



TAIF GROUP OF COMPANIES



PJSC «NIZHNEKAMSKNEFTEKHIM»

ANNUAL REPORT

14



**SUSTAINABLE
DEVELOPMENT STRATEGY**

PRELIMINARILY APPROVED
BY THE DECISION OF THE BOARD OF DIRECTORS
OF PJSC «NIZHNEKAMSKNEFTEKHIM»
OF 19.03.2015.
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PJSC «NIZHNEKAMSKNEFTEKHIM»

ANNUAL REPORT | 2014

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Chairman of the Board of Director's address



“The results, presented in this annual report, verify that PJSC «Nizhnekamskneftekhim» is tightly holding a position among the largest companies of the petrochemical complex of Russia and this provides the basis for looking to the future with optimism”

DEAR SHAREHOLDERS, INVESTORS AND PARTNERS,

Reviewing the results of the past year, I note with satisfaction that PJSC «Nizhnekamskneftekhim» continued successful implementation of its development potential on key aspects of activities. Owing to the construction of new production facilities, modernization of process steps, optimization of business servicing processes and improvement of management system, we achieved the growth of the Company in the past year and, as a result, good performance indicators..

Despite the slowdown in growth of the Russian economy and expectations of recession on world markets, PJSC «Nizhnekamskneftekhim» increased in the reporting period production volumes and sales of the products in excess of the planned. In 2014, the startup of the fourth new production line of Polystyrene Plant with the capacity of 50 thousand tons was a special event for the Company.

It is extremely important for us that the growth of the Company would be properly appreciated by our shareholders and investors and therefore PJSC «Nizhnekamskneftekhim» pays special attention to the activities related to increasing its investment attractiveness. Starting from June 2014, ordinary and preferential shares of PJSC «Nizhnekamskneftekhim» are included in the First (top) quotation list of Moscow international currency exchange (MICEX), allowing a wider range of investors invest their funds in securities of the Company.

The Company is continuing its focused effort on reduction of its import dependence. In October of 2014, in GC «Nizhnekamskneftekhim» there was an opening ceremony of a catalyst plant where the production of the catalyst which is successfully competing with foreign equivalents and outperforming them in a number of performance characteristics, has already started.

Over the long term it is planned to imple-

ment the idea of creating a Centre for import substituting components on the basis of the Catalyst Plant and the Company's R&D Centre, producing products not only for PJSC «Nizhnekamskneftekhim» needs, but also for other enterprises of petrochemical complex of the Russian Federation.

Concentration of large production facilities within the frame of the Company and their intensive development obliges PJSC «Nizhnekamskneftekhim» to give special care to environment protection. In July of 2014, we have accepted a new Environmental Program for 2014-2020. As it was with the previous programs, we are planning to achieve a substantial saving of natural resources and reduction of impact of the enterprise on the environment through its implementation.

The results, presented in this annual report, verify that PJSC «Nizhnekamskneftekhim» is tightly holding a position among the largest companies of the petrochemical complex of Russia and this provides the basis for looking to the future with optimism.

On behalf of the Board of Directors I would like to thank all personnel of PJSC «Nizhnekamskneftekhim», business partners, shareholders and investors. It is owing to your work and ongoing participation we managed to achieve positive development results in 2014. I am sure that the established good relationship and gathered experience of mutually beneficial cooperation will help us to achieve new, more ambitious objectives also in the future.

Vladimir Busygin
Chairman of the Board of Directors

General Director's address

DEAR COLLEAGUES AND PARTNERS,

In 2014, the most important task for PJSC «Nizhnekamskneftekhim» was to maintain the key positions both in the domestic and international markets. Through undertaken efforts we have increased the output volumes and sales of products, the physical volume index has made 102.7 %.

Putting on stream the fourth polystyrene production line, start of the pilot butadiene-styrene rubber production run, mastering the production of new grades of polyether may be considered as the most important events of 2014.

We are continuing the task oriented work on mastering the production of new polypropylene grades, enabling the Company to reduce its presence in highly competitive market of homo polymers and increase the share in the market of propylene copolymers. In accordance with import substitution program the production of the carrier for microspheric chromia-alumina catalyst for isoparaffin dehydrogenation which is used in rubber production process chain, has been started in Nizhnekamskneftekhim Group of Companies

We continued our work on increasing the energy efficiency during the reporting period. We managed to achieve the saving of over 100 million rubles through the events carried out in this sphere. Our company was the first in the Republic of Tatarstan who obtained the Certificate of Compliance of efficient energy use management system (energy management) with ISO 50001 international standard.

I would like to emphasize that addressing the production tasks, PJSC «Nizhnekamskneftekhim» puts in its activities a particular emphasis on the environment protection issues. As a result of works performed in 2014, we have achieved the reduction of pollutant emissions, reduced non-dispos-

able wastes and water supply from Kama river maintaining the growth of production.

The economic situation both in Russia and in the world remains quite uncertain, however the strategic tasks for the Company in the coming year are clear: it is strengthening the position in the key markets, optimization of costs, production of high quality competitive products. In 2014, the Company have reached long term agreements for synthetic rubber supply up to 2019 with known tire producers.

Last year contracts were also made with large processors of polymer products, regular polystyrene supplies were arranged to BOPP film sector of the Republic of Belarus. These agreements are the guarantee of maintaining the Company's positions in the global rubber and plastics market in the long term perspective, while high professionalism of personnel supported by responsible care and aspiration to be up to the challenge are the warrant of successful solution of forthcoming tasks and new achievements. I would like to express my sincere gratitude to all shareholders, partners and personnel for the trust and joint work.

Azat Bikmurzin
General Director



“The strategic tasks for the Company in the coming year are clear: it is strengthening the position in the key markets, optimization of costs, production of high quality competitive products”

PJSC «Nizhnekamskneftekhim» in 2014

PRODUCTION

SALES

ECONOMY AND FINANCES

Commodity output is **2.32** mln. tons
↑ +2.3%

Balanced sales structure:
Russia: **54%**
Exports: **46%**

Proceeds from GC «Nizhnekamskneftekhim» – **146.7** billion rubles ↑ +8,6% including proceeds from PJSC «Nizhnekamskneftekhim» – **132.9** billion rubles
↑ +10,9%

Production of polymers – **1 333.3** thousand tons ↑ +3,6%, including: rubbers – **617.6** thousand tons, plastics – **715.7** thousand tons

Export to **54** countries of the world

Net profit is **9.3** billion rubles
↑ +52,2%

Startup of the 4-th polystyrene production line with the capacity of **50** thousand tons

Share in isoprene rubber global market is **42%**

Fixed assets – **49.5** billion rubles
↑ +7,4%

Opening ceremony of catalyt plant

Share in butyl rubber global market is **16%**

Net assets **68.2** billion rubles
↑ +12.4%

Certification of energy management system in accordance with ISO 50001

78% of rubbers shipped as per the long term contracts with major world tire producers

Social and non-production expenses, taxes charged on GC «Nizhnekamskneftekhim» made **16 062** million rubles, including taxes charged on PJSC «Nizhnekamskneftekhim» **14 069** mln. rubles

NKNK INCOME ON THE
BASE OF CALENDAR YEAR

146.7

BLN. RUB.

NET PROFIT

9.3

BLN. RUB.

EXPORT TO

54

FOREIGN COUNTRIES

THE VOLUME OF MARKETABLE PRODUCT

2.32

BLN. TON

SOCIAL RESPONSIBILITY

Reduction of emissions into atmosphere of GC «Nizhnekamskneftekhim» – for **13%**, including PJSC «Nizhnekamskneftekhim» – **9.9%**

Saving of thermal energy – **80.03** thousand Gcal

Saving electric power – **15.66** mln. kW*h

Improved working conditions for **1 704** employees

Participation in creating a common sanitary protection zone of Nizhnekamsk industrial hub

CORPORATE MANAGEMENT

Shares are included into the first quotation list of MICEX (Moscow Interbank Stock Exchange)

Implementation of “Risk-Management” system was started, based on SAP GRC decision

Stable credit ratings: **Ba3** (Moody's) & **BB-** (S&P)

Corporate transparency: **2-nd** place among **Top-10** private Russian companies

The Winner of the XVII competition of annual reports held by Moscow Exchange and Russian Central Bank Group

CAPITAL ACCOUNT

68.2

BLN. RUB.

POLYMER PRODUCTION

1 333.3

BLN. TON

ENERGY SAVING

15.66

BLN. kW*h

«Nizhnekamskneftekhim» –
the world major
manufacturer
of polyisoprene
(42% of world market),
is among four global
companies producing
butyl / halobutyl
and polybutadiene rubbers

01

COMPANY PROFILE

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PJSC «Nizhnekamskneftekhim»



PJSC «Nizhnekamskneftekhim» sees its mission in full satisfaction of customer requirements, maximizing profits for the company's development and implementation of all social obligations.

PJSC «Nizhnekamskneftekhim» is one of the largest petrochemical companies in Europe, a leader in the production of synthetic rubbers and plastics in the Russian Federation.

The Company is a part of TAIF Group.

The main production facilities are located in the City of Nizhnekamsk, Republic of Tatarstan.

The company was founded in 1967.



«Nizhnekamskneftekhim» produces more than 120 produce items in four main categories: synthetic rubbers, plastics, monomers, other products, and can ensure complex package supplies of rubbers and plastics.

Manufacturing complex 10 major production plants, principal departments and centers that are located on two production sites and have a centralized transport, energy and telecommunications infrastructure. The total production area is 22 square kilometres.

The Company products are exported to more than 54 countries of Europe, Americas and South-East Asia. Exports amount to approximately half of total production.

Environmental activities of PJSC «Nizhnekamskneftekhim» are recognized as complying with ISO 14001:2004 series

International Standards. Quality Management System of PJSC «Nizhnekamskneftekhim» has been certified as complying with the requirements of the International Standard ISO 9001:2008, and the Occupational and Industrial Safety Management System – with OHSAS-18001:2007.

The Company's shares are included in the first (highest) quotation list of the Russian MICEX Stock Exchange (common share code is NKNC, preference share code is NKNPC) and traded on the Munich Stock Exchange (code ISIN: US6549181013). Credit rating: Ba3, positive outlook (Moody's) and BB-, stable outlook (Standard&Poor's).

Structure of Company Group

PLANTS	CENTERS	DIVISIONS	OFFSITE FACILITIES
Butadiene and Hydrocarbon Feedstock Plant	R&D Center	Rail Transport Division	Interconnections Facilities
Isoprene Monomer Plant	Design Center	Technical Control Division	United Gas-Rescue Brigade
Synthetic Rubber Plant	Technical Diagnosis and Residual Resource Center	Water Supply, Sewage and Waste Water Treatment Division	Storage Facilities
Butyl Rubber Plant	Automation Center	Chief Metrologist Division	General Purpose Facilities
Ethylene Plant	Welding Center	Power Supply Division	Turbine and Compressor Turnaround Workshop
Styrene and Polyester Resin Plant	Training Center (for personnel training)	Power Station	
Ethylene Oxide Plant	Publishing Center	Social Development Division	
Oligomer Plant			
Polystyrene Plant			
Polyolefins Plant			
			DIRECTORATES
			Grassroots Olefins Complex Directorate

COMPETITIVE ADVANTAGES

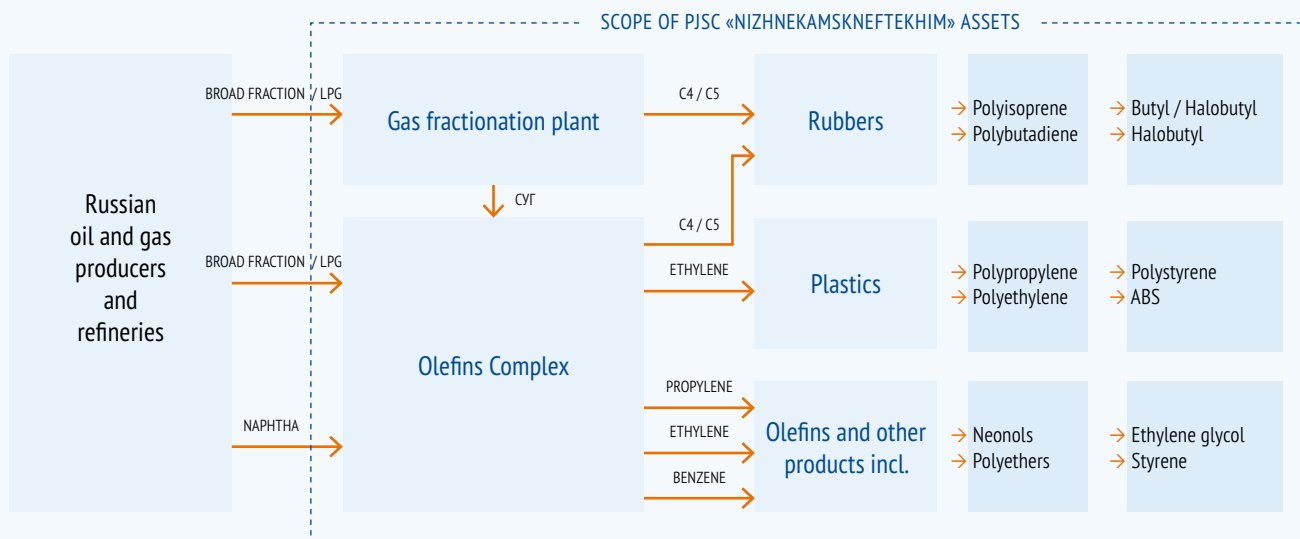
- stable demand growth in global rubber markets;
- relatively low current consumption of plastics in Russia provides a potential for further sales growth;
- economies of scale – it is the largest complex in Russia;
- close proximity to key suppliers of raw materials ensures minimum logistics cost;
- production diversification to rubber and plastics maximizes processing of raw materials and intermediate products;
- effect of one production facility- minimizing the costs of internal logistics between production sites.

