.ru/disclosure/1658008723](http://www.disclosure.skrin.ru/disclosure/1658008723)

**Work with shareholders is carried out by:**

Department of Corporate Governance of OJSC Kazanorgsintez  
 Telephone (843) 533-93-42, 533-95-86  
 Fax (843) 533-93-42  
 E-mail: [ocb@kos.ru](mailto:ocb@kos.ru)  
 Igor V. Gavrilov – Head of Corporate Governance Department  
 Telephone (843) 533-99-85

Adequacy of the information contained in the Annual Report is confirmed by Inspection Commission of OJSC Kazanorgsintez.

Annual report is preliminary approved by OJSC Kazanorgsintez's Board of Directors Protocol No.11 dd. 21.03.2014

General Director of  
 OJSC Kazanorgsintez



F.G. Minigulov

Chief Accountant of  
 OJSC Kazanorgsintez



L.N. Kaleeva



**To the Shareholders of Open Joint Stock Company  
“Kazanorgsintez”:**

**Client**

Open Joint Stock Company “Kazanorgsintez”

420051, Kazan, Belomorskaya str., Bld 101.

State registration certificate №400, issued by Ministry of Finance of Tatarstan Republic on 31 August 1993.

Certificate of the inclusion in the United State Register of Legal Entities regarded the legal entities registered before 1 July 2002 No. 1021603267674 issued by the Inspectorate of the Federal Tax authorities for the Moscow district of Kazan City on July 24, 2002.

**Auditor**

ZAO PricewaterhouseCoopers Audit (ZAO PwC Audit) located at: 125047, Russian Federation, Moscow, Butyrsky Val, 10.

State registration certificate No. 008.890, issued by Moscow Registration Bureau on

28 February 1992.

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 No. 1027700148431 issued by Interregional Inspectorate of the Russian Ministry of Taxes and Levies No. 39 for the Moscow City on 22 August 2002.

Member of non-profit partnership “Audit Chamber of Russia” (NP ACR) being a self-regulating organisation of auditors – registration number 870 in the register of NP ACR members.

Major registration record number (ORNZ) in the register of auditors and audit organisations – 10201003683.

## To the Shareholders of Open Joint Stock Company “Kazanorgsintez”

We have audited the attached financial statements of Open Joint Stock Company “Kazanorgsintez” (hereinafter – the “Company”) which comprise the balance sheet as of 31 December 2013, and statement of financial results, statement of changes in equity and statement of cash flows for the year ended 31 December 2013 and notes to the balance sheet and statement of financial results (hereinafter all the reports together are referred to as the “financial statements”).

### Company’s responsibility for the financial statements

Company’s management is responsible for the preparation and fair presentation of these financial statements in accordance with the reporting rules established in the Russian Federation and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### The auditor’s responsibility

Our responsibility is to express an opinion as to whether the financial statements are fairly presented based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of Company, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion on the financial statements.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2013 and the results of its operations and its cash flows for the year then ended in accordance with the reporting rules established in the Russian Federation.

General Director of ZAO PricewaterhouseCoopers Audit  
28 February 2014

E.V.Filippova

## Accounting forms

### Balance sheet as at 31 December 2013 (thousand rubles)

Narrative	Line code	as at	
		31 December 2013	31 December 2012
<b>ASSETS</b>			
<b>I. FIXED ASSETS</b>			
Intangible assets	1110	380	428
Results of research and development	1120	122	630
Intangible exploration assets	1130	-	-
Tangible exploration assets	1140	-	-
<b>Fixed assets</b>	<b>1150</b>	<b>28,193,753</b>	<b>30,413,138</b>
Income-bearing investments in tangible assets	1160	-	-
Financial investments	1170	14,168	14,124
Deferred tax assets	1180	77,744	417,227
Other non-current assets	1190	794,477	999,222
<b>Total Section I</b>	<b>1100</b>	<b>29,080,644</b>	<b>31,844,769</b>
<b>II. CURRENT ASSETS</b>			
Inventories	1210	5,282,778	5,167,278
Value added tax on goods purchased	1220	263,853	258,539
Accounts receivable	1230	625,305	853,935
Financial investments (less cash equivalents)	1240	-	-
Cash and cash equivalents	1250	1,396,296	1,617,785
Other current assets	1260	174,148	155,662
<b>Total Section II</b>	<b>1200</b>	<b>7,742,380</b>	<b>8,053,199</b>
<b>TOTAL SECTIONS I and II</b>	<b>1600</b>	<b>36,823,024</b>	<b>39,897,968</b>

**Balance sheet as at 31 December 2013 (continuation)**

Narrative	Line code	as at 31 December 2013	as at 31 December 2012
<b>EQUITY AND LIABILITIES</b>			
<b>III. EQUITY AND RESERVES</b>			
Charter capital	1310	1,904,710	1,904,710
Own shares buy-back	1320	-	-
Non-current asset revaluation	1340	-	-
Additional capital (without revaluation)	1350	-	-
Reserve capital	1360	95,235	95,235
Retained earnings (loss)	1370	10,509,790	9,358,665
<b>Total Section III</b>	<b>1300</b>	<b>12,509,735</b>	<b>11,358,610</b>
<b>IV. NON-CURRENT LIABILITIES</b>			
Borrowings and bank loans	1410	16,541,622	21,618,277
Deferred tax liabilities	1420	1,676,637	1,823,675
Estimated liabilities	1430	-	-
Other liabilities	1450	-	-
<b>Total Section IV</b>	<b>1400</b>	<b>18,218,259</b>	<b>23,441,952</b>
<b>V. CURRENT LIABILITIES</b>			
Borrowings and bank loans	1510	2,438,234	1,521,695
Accounts payable	1520	3,464,875	3,397,683
Income of future periods	1530	349	1,120
Estimated liabilities	1540	191,572	176,908
Other liabilities	1550	-	-
<b>Total Section V</b>	<b>1500</b>	<b>6,095,030</b>	<b>5,097,406</b>
<b>TOTAL SECTIONS III, IV, V</b>	<b>1700</b>	<b>36,823,024</b>	<b>39,897,968</b>

**Statement of Financial Results  
(thousand rubles)**

Narrative	Line code	2013	2012
Sales	2110	46,134,205	45,460,303
Cost of sales	2120	(36,606,666)	(35,423,490)
Gross profit (loss)	2100	9,527,539	10,036,813
Sales expenses	2210	(672,904)	(678,825)
General business expenses	2220	(2,815,250)	(2,742,608)
Profit (loss) from sales	2200	6,039,385	6,615,380
Income from participation in other companies	2310	-	1,167
Interest receivable	2320	62,509	98,241
Interest payable	2330	(1,797,225)	(2,326,382)
Other income	2340	814,254	1,930,045
Other expenses	2350	(2,192,211)	(2,180,516)
Income (loss) before taxation	2300	2,926,712	4,137,935
Current income tax	2410	(577,127)	-
including permanent tax liabilities (assets)	2421	184,230	25,730
Changes in deferred tax liabilities	2430	147,038	262,605
Changes in deferred tax assets	2450	(339,483)	(1,115,922)
Other	2460	-	-
<b>Net profit (loss)</b>	<b>2400</b>	<b>2,157,140</b>	<b>3,284,618</b>
<b>REFERENCE</b>			
Result of revaluation of non-current assets not included to the net profit (loss) for the reporting year	2510	-	-
Results of other transactions not included to the net profit (loss) for the reporting year	2520	-	-
Cumulative financial result for the year	2500	2,157,140	3,284,618
Basic earnings (loss) per share	2900	1,19	1,82
Diluted earnings (loss) per share	2910	-	-