BUSINESS-MODEL

The Company's business-model is aimed at increase of high marginal polymer produce output, as well as debottlenecking throughout the production chain.

- Upward of 10 rubber grades
- Upward of 60 plastic grades
- Upward of 60 names and grades of olefins and other products

DEPARTMENTS	AFFILIATES	
Civil Construction Department	Industrial Production Department	<ul style="list-style-type: none"> → OOO «Polymerkholodtehnika» → OOO «Vtorresursy» → OAO «Catalys-Prom»
Information Technologies Department	Social services	<ul style="list-style-type: none"> → ZAO «Polymatiz» → OOO «Ethylene Pipeline System» → OAO «SOV» → OOO «Hockey club «Neftekhimik» → OOO «Footbal club «Neftekhimik»
Sports Department	Commerce	<ul style="list-style-type: none"> → OOO «NKNK-Service» → Oy Nizhex Scandinavia Ltd.
Agriculture Department	Transportation Services	<ul style="list-style-type: none"> → OOO PAP «Transport-Express» → OOO «UAT-NKNK»
	Repair services	<ul style="list-style-type: none"> → OOO «TSNHRS Trust» → OOO «Shop No. 4100-NKNK» → OOO «RMZ-NKNK»
	Security services	<ul style="list-style-type: none"> → OOO «ChOP-NKNK»
	Advertising & Media services	<ul style="list-style-type: none"> → OOO «Neftekhim-Media»



Development Strategy



Sustained development is the basis for PJSC «Nizhnekamskneftekhim» strategy.

The Company forms its competitive advantages through establishment of balance in economic, environmental and social responsibility.

STRATEGIC GOALS:

- Strengthening the Company's positions as a producer of a wide range of synthetic rubbers in the domestic and worldwide markets;
- Transformation into a major player in the markets of Russia and CIS in the field of production and sales of a wide range of plastics, replacing their import as well;
- Retreat from sale of products with low added value.

IMPLEMENTATION ROUTES:

- Expansion of the range and production volumes of basic product types;
- Increase of the Company's volumes of sales, revenue and income;
- Increase of hydrocarbon treatment depth, manufacture of products with higher added value, ensuring high competitiveness of the products;
- Material revamp and renovation of key assets;
- Ensuring environmental safety and energy efficiency of the production complex.

BUSINESS PRIORITIES AND DEVELOPMENT PROSPECTS

Implementation of a comprehensive strategic development program until 2020:

- Construction of the Grassroots Olefins Complex with the capacity up to 1 mln. tons per year of ethylene;
- Projects on expansion of plastics production capacities;
- Projects on expansion of synthetic rubber production capacities;
- Revamp and expansion of the existing petrochemical facilities (butadiene, isobutylene, isoprene);
- Implementation of Energy Saving and Environmental Protection Programs;
- Development of center for elaboration of import-substituting components technology.

Within the strategy framework a new polystyrene production facility was put into operation in 2014 with a capacity of 50 thousand tons per year. This production is based on the new technology of the Japanese licensor for the purpose of brand assortment and applications expansion. The facility provides production of 13 polystyrene grades, 7 of them are basic and 6 are additional grades for molding, extrusion, and foamed articles manufacture. Major applications of the facility products: refrigeration industry, disposable tableware, medical and laboratory equipment, office materials, XPS-plates, BOPS film and others. Production capacity is fully developed.

ALFA-OLEFINS PRODUCTION

Implementation of the project provides for creation of a new energy-efficient facility for production of linear alpha-olefins using alpha-Sablin process.

The target of the project is, first of all, production of butene-1 and hexene-1 fractions to provide the polyethylene plant with inhouse raw materials (instead of import ones). Butene-1 and hexene-1 are used as copolymers in production of premium and popular grades of linear low density polyethylene (LLDPE) and high density polyethylene (HDPE), most of which are currently imported to Russia.

At the beginning of 2015, 96% of the main technological equipment had been purchased, more than a half of it had been already installed. Connection of process equipment, electrics and instrumentation, installation of pipelines, installation of water supply and sewage pipe networks, erection of steel structures and other types of construction works are in progress. Project completion is scheduled for the second half of 2015.

EXPANDING MONOMER MANUFACTURING CAPACITIES

Within the overall program to expand the capacity of isoprene rubber production, it is initiated the expansion of isoprene production capacity up to 300 thousand tons per year. The project will be implemented by 2017.

In 2014, Russia faced the escalation of geopolitical risks in the world stage, which led to imposing sanctions against a number of Russian citizens and organizations. Analysis of the enterprise dependence on imports has identified the range of problems inherent in the entire petrochemical industry in the country.

In order to reduce dependence on imported products, as well as due to the fact that dependence on imported products is initially based on manufacturing technologies, a center is supposed to be established on the basis of PJSC «Nizhnekamskneftekhim» scientific and technological center for development of import-substituting components technology and their tests with assistance of leading scientific organizations of the Russian Federation. The main objectives of the center will be the development of technologies for production, testing of catalysts, inhibitors, demulsifiers, oil extraction reagents, concrete solutions modifiers, and so on.

Within the import substitution program the Company Group "Nizhnekamskneftekhim" started to manufacture the carrier for KDI-M micro-spherical catalyst of isoparaffins dehydrogenation. After the production is mastered, the plant will annually produce 2.4 thousand tons of KDI-M catalyst for the process of dehydrogenation of isobutane to isobutylene. This will ensure 2 times lower catalyst costs per ton of finished product in comparison with counterparts. In a number of other characteristics of the catalyst is equal and often surpass imported counterparts.

This project is implemented within the framework of import substitution program jointly by PJSC «Nizhnekamskneftekhim» specialists and Kazan Federal University (KFU) scientists according to the RF Government Decree No. 218 dd. April 9, 2010 "On measures of State support for the development of cooperation between Russian educational institutions of higher education, public research institutions and organizations implementing complex projects for high-technology production."

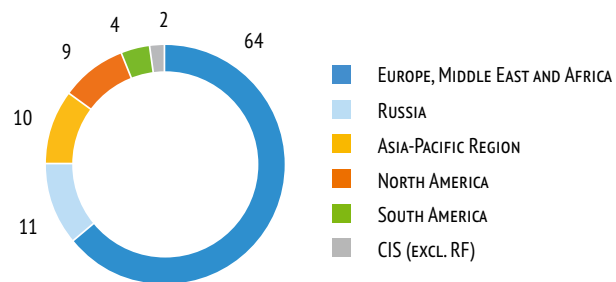
Position in Chemical Industry

PJSC «Nizhnekamskneftekhim» is a major producer of synthetic rubbers in the Russian Federation. The Company is the world's leading producer of isoprene rubber and occupies a leading position of butyl rubber production.

Synthetic Rubbers

PJSC «Nizhnekamskneftekhim» produces a wide range of products in this segment, which is mainly used for manufacture of car, truck, and agricultural tires, inner tubes, multipurpose rubber items, as well as for plastics modification. High quality of products and continuous pursuance of improvement consolidated the position of the Company as a significant supplier in the global market. The Company's products are recognized by leading domestic and international customers.

SALES OF SYNTHETIC RUBBERS, %



ISOPRENE RUBBER

For many years, the Company has been supplying isoprene rubber to foreign markets. Industrial basis for production of isoprene rubbers (synthetic analogues of natural rubber) was well developed in the former Soviet Union. Necessity of these rubbers production was dictated by remote location of the USSR from the markets of natural rubber required for the country's defence industry. Given that, 5 Isoprene Rubbers Plants were constructed in the country. Only three of them have survived until now. PJSC «Nizhnekamskneftekhim» is among them, being an indisputable leader in terms of production and supplies to foreign markets.

The main competitors are the American Company Goodyear, Russian Companies Sintezkauchuk (Tolyatti) and Kauchuk (Sterlitamak).

In 2014, foreign markets account for 77% of all deliveries isoprene rubber and Russian market accounts for 23%. Falling-off in sales by 7.6% took place mainly due to the lower prices effect.

Estimated share of PJSC «Nizhnekamskneftekhim» in the global market (including RF) was 42%.

Isoprene rubber production is certified to comply with the Quality Management System ISO 9001.

BUTYL RUBBERS

The main application of butyl rubber is automobile inner tubes manufacture. In the Russian Federation this type of rubber is produced only in Nizhnekamsk and Togliatti. It should be noted that for many years PJSC «Nizhnekamskneftekhim» maintains the leading positions in Russia both in terms of production and sales of the product.

Due to high and sustained quality, production facilities investments as well as active marketing policy, PJSC «Nizhnekamskneftekhim» managed to materially strengthen its positions in the outside market.

In 2014, PJSC «Nizhnekamskneftekhim» exported 98% of the total butyl rubber output. Sales of butyl rubber in physical terms increased by 12% in comparison with 2013, but sales in monetary terms have grown by less than 2% due to price drop.

After halobutyl rubber (HIIR) production start-up in 2004, PJSC «Nizhnekamskneftekhim» became the third global manufacturer of this type of rubber. Approximately 90% of HIIR is used for production of tubeless tire liners. With a yearly-increasing tubeless tire production, the demand for HIIR is steadily growing at an average pace of 3.8% per year. Major consumers of Nizhnekamsk halobutyl rubbers are overseas large tire producers, with 78% of total export volume supplied to them in 2014. In 2014, sales of halobutyl rubber increased by 10.4% in rubles and 3.2% in volume terms.

The competitors in the international market are the companies Lanxess, ExxonMobil, Sinopec Yanshan PC, Zhejiang Xinhui Synthetic New Material Co., Panjin Heyun, OJSC "Togliattikauchuk" (JSC "Sibur").

In 2014, PJSC «Nizhnekamskneftekhim»'s share in the global halogenated butyl rubbers market, IIR and HIIR inclusive, amounted to 16%.

Butyl rubber production is certified to comply with the Quality Management System ISO 9001.



BUTADIENE RUBBER

Butadiene rubber is second-in-volume synthetic rubber consumed worldwide next to SBR. Its share in the global synthetic rubber production capacity amounts 25%. Butadiene rubber based on neodymium catalyst (PBR-Nd) becomes more preferable for that purpose.

Such production was put into operation in PJSC «Nizhnekamskneftekhim» in 2004 within the framework of strategy aimed at creating the production facilities with a full range of synthetic rubber for tire and rubber industry.

Over the last years, Nizhnekamsk rubber has been successfully introduced by a number of global customers at their facilities and now is shipped mainly to the overseas market. Total sales of PBR-Nd decreased by 13% in comparison with 2013 year mainly due to prices drop in the market. With regard to butadiene rubber PJSC «Nizhnekamskneftekhim»'s share in the global market (RF inclusive) amounted 4.9%.

Goodyear, Lanxess, Kumho are the Company's main competitors for PBR-Nd in the world market.

Production is certified to comply with the Quality Management System ISO 9001.

Production and sales of plastics are the second important business area of PJSC «Nizhnekamskneftekhim».

Availability of in-house monomer production facilities: ethylene, propylene, styrene, provides the Company with strong position in the domestic market of plastics.

The main regions of Nizhnekamsk plastics sales: Russian domestic market, the countries of the Custom Union and CIS.

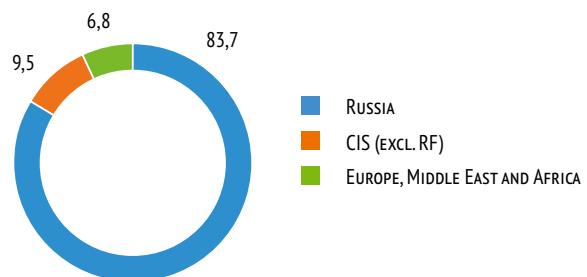
Plastics

PJSC «Nizhnekamskneftekhim» is the largest Russian manufacturer of styrene plastics, one of the leading manufacturers of polyolefins, as well as the leading supplier of propylene copolymers to the domestic market.

The main applications of PJSC «Nizhnekamskneftekhim» plastics: insulation materials, containers and packaging, film, plastic pipes, nonwovens, synthetic fibers, plastic products of various applications and consumer goods.

High quality, stable production and supply ensured a high confidence of the leading domestic processors towards the products of the Company.

PLASTICS SALES, %



POLYSTYRENE

The Company's first polystyrene production facility was launched in 2003 with the use of Fina Technology process. Having entered the Russian polystyrene market, PJSC «Nizhnekamskneftekhim» occupied the leading positions in it due to high quality and adequately selected grade slate. The second and third stages of production were launched in 2005 and 2008. The fourth polystyrene production line was launched in 2014 with the use of new process to enhance the grade slate.

In 2014, sales of polystyrene in the domestic market increased by 20%. The volume of polystyrene exports increased was doubled as compared to 2013. The Company's share in the global market (including the Russian Federation) was estimated as 2.9%.

The main competitors are Styrolution, Styron, Versalis, LG Chem, Kumho.

Production of polyethylene is certified to comply with the Quality Management System ISO 9001.

POLYPROPYLENE

Polypropylene production facility was launched in 2006. Currently, it is the most up-to-date Polypropylene Plant in the RF. Over the last years, the Company has successfully mastered the Russian and foreign polypropylene markets, including new segment of the Russian pipe polypropylene PPR-100 (random-copolymer) market - in 2014.

Traditionally, the Russian Federation is the main market for polypropylene sales. Sales in Russia amounted to 92% of total sales in 2014. The Company's share in the global market was estimated as 0.3%

The main competitors are LyondellBasell, Borealis, SABIC, Ineos, OJSC Sibur.

Production of polypropylene is certified to comply with the Quality Management System ISO 9001.

POLYETHYLENE

Polyethylene production was launched in the crisis year of 2009.

In this period, the product was tested by a lot of consumers, and currently it is actively supplied, primarily to the Russian market.

In 2014, sales to Russia amounted to 94% of total polyethylene sales and Russian sales increased by 30% compared to the year of 2013. The Company's share in the global market was estimated as 0.3%.

The main competitors in the sphere of polyethylene are JSC "Kazanorgsintez", JSC "Gazprom Neftekhim Salavat", OJSC "Stavrolen".

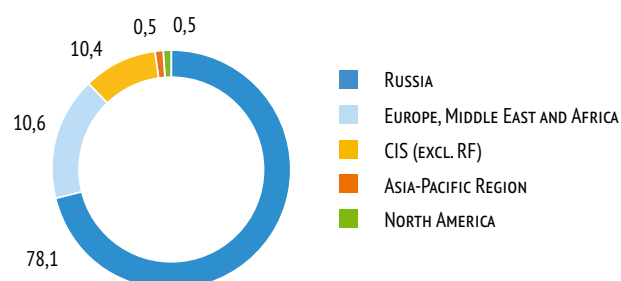
Production of polyethylene is certified to comply with the Quality Management System ISO 9001.

Olefins and derivatives

High-tech petrochemical products based on olefins and their derivatives also provide PJSC «Nizhnekamskneftekhim» with the status of the leading Company in the industry.

The Company is the only domestic large capacity manufacturer of polyethers based on propylene oxide and non-ionic surfactants based on alkylphenols (neonols), the second largest supplier of ethylene oxide and ethylene glycol to the domestic market. Main processing areas: multipurpose polyurethanes (PU foam for the furniture industry, rigid foams for thermal insulation products and automobile components), polyethylene terephthalate, synthetic fibers, coolants, detergents.

STRUCTURE OF OLEFINS AND BASIC DERIVATIVES SALES, %



NEONOL

Neonol (oxyethylated nonylphenol) belongs to surfactants used as a base in different synthetic detergents production. PJSC «Nizhnekamskneftekhim» is a single neonol manufacturer in the Russian Federation and CIS, and one of the leading players in the world neonol market. PJSC «Nizhnekamskneftekhim»'s share in the world market of oxyethylated nonylphenols constituted about 11% in 2014.

The main competitors are Dow, Honam, Huntsman, Oxiteno. Production of neonol is certified to comply with the Quality Management System ISO 9001.

World Market Standing



PJSC «Nizhnekamskneftekhim» is a major producer and exporter of petrochemical products in the Russian Federation.

The share of export sales amounted 46% in total revenues in 2014.

In 2014, the situation in the petrochemical products markets was characterized by the following circumstances: economic sanctions against Russia on the part of foreign countries, ruble weakening against foreign currencies, significant reduction in the price of oil and petrochemical products. Despite these challenges, the Company managed to stay in the area of profitability.

As a result of price drop in the foreign markets, PJSC «Nizhnekamskneftekhim» export sales reduced in dollar terms, but increased in ruble terms by 5% compared to 2013 due to the national currency slump. At the same time, export of products in physical terms increased by 11%.

Sales of major products in the domestic market increased by 17% compared to 2013.

Total revenue increased by 10.9% compared to 2013.

Export portfolio of PJSC «Nizhnekamskneft-ekhim» is sufficiently diversified.

The most large-volume products exported are synthetic rubbers (isoprene, butyl, halobutyl and butadiene), polystyrene, and ethylene glycol.

Traditionally, the dominant segment of the Company's products exported is synthetic rubber.

It accounted for 74% in 2014.

The main volume of rubber exported is shipped to large consumers, such as Michelin, Goodyear, Pirelli, Continental, Bridgestone and "Belshina" Concern.

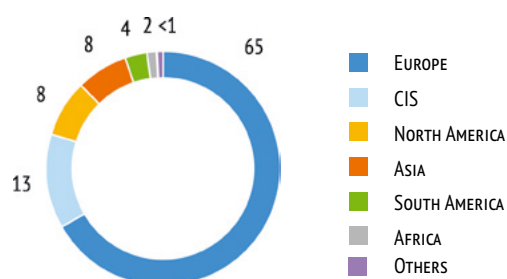
In 2014, share of export to said customers constituted 78% of the total rubber export volume.

The main sales segment in the Russian market is plastics, production of which the Company increases regularly.

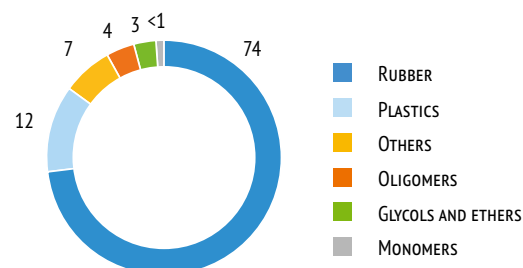
In addition to plastics, the large-volume products sold in the domestic market are isoprene rubber, ethylene, ethylene glycol, polyesters and neonol.

The company has successfully increased production of plastics in 2014. Their domestic market sales increased by 18.7%.

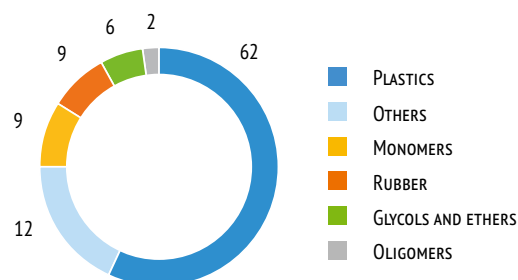
EXPORT SALES STRUCTURE BY WORLD REGIONS, %



EXPORT SALES STRUCTURE BY PRODUCTS, %



STRUCTURE OF SALES IN THE DOMESTIC MARKET BY MAIN PRODUCT, %



Geography of Export Supplies

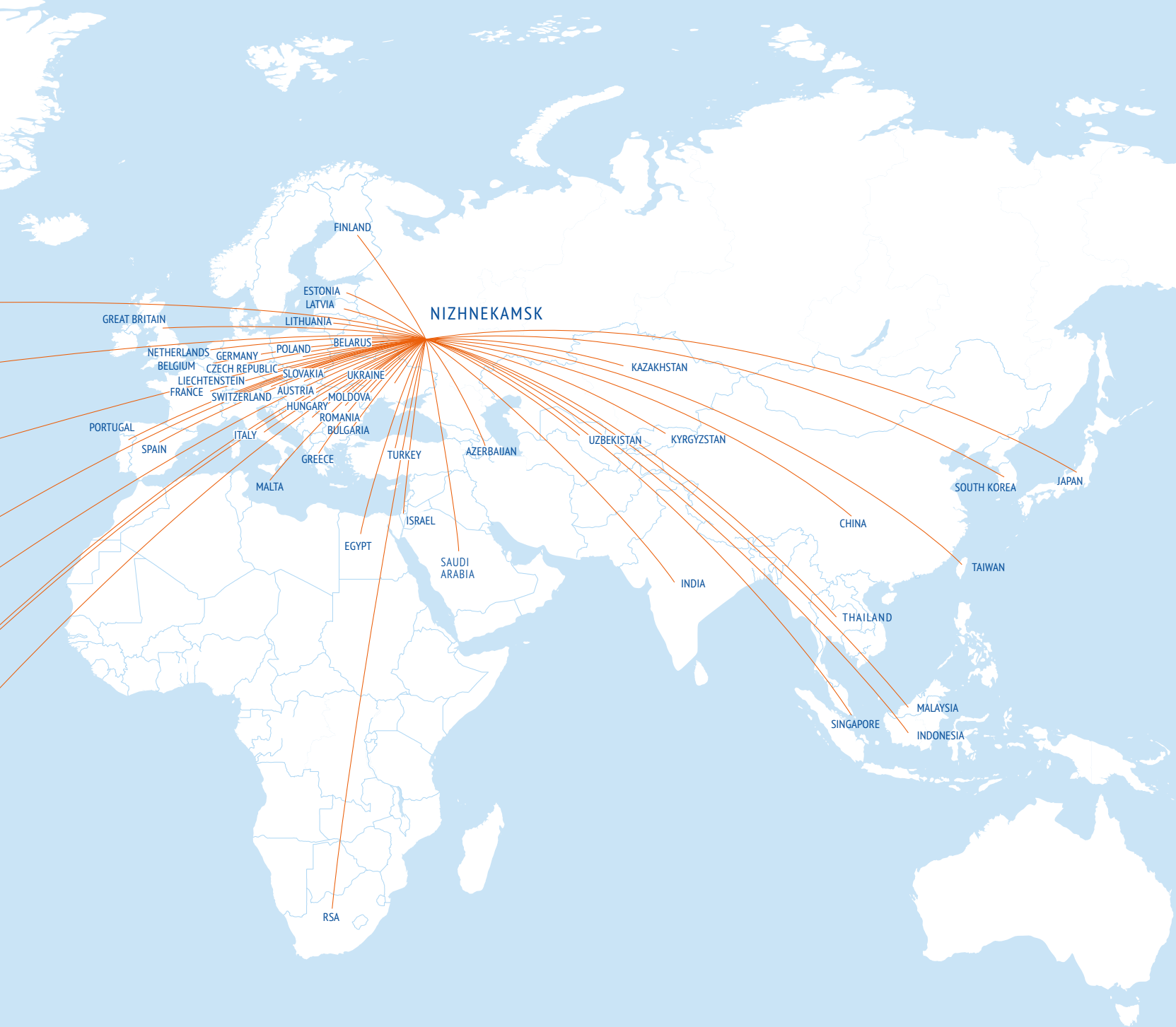


- | | |
|------------------|--------------------|
| 1 AUSTRIA | 28 MOLDOVA |
| 2 AZERBAIJAN | 29 THE NETHERLANDS |
| 3 ARGENTINA | 30 PERU |
| 4 BELARUS | 31 POLAND |
| 5 BELGIUM | 32 PORTUGAL |
| 6 BULGARIA | 33 ROUMANIA |
| 7 BRAZIL | 34 SAUDI ARABIA |
| 8 GREAT BRITAIN | 35 SERBIA |
| 9 HUNGARY | 36 SINGAPORE |
| 10 GERMANY | 37 SLOVAKIA |
| 11 GREECE | 38 SLOVENIA |
| 12 EGYPT | 39 USA |
| 13 ISRAEL | 40 TAIWAN |
| 14 INDIA | 41 THAILAND |
| 15 INDONESIA | 42 TURKEY |
| 16 SPAIN | 43 UZBEKISTAN |
| 17 ITALY | 44 UKRAINE |
| 18 KAZAKHSTAN | 45 FINLAND |
| 19 CANADA | 46 FRANCE |
| 20 KIRGHIZIA | 47 CZECHIA |
| 21 CHINA | 48 CHILE |
| 22 LATVIA | 49 SWITZERLAND |
| 23 LITHUANIA | 50 ECUADOR |
| 24 LIECHTENSTEIN | 51 ESTONIA |
| 25 MALAYSIA | 52 RSA |
| 26 MALTA | 53 SOUTH KOREA |
| 27 MEXICO | 54 JAPAN |

□ CHRONICLE OF KEY EVENTS

□ INFORMATION FOR SHAREHOLDERS

□ APPENDICES



PJSC «Nizhnekamskneftekhim»
adheres to international
standards of corporate
governance and constantly
refines them in light of
the world best practice

02

CORPORATE MANAGEMENT

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- 30 Board of Directors
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- 38 General Director
- 39 Management Board
- 43 Internal Audit Commission

Principles of corporate management



PJSC «NIZHNEKAMSKNEFTEKHIM» ADHERES TO INTERNATIONAL STANDARDS OF CORPORATE MANAGEMENT AND CONSTANTLY REFINES THEM IN LIGHT OF THE WORLD BEST PRACTICE.

In its corporate activity PJSC «Nizhnekamskneftekhim» is guided by the corporate governance code recommended for use by the letter of the Bank of Russia No. 06-52/2463 of April 10, 2014.

THE COMPANY RELIES ON THE FOLLOWING PRINCIPLES IN ITS ACTIVITY:

- Personal responsibility of members of the Board of Directors and the Management Board of the Company and their accountability to its shareholders;
- Openness in corporate decision making;
- Mutual confidence and respect;
- Following the standards of information transparency and openness;
- Continuous improvement of corporate behavior standards;
- Equal attitude to all shareholders;
- Protection of rights of shareholders and employees of the Company.

LIST OF CORPORATE DOCUMENTS ESTABLISHED AT PJSC «NIZHNEKAMSKNEFTEKHIM»:

- Charter;
- Regulations on the General Shareholders Meeting;
- Regulations on the Board of Directors;
- Regulations on the Audit Committee of the Board of Directors;
- Regulations on the HR & Remuneration Committee of the Board of Directors;
- Regulations on the operating procedures of the Internal Audit Commission;
- Information policy regulations;
- Dividend policy regulations;
- Regulations on the internal control department;
- Regulations on the internal control system;
- Regulations on the executive bodies;
- Regulations on the independent directors;
- Code of corporate social responsibility;
- Code of conduct of members of the Board of Directors.

Structure of corporate management

GENERAL SHAREHOLDERS MEETING

The supreme management body of PJSC «Nizhnekamskneftekhim» under the Federal Law on Joint-Stock Companies.

BOARD OF DIRECTORS

General management of the Company's business and establishment of the corporate strategy over a long period.

EXECUTIVE BODIES

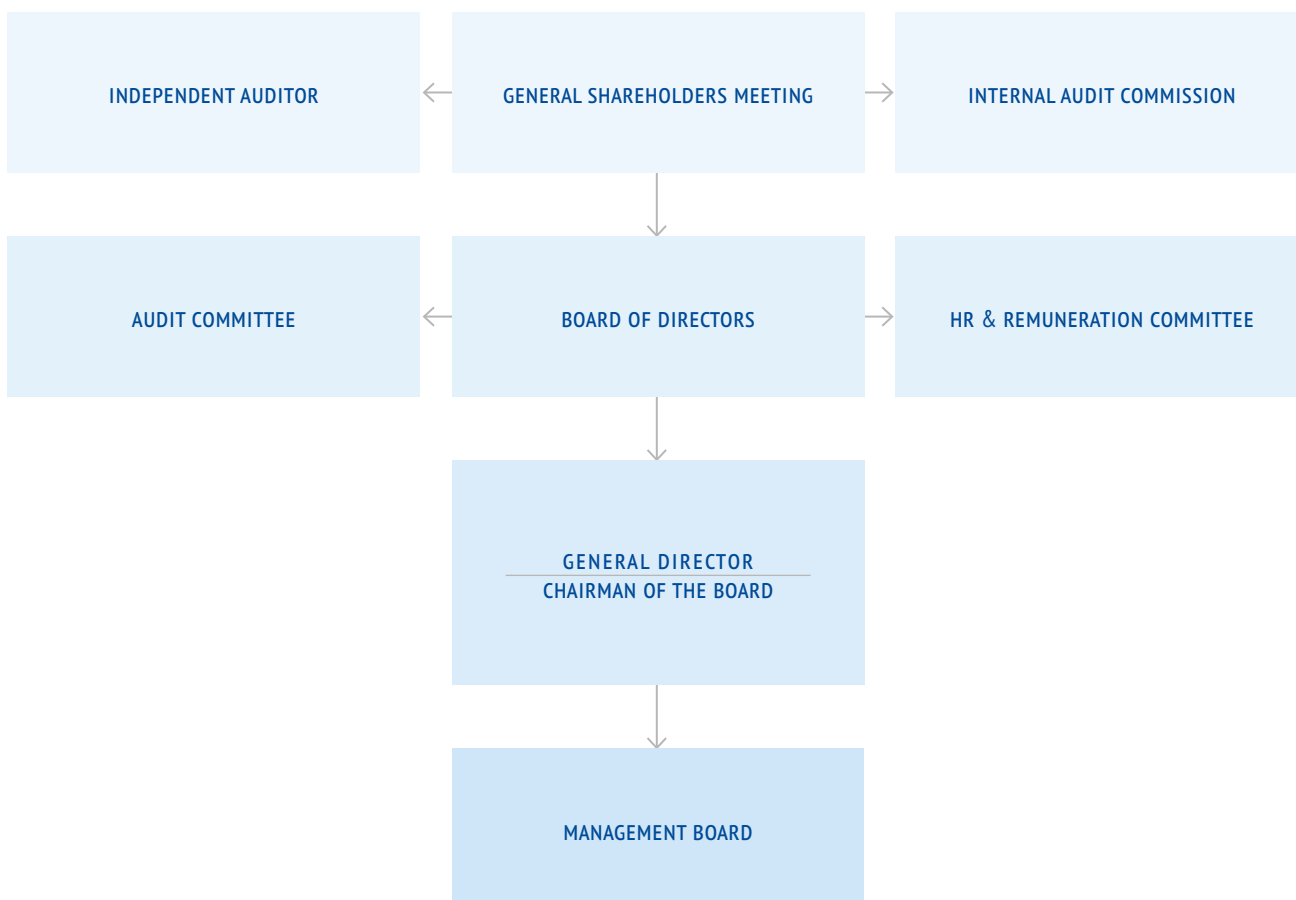
General Director (Chairman of the Management Board) and the Management Board exercise the day-to-day business management.

INTERNAL AUDIT COMMISSION

Controls the Company's financial and economic activities, its agencies, officers, divisions and departments.

INDEPENDENT AUDITOR

Auditing of the Company's financial and economic activities in accordance with the legal instruments of the Russian Federation.



General Shareholders Meeting



Two General Shareholders Meetings of the Company were held in 2014: the annual one and the extraordinary one.

General Shareholders Meeting is the highest management body of the Company and it operates in accordance with provisions of the Company's Charter and internal documents of the Company and the RF legal requirements.

The authority of the General Shareholders Meeting includes the issues that may not be remitted to the Board of Directors, General Director and the Management Board of the Company.

Two General Shareholders Meetings of the Company were held in 2014: the annual one and the extraordinary one.

ANNUAL GENERAL MEETING OF SHAREHOLDERS OF PJSC «NIZHNEKAMSKNEFTEKHIM»

On April 14, 2014 the Annual General Meeting of Shareholders of PJSC Nizhnekamskneftekhim took place, where the results of the Company activity in 2013 were summed up. The annual report and the annual financial accounts were approved at the Meeting inclusive of the financial performance in 2013. Following the results of financial and economic activity of the Company in 2013, 1.83 billion rubles were allocated for dividends payment that is 1 ruble per every ordinary and preferred share, and the Board of Directors consisting of 11 members was elected at the Annual General Meeting of Shareholders. In line with changes of the federal legislation the shareholders have approved changes and additions introduced into the Charter of PJSC «Nizhnekamskneftekhim» and into the Regulations on the General Meeting of Shareholders of PJSC Nizhnekamskneftekhim and approved the redrafted versions.

Regulations on the General Shareholders Meeting of PJSC «Nizhnekamskneftekhim»
<http://www.nknh.ru/investors/documentation/>

THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF PJSC «NIZHNEKAMSKNEFTEKHIM»

The Extraordinary General Meeting of Shareholders of PJSC «Nizhnekamskneftekhim» was held on October 29, 2014. New members of the Company's Board of Directors were elected at the Extraordinary General Meeting of Shareholders of PJSC «Nizhnekamskneftekhim». They are:

NAME	POSITION
Sergey Alekseyev	First deputy general director, JSC «Svyazinvestneftekhim»
Azat Bikmurzin	General Director, PJSC «Nizhnekamskneftekhim»
Vladimir Busygin	Deputy General Director of JSC «TAIF» for Management and Strategic Development of PJSC «Nizhnekamskneftekhim»
Radik Gaizatullin	Finance Minister of the Tatarstan Republic
Ravil Zaripov	Deputy Prime Minister of the Tatarstan Republic - Minister of Industry and Trade
Nahil Maganov	General Director of V. Shashin JSC «Tatneft»
Jelko Milich	Executive Director of IPCO-TRADING S.A.
Vladimir Presnyakov	Deputy General Director for Oil Processing and Petrochemistry JSC «TAIF»
Alexander Rappoport	Managing partner of Law Office "Rappoport & Partners"
Rinat Sabirov	Assistant to the President of the Republic of Tatarstan (government agent)
Guzelya Safina	Deputy General Director for Economics and Finance, JSC «TAIF»

Due to entry into force of amendments to the RF Civil Code from September 1, 2014, the shareholders approved the amendments to the Charter of the Company that were primarily associated with the change of its business name, and approved the redrafted Charter.

After completion of the Extraordinary General Meeting of Shareholders, the first meeting of the Board of Directors took place in a new composition. Members of the Board of Directors welcomed a suggestion of the RT President, Rustam Minnikhanov, and again elected Vladimir Busygin as the Chairman of the Board of Directors and also confirmed authorities of Azat Bikmurzin as the General Director of PJSC «Nizhnekamskneftekhim».

Board of Directors

Board of Directors of PJSC «Nizhnekamskneftekhim» is the key component of the Company's corporate governance system. The Board of Directors is the managerial body of the Company and performs the general operating controls of the Company with the exception of issues that are within the sphere of the General Shareholders Meeting as provided by the Federal law and the Company's Charter. The members of the Board of Directors of the Company are elected by the General Shareholders Meeting until the next General Meeting. The members of the Board of Directors are elected by cumulative voting at the General Shareholders Meeting. 11 members form the Board of Directors. Annual Shareholders Meeting of JSC «Nizhnekamskneftekhim» was held on April 14, 2014 where the new members of the Company's Board of Directors were elected.

Extraordinary Shareholders Meeting of JSC «Nizhnekamskneftekhim» was held on October 29, 2014 where new members of the Board of Directors of the Company were elected. Decisions of the Board of Directors are taken by a majority of the voting Board members except in cases provided by the Charter and the law. When taking decisions at the Board meeting, each Board member is entitled to one vote. Board meetings are held on a scheduled basis. A meeting is convened by the Chairman of the Board of Directors on his own initiative or at the request of a member of the Board, Audit Commission of the Company or the Company's Auditor, as well as

other persons defined by the Federal law on Joint-stock Companies and the Charter.

Arrangement and direction of work of the Board is the responsibility of the Board Chairman in accordance with the approved schedule of meetings. Notification about the Board meeting along with the attached materials shall be sent to each member of the Board of Directors at least 10 calendar days before the meeting.

INFORMATION ABOUT THE BOARD MEETINGS

11 Board meetings of the Company were held in 2014: 9 of them – in the form of voting in person and 2 – in the form of absentee voting. Over 70 agenda items have been considered at the meetings, including:

- Progress of execution of the Environmental program of PJSC «Nizhnekamskneftekhim» for 2013;
- Review and approval of the Environmental program of PJSC «Nizhnekamskneftekhim» up to 2020;
- Progress of carrying out of measures for appreciation of stock market value (capitalization) of PJSC «Nizhnekamskneftekhim»;
- Review of results of financial and economic activities, and accomplishment of investment and financing plan of PJSC

PARTICIPATION OF THE BOARD MEMBERS OF PJSC «NIZHNEKAMSKNEFTEKHIM» IN THE BOARD MEETINGS IN 2014

NAME / DATE OF THE MEETING	30/01/2014	19/02/2014 (IN ABSENTIA)	14/03/2014	14/04/2014	22/05/2014	16/06/2014
V. Busygin	+	+	+	+	+	+
S. Alekseyev	+	+	+	+	+	+
A. Bikmurzin /from 29/10/2014/	X	X	X	X	X	X
R. Gaizatullin	–	+	+	–	+	+
R. Zaripov	+	+	–	–	W. O.	+
N. Maganov	–	+	–	+	W. O.	–
Z. Milich	+	+	+	+	+	+
O. Nesterov /till 29/10/2014/	+	+	+	+	+	+
V. Presnyakov	+	+	+	+	+	+
A. Rappoport	+	+	–	+	W. O.	+
R. Sabirov	+	+	+	+	+	+
G. Safina	+	+	+	+	+	+

Regulations on the Board of Directors of PJSC «Nizhnekamskneftekhim»
<http://www.nknh.ru/investors/documentation/>

- «Nizhnekamskneftekhim» and NKNK Group on the whole in 2013;
- Review of results of financial and economic activities, and accomplishment of investment and financing plan of PJSC «Nizhnekamskneftekhim» and NKNK Group on the whole in the first half of 2014;
 - Review of results of financial and economic activities, and accomplishment of investment and financing plan of PJSC «Nizhnekamskneftekhim» and NKNK Group on the whole for 9 months of 2014;
 - Progress of EP-1000 project implementation at PJSC «Nizhnekamskneftekhim»;
 - Taxes and dues actually paid by JSC «Nizhnekamskneftekhim» to the consolidated budget of the Republic of Tatarstan on half year results of 2014;
 - Taxes and dues actually paid by PJSC «Nizhnekamskneftekhim» to the consolidated budget of the Republic of Tatarstan for 9 months of 2014 and expected payments of PJSC «Nizhnekamskneftekhim» to the consolidated budget of the Republic of Tatarstan in 2015;
 - Analysis of accounts receivable and payable of PJSC «Nizhnekamskneftekhim» as of October 01, 2014 and measures for their reduction;
 - Analysis of the loan and pledge portfolio of PJSC «Nizhnekamskneftekhim»;
 - Review of capacity utilization efficiency of PJSC «Nizhnekamskneftekhim» in the first half of 2014;
 - Analysis of efficiency of investments into associated and dependent companies of JSC «Nizhnekamskneftekhim» as of July 01, 2014;
 - Current and long-term provision of raw materials for PJSC «Nizhnekamskneftekhim»;
 - Report on operation of the internal control Department of PJSC «Nizhnekamskneftekhim» for 10 months of 2014, and approval of the plan of activities of the internal control Department of PJSC «Nizhnekamskneftekhim» for 2015;
 - Review and approval of production and financial plan for 2015, plan of investments and their financing at PJSC «Nizhnekamskneftekhim» and NKNK Group in general;
 - Approval of transactions of interest for PJSC «Nizhnekamskneftekhim»;
 - Others.

31/07/2014	01/10/2014	29/10/2014	27/11/2014	15/12/2014 (IN ABSENTIA)	TOTAL
+	+	+	+	+	11
+	+	+	+	+	11
X	X	+	+	+	3
+	+	+	+	+	9
+	—	—	—	+	6
W.O.	+	—	—	+	6
+	+	+	+	+	11
—	—	X	X	X	6
+	+	+	+	+	11
+	+	+	+	+	10
+	+	+	+	+	11
+	+	+	+	+	11

Board member: (+) participated in the meeting (—) not participated in the meeting (W.O.) sent written opinion on the agenda (X) not the Board member at the time

Members of the Board of Directors



VLADIMIR BUSYGIN

Chairman of the Board of Directors

- Born in 1949
- Graduate of Perm Polytechnical University
- Doctor of economics
- Deputy General Director for Management and Strategic Development of Nizhnekamskneftekhim Group, JSC «TAIF»
- Interest in the Company's charter capital: 0.191%
- Company equity share: 0.17%



GUZELYA SAFINA

Deputy Chairman of the Board of Directors

- Born in 1955
- Graduate of the Institute of Finance and Economics
- Deputy General Director for Economics and Finance, JSC «TAIF»
- Interest in the Company's charter capital: 0.0082%
- Company equity share: 0.0093%



SERGEY ALEKSEYEV

Independent director

- Born in 1966
- Graduate of Kazan State Ulyanov-Lenin University and Chelyabinsk State University
- First Deputy General Director, JSC «Svyazinvestneftekhim»
- Shares of PJSC «Nizhnekamskneftekhim»: none

Independent directors

In accordance with the world international standards of corporate governance and provisions of corporate documents, the Company is interested that the Board of Directors includes not less than three independent directors. Criteria of Board members independence are defined in the Regulation on the independent directors of PJSC «Nizhnekamskneftekhim» (<http://www.nknh.ru/investors/documentation/>) and comply with international best practices of corporate governance.

Currently the Board of Directors has four independent directors. The presence of independent members of the Board of Directors ensures a reasonable balance between the interests of all stakeholders: the Company, its shareholders and other stakeholders.

**AZAT BIKMURZIN**

- Born in 1969
- Graduate of Kazan Institute of Chemical Engineering
- General Director PJSC «Nizhnekamskneftekhim»
- Interest in the Company's charter capital: 0.0004%
- Company equity share: 0.0003%
- From Desember 1, 2014 Shares of PJSC «Nizhnekamskneftekhim»: none

**RADIK GAIZATULLIN**

- Born in 1964
- Graduate of Kazan Agricultural Institute
- Doctor of economics
- Finance Minister of the Republic of Tatarstan
- Shares of PJSC «Nizhnekamskneftekhim»: none

**RAVIL ZARIPOV****Independent director**

- Born in 1954
- Graduate of Kazan Aeronautical Institute
- Candidate of technical sciences
- Deputy prime minister of the Republic of Tatarstan – Minister of Industry and Trade of the Republic of Tatarstan
- Shares of PJSC «Nizhnekamskneftekhim»: none



NAHIL MAGANOV

- Born in 1958
- Graduate of Gubkin Moscow Institute of the Petrochemical and Gas Industry
- General Director of V. Shashin JSC «Tatneft»
- Shares of PJSC «Nizhnekamskneftekhim»: none



JELKO MILICH

Independent director

- Born in 1946
- Graduate of Zagreb Economic University
- Executive Director of IPCO-TRADING S.A.
- Shares of PJSC «Nizhnekamskneftekhim»: none



VLADIMIR PRESNYAKOV

- Born in 1951
- Graduate of Kazan Institute of Chemical Engineering
- Deputy General director for petrochemistry and oil processing, JSC «TAIF»
- Interest in the Company's charter capital: 0.0005%
- Company equity share: 0.0006%

Changes to the membership of the Board of Directors in 2014

Members of the Board of Directors:

- elected in 2014: A. Bikmurzin / from October 29, 2014
- removed in 2014: O. Nesterov / till October 29, 2014

**ALEXANDER RAPPOPORT****Independent director**

- Born in 1959
- Graduate of Moscow Academy of Law
- Lawyer, Managing partner of Law office "Rappoport and Partners" of Moscow City Bar Association.
- Shares of PJSC «Nizhnekamskneftekhim»: none

**RINAT SABIROV**

- Born in 1967
- Graduate of Kazan State University, Postgraduate training program of Kazan State University of Technology
- Assistant to the President of the Republic of Tatarstan
- Shares of PJSC «Nizhnekamskneftekhim»: none

Committees of the Board of Directors

Audit commission



**RADIK
GAIZATULLIN**

Finance Minister
of the Tatarstan
Republic,
Chairman of the
Committee



**GUZELYA
SAFINA**

Deputy general director
for economics and
finance JSC «TAIF»,
Deputy chairman
of the Committee



**SERGEI
ALEXEYEV**

First deputy general
director, JSC
«Svyazinvestneftekhim»



**VLADIMIR
PRESNYAKOV**

Deputy general
director for
Petrochemistry
and Oil Processing,
JSC «TAIF»



**RINAT
SABIROV**

Assistant
to the President
of the Tatarstan
Republic

I.Yakhin – the Secretary of the Committee, Chief Accountant of PJSC «Nizhnekamskneftekhim»

The Committees of the Board of Directors

With the view to preliminary regard of the most important issues and drawing-up the recommendations for the Board of Directors of PJSC «Nizhnekamskneftekhim», the Committees of the Board of Directors were formed. The following permanent committees function under the Board of Directors:

- The Audit Committee;
- HR & Remuneration Committee.

Current members of the Board of Directors form the committees. In making up committees, job-related experience of the Board members and independence criteria were taken into account.

The Regulation on the Audit Committee of the Board of Directors of PJSC «Nizhnekamskneftekhim»
<http://www.nknh.ru/investors/documentation>

HR & Remuneration Committee



**RAVIL
ZARIPOV**

Deputy prime minister of the Tatarstan Republic – Minister of industry and trade of the Tatarstan Republic, Chairman of the Committee



**RINAT
SABIROV**

Assistant to the President of the Tatarstan Republic, Deputy chairman of the Committee



**SERGEI
ALEXEYEV**

First deputy general director, JSC «Svyazinvestneftekhim»



**VLADIMIR
PRESNYAKOV**

Deputy General director for Petrochemistry and Oil Processing, JSC «TAIF»



**ALEXANDER
RAPPOPORT**

Managing partner of Law office "Rappoport and Partners"

V. Amelin – the Secretary of the Committee, Head of Labor and Wages department of PJSC «Nizhnekamskneftekhim»

General Director



Azat Sh. Bikmurzin

- Born in 1969
- In 1990 began his working career in PJSC «Nizhnekamskneftekhim»
- In 1993 graduated from Kazan institute of Chemical Engineering
- 2003–2012 – Director of Ethylene plant
- 2012–2014 – Deputy General director –
Director of Directorate of Olefin Complex under construction
- 2014 – Deputy General director for industrial construction
and revamp
- From June 2014 – General Director of PJSC
«Nizhnekamskneftekhim»

In June 2014 the Board of Directors appointed Azat Sh. Bikmurzin to the position of General Director of PJSC «Nizhnekamskneftekhim» .

According to the Charter of PJSC «Nizhnekamskneftekhim», the General Director of the Company is vested with all necessary powers for the implementation of operational management of the Company's current activities and addressing any respective issues that are not within the competence of the General Shareholders Meeting, the Board of Directors or the Management Board.

The General Director represents the views of the executive bodies at the meetings of the Board of Directors and at the General Shareholders Meetings, and he chairs the Company's Management Board and organizes its work.

The General Director of the Company is elected by the Company's Board of Directors by the majority vote of the elected members of the Board of Directors. In his activities the General Director reports to the General Shareholders Meeting and the Board of Directors of the Company.

Regulation on the executive bodies of PJSC «Nizhnekamskneftekhim»
<http://www.nknh.ru/investors/documentation/>

Management

Regulation on the executive bodies of PJSC «Nizhnekamskneftekhim»
<http://www.nknh.ru/investors/documentation/>

Implementation of the selected strategy and specific solutions of the Board of Directors are delegated to the General Director and to the Management Board, that are in charge of implementation of resolutions of the Board of Directors within the actual competence.

As per the resolution of the Board of Directors of July 31, 2014, 22 members of the Management of PJSC «Nizhnekamskneftekhim» were elected.



Azat Sh. Bikmurzin
(Chairman of the Management Board)

- Born: 1969
- General Director of PJSC «Nizhnekamskneftekhim»
- Interest in the Company's charter capital: till Desember 1, 2014 – 0.0004%, after December 1, 2014 – no share
- Company equity share: till December 1, 2014 – 0.0003%, after December 1, 2014 – no share



Vladislav K. Bagaev

- Born: 1969
- Director of Sales department of PJSC «Nizhnekamskneftekhim»
- Interest in the Company's charter capital: 0.0001%
- Company equity share: no share



Irek A. Aglyamov

- Born: 1967
- Director of Butyl rubber plant of PJSC «Nizhnekamskneftekhim»
- Interest in the Company's charter capital: 0.0008%
- Company equity share: 0.0006%



Ruslan G. Borodin

- Born: 1976
- Director of Polystyrene plant of PJSC «Nizhnekamskneftekhim»
- Shares of PJSC «Nizhnekamskneftekhim»: none



Akhtyam T. Amirkhanov

- Born: 1964
- Director of Synthetic rubber plant of PJSC «Nizhnekamskneftekhim»
- Interest in the Company's charter capital: 0.0007%
- Company equity share: 0.0006%



Tabriz G. Burganov

- Born: 1951
- Deputy General director for production PJSC «Nizhnekamskneftekhim»
- Interest in the Company's charter capital: 0.0047%
- Company equity share: 0.0043%



Anton A. Butaev

- Born: 1976
- Head of department for supply of chemical and hydrocarbon materials
- Shares of PJSC «Nizhnekamskneftekhim» none



Vyacheslav N. Krasnov

- Born: 1961
- Director of Ethylene oxide plant of PJSC «Nizhnekamskneftekhim»
- Shares of PJSC «Nizhnekamskneftekhim» none



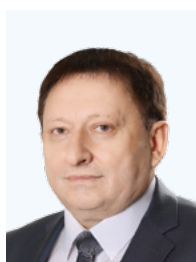
Ravil M. Galimzyanov

- Born: 1954
- Director of Styrene & Polyether Resin plant of PJSC «Nizhnekamskneftekhim»
- Interest in the Company's charter capital: 0.0030%
- Company equity share: 0.0031%



Leonid Kh. Kutuev

- Born: 1959
- Director of Divinyl & HC Feed plant, PJSC «Nizhnekamskneftekhim»
- Interest in the Company's charter capital: 0.0003%
- Company equity share: no share



Rustam Kh. Galimov

- Born: 1958
- Director of Oligomer plant PJSC «Nizhnekamskneftekhim»
- Shares of PJSC «Nizhnekamskneftekhim» none



Igor V. Larionov

- Born: 1970
- Deputy General Director, Head of the Corporate Property and Strategic Development department of PJSC «Nizhnekamskneftekhim»
- Interest in the Company's charter capital: 0.0053%
- Company equity share: 0.006%



Khamit Kh. Gilmanov

- Born: 1949
- First Deputy General Director - Chief Engineer of PJSC «Nizhnekamskneftekhim»
- Interest in the Company's charter capital: no share
- Company equity share: no share



Irina N. Maksimova

- Born: 1962
- Deputy General Director for commerce of PJSC «Nizhnekamskneftekhim»
- Interest in the Company's charter capital: 0.0014%
- Company equity share: 0.0011%



Vyacheslav G. Romanov

- Born: 1962
- Deputy manager of Production department PJSC «Nizhnekamskneftekhim»
- Shares of PJSC «Nizhnekamskneftekhim»: none



Victor S. Trifonov

- Born: 1965
- Director of Polyolefins plant, PJSC «Nizhnekamskneftekhim»
- Shares of PJSC «Nizhnekamskneftekhim»: none



Valery G. Starkov

- Born: 1966
- Manager of Finance department, PJSC «Nizhnekamskneftekhim»
- Interest in the Company's charter capital: 0.00004%
- Company equity share: none



Ilfat G. Sharifullin

- Born: 1976
- Director of Ethylene plant PJSC «Nizhnekamskneftekhim»
- Shares of PJSC «Nizhnekamskneftekhim»: none



Aidar R. Sultanov

- Born: 1965
- Manager of Law department, PJSC «Nizhnekamskneftekhim»
- Shares of PJSC «Nizhnekamskneftekhim»: none



Vasily N. Shuisky

- Born: 1957
- Deputy General Director for Personnel & Social Issues, PJSC «Nizhnekamskneftekhim»
- Interest in the Company's charter capital: 0.0007%
- Company equity share: 0.00005%



Victor S. Trifonov

- Born: 1972
- Deputy General Director for Industrial Construction and Revamp PJSC «Nizhnekamskneftekhim»
- Shares of PJSC «Nizhnekamskneftekhim»: none



Ilfar R. Yakhin

- Born: 1963
- Chief Accountant PJSC «Nizhnekamskneftekhim»
- Interest in the Company's charter capital: 0.0135%
- Company equity share: 0.0124%

CHANGES TO THE MEMBERSHIP OF THE MANAGEMENT BOARD IN 2014

MEMBERS OF MANAGEMENT BOARD, ELECTED IN 2014:

Vladislav K. Bagaev	Director of Sales Department, PJSC «Nizhnekamskneftekhim» (elected on the Resolution of Board of Directors on April 14, 2014)
Ruslan G. Borodin	Director of Polystyrene Plant, PJSC «Nizhnekamskneftekhim» (elected on the Resolution of Board of Directors on April 14, 2014)
Fedor V. Tomilov	Deputy General Director for Industrial Construction and Revamp PJSC «Nizhnekamskneftekhim» (elected on the Resolution of Board of Directors on July 31, 2014)

MEMBERS OF THE MANAGEMENT BOARD WHOSE POWERS WERE TERMINATED IN 2014:

Oleg N. Nesterov	Powers of the Management Board member were terminated by the Resolution of the Board of Directors on July 31, 2014
Igor N. Bogomazov	Powers of the Management Board member were terminated by the Resolution of the Board of Directors on April 14, 2014
Shamil Sh. Galyaviyev	Powers of the Management Board member were terminated by the Resolution of the Board of Directors on July 31, 2014
Konstantin N. Kotelnikov	Powers of the Management Board member were terminated by the Resolution of the Board of Directors on July 31, 2014
Andrey P. Nikulin	Powers of the Management Board member were terminated by the Resolution of the Board of Directors on April 14, 2014
Adip A. Khairullin	Powers of the Management Board member were terminated by the Resolution of the Board of Directors on July 31, 2014

In accordance with Regulations on the principles and criteria of remuneration of members of the Board of Directors, and the Committees of the Board of Directors and the Internal Audit Commission of PJSC «Nizhnekamskneftekhim», the criterion for determination of remuneration size for the members of the Board of Directors of PJSC «Nizhnekamskneftekhim» is the availability of net profit. The fund for remuneration of the Board members of the Company is determined based on the percentage of deductions from the Company's net profit for the fiscal year and the percentage of deductions from the Company's positive absolute economic value added for the work period of the current members of the Board of Directors in accordance with provisions of the Regulations.

Amounts of such remunerations are approved by General Shareholders Meeting.

Rewards of the General Director (Chairman of the Management Board) and members of the Management Board shall be paid based on the employment agreements entered into between them and PJSC Nizhnekamskneftekhim. Total size of remuneration (including refund of charges) paid to the members of the Board of Directors and Management Board of PJSC «Nizhnekamskneftekhim» for 2014 amounted 219 867 thousand rubles, including:

- members of the Board of Directors of PJSC «Nizhnekamskneftekhim» - 18 883 thou. RUB
- members of the Management Board of PJSC «Nizhnekamskneftekhim» - 200 984 thou. RUB.

Audit commission

Regulation on the arrangements of activities of
PJSC «Nizhnekamskneftekhim» Audit commission
<http://www.nknh.ru/investors/documentation/>

Audit commission of PJSC «Nizhnekamskneftekhim» consists of 5 persons.

The authority of the Internal Audit Commission is defined by the Federal Law on Joint-Stock Companies.

On any issues not stipulated in the Federal Law on Joint-Stock Companies, the competence of the Internal Audit Commission is provided for by the Company's Charter and the Regulation on the operating procedures of the Internal Audit Commission of PJSC «Nizhnekamskneftekhim»

MEMBERS OF AUDIT COMMISSION

Olga V. Ignatovskaya

- Chairman of Audit commission
- Chief Accountant JSC «TAIF»
- Born in 1963
- Shares of PJSC «Nizhnekamskneftekhim» none

Akhmetov M. Rustam

- Deputy General Director for economics and finance, PJSC «Nizhnekamskneftekhim»
- Born in 1959
- Shares of PJSC «Nizhnekamskneftekhim» none

Fanis G. Gabdulkhakov

- Head of Economic Analysis Department, Ministry of Finance of the Republic of Tatarstan
- Born in 1974
- Shares of PJSC «Nizhnekamskneftekhim» none

Liliya F. Sulteyeva

- Economist of the financial and economic department, JSC «TAIF»
- Born in 1981
- Shares of PJSC «Nizhnekamskneftekhim» none

Dmitry A. Evdokimov

- Head of department for management and strategic development of Nizhnekamskneftekhim Group, JSC «TAIF»
- Born in 1979
- Shares of PJSC «Nizhnekamskneftekhim» none

Management of risks in
PJSC «Nizhnekamskneftekhim»
is an integral part
of corporate management
presenting an effective
and continuously
developing process
covering all activities
of the Company

03

RISK MANAGEMENT

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MANAGEMENT OF RISKS

Risk Management is one of the tools for improving the quality of decision making and sustainable development of PJSC «Nizhnekamskneftekhim». The company purposefully forms a system that enables to clearly identify the existing risks, inform stakeholders about them and minimize possible negative consequences for the Company.

Giving exceptional value to solving the problem of minimization of risks, the Company is systematically implementing a project for creating a risk-controlling system SAP GRC (Governance, Risk Management and Compliance) using IT-solutions.

Creation of a risk management system of the Company pursues the following objectives:

- provide the possibility of continuous monitoring of the level of internal and external risk factors that threaten the implementation of the strategy;
- reduce time for making management decisions for compensation of risk factors that endanger the implementation of the strategy;
- improve the efficiency of enterprise management system through the use of standard solutions and best practices of compensation of risk factors;
- ensure information transparency of the level of risk factors that could give rise to a threat for strategy implementation for the stakeholders of the Company.

SAP GRC solution compares business opportunities with the influence of financial, legal and operational factors, allowing minimization of possible losses in force majeure situations. Implementation of SAP GRC ensures an effective and sustainable development of the Company, offering at the same time the following advantages for strategic management:

- automation based on key risk indicators and measures to respond to the risks;
- preliminary reports on the state of the Company's risks;
- compliance with various models of risk management (ISO 31000, ASNZ 4360, COSO).

Implementation of risk controlling using SAP GRC means:

- coordination of principal risks and their threshold values;
- identification of key risks of the Company;
- performing of qualitative and quantitative analysis;
- formation of effective strategy for responding to major risks;
- prevention of business exposure through continuous monitoring of key risk indicators and efficiency of control

In 2015, the implementation of this IT-solution will be completed and trial operation of SAP GRC risk management system which will be fully integrated in the existing system of enterprise resource planning based on SAP ERP will start with regard to risks affecting the implementation of strategic objectives.

In 2014, activities for assessing the risk situation of the Company and its development trends were held with the purpose of preparing to creation of an appropriate database for the automated processing.

A preliminary assessment of the risk situation of the Company was made with the development of its standard ensuring an acceptable level of integral risk of the Company. "Risk passports", providing an opportunity to monitor their impact on the achievement of the set goals, have been developed.

To improve the efficiency of management decisions and reduction of time for their adoption as well as for rational allocation of responsibility the drafts of corporate methods for preventing, reducing and compensation of risks identified in the monitoring process have been prepared.

The created system is based on the principles of risk controlling, i.e. risk assessment in terms of deviations from the target development indicators. This approach provides the possibility of direct integration of the developed system in the operating SAP ERP system of the Company using constantly updated information of this system.

Development of algorithms for calculation of indicators that are of significance for assessing the risk of economic development sustainability of the Company on the basis of SAP ERP system information database in the projection "Finance" is in the process of trial operation.

For loading with data the database of the projection "Finance" the following main tasks were solved:

- Data were selected for calculation and evaluation in the risk management system of static and dynamic risks associated with the sales of the Company's products in the market and providing solution of its strategic tasks;
- The map of risks capable of realizing in the process of finance management in the projection "Finance", encumbering the provision of financial interests of stakeholders of the Company. The risks included in this map are called "Effect risks";
- a table of interrelated normative values, permissible values and values corresponding to the state of risk incident in the process of management of "Finances" was compiled;
- Data were selected for calculation and evaluation in the risk management system of key indicators of static and dynamic risks accompanying management of "Finances" for solution of the set strategic tasks

Currently algorithms for calculation of indicators in the projections "Processes", "Market" "Resources" are being put in trial operation.

Key risk factors

INDUSTRY RISKS

PJSC «Nizhnekamskneftekhim» operates in the petrochemical industry. Raw materials and energy are dominating in the cost structure of industry. Main risks may be the changes in demand and prices for raw materials, energy and manufactured products.

At the end of 2014, there was a tendency of deep fall in oil prices and naphtha. According to the basic forecast of analysts from IHS, in the 1st quarter of 2015 the average price for Brent crude will be within 48-51 dollar per barrel, on average in 2015 it is expected to be in the range of 47-66 dollars per barrel. Against the background of fallen oil prices it is projected that in 2015 the average European price of naphtha would be for 57% lower than in 2014.

According to IHS Global Insight, in 2014 the global GDP growth is forecasted at the level of 2.7% while in 2015 the growth may accelerate to an average of 3.0%.

Against the background of the observed downward tendencies in prices on world commodity markets it is expected in the medium term (2-3 years) that the situation will change for the better. Accumulated natural rubber stocks and imbalance on butadiene market will have a dampening effect on price increase in 2015. However, the low exchange rate of the Russian ruble against US dollar and euro will compensate for low prices. At the same time, demand for rubbers produced in PJSC «Nizhnekamskneftekhim» still remains good, also due to lower prices on the foreign market. The company has the capability of selling the entire production volume at the market.

In 2014 there was a slight slowdown in consumption on the Russian polyethylene market while polystyrene market remained at the level of the previous year, and polypropylene market rose slightly. At the same time the Company is successfully realizing its volumes on the market. In 2014, on the Russian market there was a trend of rising prices associated with the depreciation of the rate of national currency. It is expected that in 2015, a weak ruble will also support a high level of prices and a good demand for domestic products buying which will be more profitable compared with the more expensive imported products.

The main trends in 2015 which may directly or indirectly influence the activity of petrochemical production units are the following:

- Gradual withdrawal from the state of economic recession of Eurozone countries;
- Slowing down of the growth of Chinese economy;
- Geopolitical risks in the Middle East;

- Low oil prices;
- Low prices for products of commodity-raw material destination;
- Economic sanctions;
- Depreciation of the Russian ruble against major world currencies;
- Inflation risks.

COUNTRY AND REGIONAL RISKS

There are no risks associated with geographical features of the country and the region in which the Company conducts its principal operations as the location of the Company is characterized by the absence of danger of natural disasters. In addition, considering the level of transport infrastructure development, there are no risks of communication failure associated with the difficult geographical accessibility and distance. The convenient location allows a continuous shipment of products from the warehouses of the Company by rail road and motor trucks.

Under current conditions the state of domestic chemical and petrochemical industries is largely dependent on exports. Therefore, the most successful segments of the chemical and petrochemical complex were and still are the production units operating not only for domestic market, but also having a strong export potential.

PJSC «Nizhnekamskneftekhim» exports its products to 54 countries of the world. The main share of products is shipped to the countries of Europe, CIS, North America and Asia. Marketing policy of the Company is targeted at diversification and expansion of the geography of supplies.

RISKS ASSOCIATED WITH THE ACTIVITIES OF THE COMPANY

PJSC «Nizhnekamskneftekhim» like many Russian companies is now primarily concerned about the political tension and, in particular, about the situation in the economy caused by it: restrictions of access to capital markets, sanctions, fall in oil prices and the rate of national currency.

Sanctions adversely affect the business of banks / companies, but owing to intervention of the Central Bank / Ministry of Finance and the launch of currency refinancing instruments no severe shortage of currency liquidity in the system is observed, despite the completely closed access for the Russian companies to external debt markets.

The difficult economic situation in the world and in Russia has a negative impact on earnings, putting pressure on prices, but due to the devaluation of the ruble the products of the Company have become more competitive compared with the foreign analogues. This situation should be used for penetrating the new markets and



generating additional revenue.

As part of the purchased materials for production is imported, has import origin, there are certain risks for the Company associated with rising of costs of purchased materials, for this reason the Company has adopted a policy of import substitution.

In October 2014, as part of import substitution program the production of a new carrier for microspheric catalyst used for isoparaffin dehydrogenation has been started in «Nizhnekamskneftekhim» Group of Companies. This project has been implemented within the frame of import substitution program by the joint efforts of the specialists of PJSC «Nizhnekamskneftekhim» and scientists of Kazan Federal University (KFU). This fruitful cooperation in the sphere of

new effective catalytic systems development resulted in introduction into service of isoamylenes and isoparaffins dehydrogenation catalysts that replaced the imported analogues at Company's production facilities.

LEGAL RISKS

Risks, associated with the Company's activities, including the risks connected with the current litigations in which the Company participates are missing. There are no claims for liquidation of the Company, for alienation of property, challenging the rights of licenses, patents, recognition of debt on taxes and levies to the budget and extra-budgetary funds.

There is a possibility to extend licenses for carrying out certain

types of activities or use of objects the circulation of which is limited (including natural resources).

Changes of requirements to licensing of the primary activities of the Company as well as the change in the judicial practice on matters relating to the Company's operations (including licensing issues), could adversely affect its operations in the event that PJSC «Nizhnekamskneftekhim» would not be able to obtain (extend) licenses required for its future activities, or the current licenses would be revoked judicially. However, the probability of such events is low.

The probability of changing of judicial practice connected with the operations of PJSC «Nizhnekamskneftekhim» (including

licensing issues), is considered as insignificant and will not have a material impact on its activities. In case of entering changes in the judicial practice related to issues connected with the activities, the Company intends to plan its financial and economic activity with consideration of these changes.

Expiration of licenses creates the risk of difficulty for implementation of licensed types of activities. The Company complies with the requirements of licenses, takes all necessary actions to obtain, maintain licenses valid and minimize the probability of suspension, change or revocation of licenses - to avoid this risk, the Company is regularly carrying out corresponding work on timely extension of licenses (renewal of licenses).

Risks associated with changes in legislation or decisions of the federal or local authorities on licensing issues are beyond the control of PJSC «Nizhnekamskneftekhim» and the Company cannot guarantee that in the future there will be no changes of this kind which may adversely affect its activity. However, at present the prerequisites of legal, economic or political nature associated with either the complication of the procedure or the decrease of the possibility of extending licenses of PJSC «Nizhnekamskneftekhim» haven't been identified.

RISKS ASSOCIATED WITH CHANGES IN CURRENCY LEGISLATION

Unexpected change of currency control can hinder the proper fulfilment of obligations under the agreements (contracts), concluded earlier with counterparties (Russian and foreign), providing for the need to make payments on them in foreign currency and require the conclusion of additional agreements to such agreements (contracts). In this regard, the Company is largely dependent on the change of currency legislation. It should be noted that the Federal Law No.173-FZ dated December 10, 2003 "On Currency Regulation and Currency Control" compared with with the previous law significantly expanded the rights of

participants of foreign economic activity and laid the foundation for further liberalization of currency relations. Therefore, the probability of deterioration of the Company's position as a result of changes in the currency legislation is unlikely.

RISKS ASSOCIATED WITH CHANGES IN TAX LEGISLATION

PJSC «Nizhnekamskneftekhim» is one of the largest taxpayers of Tatarstan Republic, paying federal, regional and local taxes.

Among the most significant changes in the long term perspective which may adversely affect the Company's activities, are: increase of tax rates as well as introduction of new taxes. These changes, as well as other changes in the tax legislation, can lead to increase in tax payments and, as a consequence, decline in net profit. Legal risks connected with changes in tax legislation are assessed as average.

The company constantly reacts to changes in tax legislation with the purpose of ensuring the most complete and rigorous compliance with its requirements and fully complies with the tax laws related to its operations, which, however, does not eliminate the potential risk of a difference of opinions with the relevant regulatory bodies in matters allowing ambiguous interpretation.

PJSC «Nizhnekamskneftekhim»
is one of the largest
petrochemical companies
of Europe, holding the leading
position in the production
of synthetic rubbers and
plastics in the
Russian Federation.
In 2014 the total output
of commodities
was 2.32 million tons

04

PRODUCTION ACTIVITIES

- 52 Key technical and economic indicators of operations
- 54 Energy saving

Key technical and economic indicators of PJSC «Nizhnekamskneftekhim» Operations

DESCRIPTION	MEASURING UNIT	2013	2014
Proceeds from sales of the goods, products, works, services	mln. rub	119 826.1	132 893.0
including export of its own products	mln. rub	59 418.6	61 702.2
Sales revenue	mln. rub	12 445.5	13 277.9
Expenses per 1 ruble of products sold	copecks	89.59	89.92
Income before tax	mln. rub	8 569.4	11 689.1
Net profit	mln. rub	6 089.1	9 269.2
Average monthly wages	rub	34 592	38 280

In 2014 the output of marketable products amounted to 128.2 billion rubles which is for 9.5 billion rubles higher than the level of the previous year. Commercial product output in comparable prices was 102.7 % compared with the level of 2013.

Products and services were sold for the amount of 132.9 billion rubles.

In 2014, the total output of marketable products was 2.32 million tons, being for 2.3% higher than the figures of 2013. Main growth occurred in the group of plastics the production volume of which increased for 10.7% and achieved 715.7 thousand tons.

Dynamics of net asset value, mln. rubles

INDICATOR	2012	2013	2014
Net assets	59 636.6	60 733.6	68 235.7

Data on payments to the budgets of all levels in 2014, thousand rubles

DESCRIPTION	ACCRUED	TRANSFERRED
Budget of the Russian Federation	5 954 452	4 999 398
Consolidated budget of Tatarstan Republic	4 652 600	3 985 399
including the budget of Nizhnekamsk city	713 635	741 035
Budgets of other entities of the Russian Federation	2 383	652
TOTAL on budgets	10 609 435	8 985 449

Energy saving

PJSC «Nizhnekamskneftekhim» is one of the largest consumers of energy resources among industrial enterprises of Tatarstan Republic. The table below shows the consumption of outsourced energy resources by the Company in 2014, without subconsumers.

DESCRIPTION	MEASURING UNIT	CONSUMPTION VOLUME IN PHYSICAL TERMS	CONSUMPTION VOLUME, MLN.RUBLES (EX VAT)
Electric power	thous.kW/h	2 566 187	5 414
Thermal power	Gcal	14 599 144	9 790
Motor gasoline	tons	693	21
Diesel fuel	tons	2 531	71
Natural gas (as power)	thous. m ³	557 656	2 194
Dry gas	thous. m ³	28 494	74

THE COMPANY PAYS SPECIAL ATTENTION TO ENERGY EFFICIENCY ISSUES:

During the period from 2000 to 2010 the First and the Second energy saving programs have been successfully completed allowing to reduce the costs for outsourced energy resources and specific consumption rates per unit of produced product. In general during the period of running of these Programs from 2000 to 2010, 875 energy saving activities have been implemented in the Company, saving 5.2 million gigacalories of thermal power, 240 million kW/h of electrical power, 156 thousand tons of fuel equivalent for the amount of 3.3 billion rubles.

With the purpose of further optimization of energy costs and increase of competitiveness of products in August of 2007 GTU-75 Unit has been put into operation in PJSC «Nizhnekamskneftekhim», it is a new technology with higher technical and economic indicators, providing better reliability and manoeuvrability of energy equipment of Nizhnekamsk Central Heating and Power Station. During the period from 2007 to 2014 GTU-75 Unit generated 3.737 billion kW/h of electrical power and 6.129 million gigacalories of thermal power.

In accordance with the Program of reconstruction and renovation of the overaged electrical equipment the activities for replacement of old MCC boards with modern types are carried out in the Company. Implementation of this Program has been started in 2005 and will be continued up to 2016. It is planned to replace 250 MCC boards and 27 distribution boards

(DB) and transformer substations (TSS). 165 MCC boards have already been replaced in accordance with this Program.

Within the framework of the joint Program for increasing the power supply reliability and reducing risks of power failures of Nizhnekamsk industrial hub the outdated system “isolator- short circuiter” has been replaced with modern system using electrical-gas switches at eleven main step-down substations. In 2011, the Center of Energy Saving Technologies under the Cabinet of Ministers of Tatarstan Republic, based on the Federal law No. 261- FZ «On energy saving», carried out the third energy survey (energy audit) which determined the achieved state of energy consumption for the last five years, the residual energy saving potential and scheduled energy saving activities as well as the sequence of their implementation.

“The Power Certificate of Industrial Consumer of Nizhnekamskneftekhim’s Fuel - Energy Resources”, valid until 2016, has been developed and issued.

PJSC «Nizhnekamskneftekhim», starting from July 1, 2012, changed within the Program for optimization of costs for outsourced energy resources the electric power supplier Tatenergosbyt for PEST energy supplying company. The economic effect (reduction of energy cost) from substitution of the supplier made 512.9 million rubles. Today, in PJSC «Nizhnekamskneftekhim» the Third energy saving program for 2011–2015 is being implemented, with the perspective up to 2020.

246 energy saving activities are scheduled in the Program and it is expected that their implementation will result in saving of 367.1 million kW/h of electric power and 878.1 thousand gigacalories of thermal power as well as 47.5 thousand tons of fuel equivalent. Every year this Program is updated and new energy saving events are being added.

255 energy saving activities have been implemented during the period of 2011–2014, including 146 main activities (as per the Program for 2011–2020) and 109 additional activities. 83 million kW/h of electric power, 466 thousand gigacalories of thermal energy, 34.1 thousand tons of fuel equivalent have been saved, amounting to 653 million rubles.

In 2014, 71 energy saving activities have been implemented, 80.03 thousand gigacalories of thermal energy and 15.66 million kW/h of electric power have been saved for the amount of 103.8 million rubles (including VAT).



PLAN OF ACTIVITIES AS PER THE ENERGY SAVING PROGRAM FOR THE PERIOD OF UP TO 2020	NUMBER OF	SAVING IN PHYSICAL TERMS		
		MLN. kW/H	THOUS. GCAL	THOUS. TONS OF FUEL EQ.
Process energy saving events in the company divisions of reactive power optimization events in the electrical networks	162	343.0	878.1	47.5
Activities as per the Program for renovation of lighting networks, applying energy saving technologies	84	24.1		
Total events	246	367.1	878.1	47.5

PERSPECTIVE ASPECTS OF ENERGY SAVING WORKS FOR 2015

- Reconstruction of distribution boards, transformer substations and MCC boards.
- Replacement of control systems with variable frequency electric drives.
- Reconstruction /capital repair of overaged power equipment.
- Capital repair of lighting networks.
- Capital repair of electric cable racks.
- Reconstruction of power supply cable network.

«Nizhnekamskneftekhim»
is a company with the reliable
financial position.

By the end of 2014,
«Nizhnekamskneftekhim»
Company Group revenue
amounted to 146.7 billion
rubles, sales profit amounted
to 13.3 billion rubles

05

FINANCIAL STATEMENTS

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Balance Sheet

ASSET	LINE CODE	AS OF DECEMBER 31, 2014	AS OF DECEMBER 31, 2013	AS OF DECEMBER 31, 2012
I. NON-CURRENT ASSETS, THOUS.RUB				
Intangible Assets	1110	1 051	885	751
Results of research and development	1120	491 821	386 774	296 009
Fixed Assets	1150	49 495 346	46 075 600	42 643 202
Financial investment	1170	5 431 539	5 442 343	3 955 115
Deferred tax assets	1180	317 506	274 563	225 034
Other fixed assets	1190	1 184 405	1 385 860	1 299 044
Total for Section I	1100	56 921 668	53 566 025	48 419 155
II. CURRENT ASSETS, THOUS.RUB				
Reserves	1210	12 807 823	12 972 650	11 490 588
VAT on purchased values	1220	898 472	1 207 259	925 810
Accounts Receivable	1230	9 309 791	10 085 122	9 205 486
Monetary assets and money equivalents	1250	6 909 546	2 878 229	4 849 239
Other circulating assets	1260	344 285	166 107	165 008
Total for Section II	1200	30 269 917	27 309 367	26 636 131
BALANCE SHEET	1600	87 191 585	80 875 392	75 055 286
LIABILITY				
III. CAPITAL & RESERVES, THOUS.RUB				
Authorized capital	1310	1 830 240	1 830 240	1 830 240
Revaluation of non-circulating assets	1340	6 307 352	6 335 037	6 360 834
Additional capital (without revaluation)	1350	98 998	102 184	102 184
Reserve capital	1360	112 445	112 445	112 445
Undistributed profits (uncovered loss)	1370	59 468 575	52 018 954	50 980 934
Total for Section III	1300	67 817 610	60 398 860	59 386 637
IV. LONG-TERM LIABILITIES, THOUS.RUB				
Loan funds	1410	1 547 425	1 160 204	3 083 478
Deferred tax liabilities	1420	1 981 604	1 810 386	1 419 953
Total for Section IV	1400	3 529 029	2 970 590	4 503 431
V. SHORT-TERM LIABILITIES, THOUS.RUB				
Loan funds	1510	4 580 148	4 451 267	2 247 495
Accounts Payable	1520	10 103 350	11 943 189	8 015 517
Deferred revenues	1530	418 055	334 722	250 000
Estimated liabilities	1540	743 393	666 249	652 206
Other liabilities	1550	–	110 515	–
Total for Section V	1500	15 844 946	17 505 942	11 165 218
BALANCE SHEET	1700	87 191 585	80 875 392	75 055 286

Profit and Loss Account

INDEX NAME	LINE CODE	For 2014 (THOUS.RUB)	For 2013 (THOUS.RUB)
Revenue	2110	132 893 013	119 826 126
Cost of goods sold	2120	(109 810 542)	(98 149 575)
Gross profit (loss)	2100	23 082 471	21 676 551
Business costs	2210	(4 476 993)	(3 968 277)
Administrative costs	2220	(5 327 581)	(5 262 766)
Profit (loss) from sales	2200	13 277 897	12 445 508
Profit from partnership with other companies	2310	37 885	73 523
Interest receivable	2320	255 061	279 012
Interest payable	2330	(352 441)	(217 985)
Other Income	2340	57 796 631	52 828 445
Other Expenses	2350	(59 325 963)	(56 839 152)
Income (loss) before tax*	2300	11 689 070	8 569 351
Current income tax	2410	(2 310 711)	(2 117 291)
including recurrent tax liabilities (assets)	2421	101 172	764 714
Change of deferred tax liabilities	2430	(171 218)	(389 360)
Change of deferred tax assets	2450	42 943	28 067
Miscellaneous	2460	19 071	(1 654)
Net profit (loss)	2400	9 269 155	6 089 113
FOR REFERENCE			
Result of non-current assets revaluation excluded from net profit (loss) on the accounting perioda	2510	–	–
Result of other activities excluded from net profit (loss) on the accounting period	2520	(22 108)	(55 377)
Aggregate financial result of the accounting period	2500	9 247 047	6 033 736
Basic earnings (loss) per share (rub.)	2900	5,75	3,77
Diluted earnings (loss) per share (rub.)	2910	–	–



Auditor's Report

To Shareholders of Public Joint Stock Company «Nizhnekamskneftekhim»:

Entity subject to audit

Public Joint Stock Company «Nizhnekamskneftekhim»

The legal entity was registered on August 18, 1993, by the Ministry of Finance of the Republic of Tatarstan in the Register of Joints Stock Companies established in the territory of the Republic of Tatarstan, under reg. No. 388.

Certificate of Inclusion of Entry in the Uniform State Register of Legal Entities about the legal body being registered before July 1, 2002, No. 1021602502316 of November 5, 2002, was issued by the Interdistrict Inspectorate No. 20 of the RF Ministry of Taxation for the Republic of Tatarstan.

423574, Republic of Tatarstan, Nizhnekamsk

Auditor

Closed Joint-Stock Company PricewaterhouseCoopers Audit (ZAO PwC Audit) with the registered office at: 125047, the Russian Federation, Moscow, Butyrsky Val str., 10.

Certificate No. 008.890 of State Registration of the Joint-Stock Company was issued by Moscow Registration Chamber on February 28, 1993.

Certificate of Inclusion of Entry in the Uniform State Register of Legal Entities about the legal body being registered before July 1, 2002, No. 1027700148431 of August 22, 2002, was issued by Moscow Interdistrict Inspectorate No. 39 of the RF Ministry of Taxation for Moscow.

The member of Non-commercial Partnership "Auditor Chamber of Russia" (NP AG1R) being a self-controlled entity of auditors – Registration Number 870 in the Register of NP ACR members.

The principal record registration number (PRRN) in the Register of Auditors and Auditor Organizations is 10201003683.

*Closed Joint-Stock Company PricewaterhouseCoopers Audit (ZAO PwC Audit),
Business Center "Belaya Plotshad", Butyrsky Val str., 10, Moscow, Russia, 125047,
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Auditor's Report

To Shareholders of Public Joint Stock Company «Nizhnekamskneftekhim»:

We have audited the attached Accounting Statements of Public Joint Stock Company «Nizhnekamskneftekhim» (hereinafter referred to as the “Company”), which comprises Accounting Balance Sheet as of December 31, 2014, Profit and Loss Statement, Capital Changes Statement, Cash Flow Statement for 2014, Explanatory Note to the Accounting Balance Sheet and Profit and Loss Statement (hereinafter collectively referred to as the “Accounting Statements”).

Company Management Responsibility for Accounting Statements

The Company Management is responsible for preparing and reliability of said Accounting Statements in line with the Russian Federation rules of making out Accounting Statements and for internal control system, required for making out Accounting Statements, which do not contain material misstatements resulting from unfair act or mistakes.

Auditor's Responsibility

Our duty is to express the opinion on reliability of these Accounting Statements based on the audit carried out. The audit is carried out in accordance with Federal Standards on Auditing Activities and International Auditing Standards. These standards require compliance with the applicable ethical norms as well as planning and conducting the audit in such a way as to obtain reasonable assurance whether the financial statements are free of material misstatements.

The audit included performance of auditing procedures developed to obtain the audit evidence supporting figures given in the Accounting Statements and disclose information therein. The choice of audit procedures is the auditor's judgment based on the assessment of material misstatements risks whether due to fraud or error; in the course of such risk assessment, the internal control system providing development and reliability of Accounting Statements, was considered in order to select appropriate audit procedures, but not to express an opinion on the effectiveness of the internal control system. The audit also included evaluating the propriety of the applicable accounting policy and relevance of estimates made by the Company management, as well as evaluating the overall presentation of financial statements as a whole.

We believe that auditing evidence obtained in the process of the audit gives reasonable ground to express our opinion with regard to reliability of the Accounting Statements.

Opinion

In our opinion, the Accounting Statements fairly reflect, in all material respects, the Company's financial status as of December 31, 2014, outcomes of its financial and economic activities and cash flow movement for 2014, in line with the Russian Federation rules of the Accounting Statements development.

Director of ZAO Pricewaterhouse Coopers Audit
February 27, 2015

E.V.Filippova

COMPANY
PROFILE

CORPORATE
MANAGEMENT

RISK
MANAGEMENT

PRODUCTION
ACTIVITY

FINANCIAL
STATEMENTS

SOCIAL
RESPONSIBILITY



Findings of Auditing Committee

BASED ON THE RESULTS OF FINANCIAL AND ECONOMIC ACTIVITY OF PJSC «NIZHNEKAMSKNEFTEKHIM» IN 2014

Kazan

March 3, 2015

The Auditing Committee of PJSC «Nizhnekamskneftekhim» (hereinafter referred to as Auditing Committee, the Company) was elected at the Annual General Shareholders' Meeting on April 14, 2014, based on the Article 85 of the Federal Law "On Joint-Stock Companies". In its work the Auditing Committee was guided by the Federal Law "On Joint-Stock Companies", Statute of PJSC «Nizhnekamskneftekhim» and Regulations "Operating Procedure of Auditing Committee of PJSC «Nizhnekamskneftekhim»". The financial and economic activity of the Company was audited based on the results of the Company's activity for the fiscal year of 2014. No unscheduled audits were conducted on the initiative of the persons entitled to require such check-outs. For the reporting period, no requests were filed to the Auditing Committee from the Company's shareholders and other authorized persons. During the audit, the Auditing Committee reviewed the Annual Report and Annual Accounting Statements of the Company for 2014.

AS A RESULT, IT WAS FOUND AS FOLLOWS:

1. In 2014, the Company's activity was in compliance with the Russian Federation Legislation. The Accounting Statements were made out on the basis of the Russian Federation Accounting Rules. The accounting policy for the year of 2014 was approved by the General Director of PJSC «Nizhnekamskneftekhim» by Order № 433 dd. December 18, 2013.
2. Sales revenue in 2014 amounts to 132 893 013 thousand rub., profit on sales – 13 277 897 thousand rub., pretax earnings – 11 689 070 thousand rub., net income – 9 269 155 thousand rub.
3. The Company's balance sheet assets as of December 31, 2014, amount to 87 191 585 thousand rub., including the following:
 - Non-current assets amount to 56 921 668 thousand rub., among them 49 495 346 thousand rub. fall within fixed assets that makes 87% of the Company's total non-current assets;
 - Current assets amount to 30 269 917 thousand rub., among them 12 807 823 thousand rub. fall within inventories that makes 42% of the Company's total non-current assets, 9 309 791 thousand rub. fall within receivables that makes 30.8% on the total current assets;
 - Capital and Reserves amount to 67 817 610 thousand rub.;
 - Long-term liabilities amount to 3 529 029 thousand rub., among them 1 547 425 thousand rub. (39%) fall within loans and borrowings;
 - Short-term liabilities amount to 15 844 946 thousand rub., including 4 580 148 thousand rub. (29%), which fall within short-term loans, and 10 103 350 thousand rub. (63.8%), which fall within payables.
4. No evidence of backdated wages was revealed at the Company.
5. The Company's balance sheet assets as of December 31, 2014 equalled to 68 235 665 thousand rub..

The Company's Accounting Statements allow to figure out a complete and objective concept on financial and economic activity of the Company and outcomes thereof. No facts of breach of the order of Financial and Accounting Statements presentation were disclosed at the Company. Accounting Records are kept in compliance with the legislation of Russian Federation. The Company keeps to the term of making Statements.

Based on audit and analysis of the Company's activity, the Auditing Committee has sufficient ground to confirm reliability of the data, contained in the Annual Report and Annual Accounting Statements of the Company for 2014.

Social Mission

of the company is to make
in a most effective and safe
way the “must-have” products,
required by the society,
helping along to the growth
in prosperity of the society,
to sustainable development
of the region and the well-being
of the population,
to improvement of the quality
of life of workers and their
families

06

SOCIAL RESPONSIBILITY

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Environmental protection



Environmental activities of PJSC «Nizhnekamskneftekhim» are carried out in accordance with the stated policy, the main objective being to improve the environmental efficiency.

Environmental management system operates in accordance with the international standard ISO 14001: 2004. In practice, the activities of the Environmental protection are implemented in accordance with specially designed environmental programs. Since 2001 PJSC «Nizhnekamskneftekhim» implemented three such programs.

In July 2014 an Environmental program was developed for the 2014 - 2020 period, the main goal being to achieve sustainable development of the Company, reliable protection of the environment to comply with the requirements of environmental legislation.

The specific objectives of the program are to increase the efficiency of environmental sustainability and emergency tolerance of the production units, the development of environment protection facilities, clean-up of the past environmental damage, improving the monitoring and environmental management system, creation of comfortable living conditions for the residents of Nizhnekamsk and

Tukayevsky municipal districts.

The program provides for cultivation of disturbed soils, landscaping and shade gardening of industrial and residential areas of the city, thinning of suburban forests, arrangement of the common sanitary protection zone for Nizhnekamsk industrial hub.

According to the results of environmental monitoring carried out by accredited laboratories of PJSC «Nizhnekamskneftekhim» extreme situations relating to environmental pollution have not been recorded.

In 2014, 71 events were implemented in line with the current program.

In order to improve the quality of effluent discharged into the Kama river and air treatment facilities in the area, work continued on the improvement and repair of some units of the biological treatment

Effluent quality indicators after the biological treatment facilities improved such as suspended solids, ammonium ions, nitrate, nitrite,

aluminum, iron, chloride, phosphate, zinc and copper sulphides, toluene, phenol, styrene, and benzene.

According to the results of environmental monitoring it was noted that the discharge of waste water after bio treatment had no significant impact on water quality in the Kama river, which is confirmed by the results of the analysis of water above and below the discharge of sewage.

In 2014, work began on the alterations of the bacteriological laboratory in accordance with the requirements of sanitary norms and rules and fit out laboratories with modern equipment.

In 2014, cleaning of the buffer pool in the Strelochniy Log creek was completed. Since 2013, 27.8 thousand cubic meters of sediment, including 15.7 thousand cubic meters in 2014.

To make optimal use of water resources a new arrangement was introduced in 2014 to return purified wash water from the buffer pool in the Strelochniy Log creek to the 3rd lift station, allowing re-use of over 841 thousand cubic meters wash water.

In 2014 the development of basic and final project documentation was started for revamping of individual units in order to purify and reuse wastewater for production needs of PJSC «Nizhnekamskneftekhim». As part of this project pilot scale tests were carried out for the introduction of purification technologies i.e. ultrafiltration of wastewater downstream the ponds on the Tunguch river. The project documentation development is in full swing now. The introduction of this technology will allow for the return of treated wastewater be employed for industrial needs.

In order to improve efficiency in the use of recycled water three cooling towers were revamped and put into operation, which will save energy consumption by 4 818 000 kWh per year.

In 2014, the project documentation for reduction of the negative environmental impact of the closed landfill was approved by the state environmental expertise. Preparations are under way for presentation of documentation to Glavgosexpertsiza authorities.

During the reporting period, work continued on disposal of sludge from the territory of the existing landfill, with the assistance of a specialized organization removed and disposed of were 4.23 thousand cubic meters of sludge. Preparations are under way on two checks for waterproofing. Equipped and certified were 19 observation groundwater wells on the existing landfill site.

Great attention was given to the efficient use of land. In particular, the increase in capacity of production units was done without occupation of additional land. The natural landscape was constantly preserved and restored. Soils disturbed during repair work of underground pipelines were cultivated and covered with fertile layer.

As a result of the work done, the total emissions of harmful substances into the atmosphere in 2014 decreased by 9.9% compared to the year 2013, including reduced emissions of formaldehyde by 21.1%, benzopyrene by 70% and phenol by 37.3%. Since 2006, pollutant





emissions into the atmosphere were reduced by 47%. Water consumption from the Kama river for the needs of PJSC «Nizhnekamskneftekhim» in 2014 decreased by 4.9% in comparison with 2013. In 2014, in comparison with 2013 the amount of non-utilizable production waste decreased by 2.8%.

In the year 2014 24 action items were introduced aimed at reducing emissions of pollutants into the atmosphere.

At the same time, work continued in 2014 on the installation of sealed apparatuses as part of an environmental program, replaced and brought up to a standard were 47 pumping units.

Since 2008, an automated system for monitoring atmospheric pollution operates at the Company: 4 monitoring posts were installed around the perimeter of the industrial estate and the buffer zone, in 2013 - monitoring post was installed on the territory of the biological treatment facilities. In 2014, the list of controlled indicators for automatic monitoring stations was expanded on five indicators: ethylene oxide, ammonia, nitric oxide, nitrogen dioxide, carbon monoxide.

As a result of this work total emissions of harmful substances into the atmosphere in 2014 decreased by 2.57 thousand tons (or 9.9%) compared with the 2013 year, including reduced emissions of formaldehyde by 4.24 tons (or 21.1%), benzopyrene by 0.0035 tons (70%), phenol by 3.08 tons (37.3%).

Since 2006 pollutant emissions into the atmosphere decreased by 20.796 tons (or by 47%).

Consumption of water from the Kama River for the needs of PJSC «Nizhnekamskneftekhim» in 2014 decreased in comparison with 2013 year by 3523 thousand cubic meters (or by 4.9%).

In 2014 compared with 2013 the amount of unutilized production waste decreased by 310.7 tons (or by 2.8%).

The set goal to improve eco-efficiency, expressed in the specific units (per million Rubles of output products in 2004 prices) was reached on the most indicators.

During the 2006 to 2014 period the unit cost of raw materials decreased by 19%, water for technological needs by 8.8%, electricity by 23.2%, heat energy by 25.5%, fuel by 17%, specific emissions were reduced by 68%, specific wastewater discharges by 30.2%, the specific formation of non-utilizable production waste by 27.7%, the efficiency of land use increased by 45%.

Positive results of environmental activities of PJSC «Nizhnekamskneftekhim» were honored by the Government Authorities of the Russian Federation and the Republic of Tatarstan.

In 2014 PJSC «Nizhnekamskneftekhim» confirmed the title of "The Leader of Environmental Activity in Russia"; it was put on the list of nominees for the All-Russian competition and was awarded with an honorary diploma and a medal "100 Best Companies of Russia. Ecology and Environmental Management", it was also awarded with the diploma of the winner in the nomination «For the Elimination, Recycling the Accumulated Waste Products», «For The Best



Ecology Services"; and also was awarded a Diploma of the winner of the Republican contest "EcoLeader" in the nomination "Oil Refining and Petrochemical Industry".

Within the framework of the Inter-regional exhibition "Ecological Technologies and equipment of the 21st century", which is supported by the Office of the President of the Republic of Tatarstan, by the Government of the Republic of Tatarstan, by the Ministry of Ecology and Natural Resources of the Republic of Tatarstan, by the Ministry of Industry and Trade of the Republic of Tatarstan, PJSC «Nizhnekamskneftekhim» was awarded with diplomas: "For the Best Demonstration of the Organization of Environmental Monitoring Among Industrial Enterprises" and "For the Best Demonstration of the Environmental Protection Operation Among Industrial Enterprises."

UPCOMING TREND ON ENVIRONMENTAL ACTIVITIES IN 2015

- Cleaning of the buffer pools on the Tunguch river
- Development of detail documentation for revamping of biological treatment facilities
- State expert review of the revamp project of existing landfill
- Modernization of water recycling systems
- Repair work of the underground communications
- Participation in the implementation of the program "Environment protection of the Nizhnekamsk and Nizhnekamsk Municipal District for 2012–2015 "



Occupational and industrial safety



The company strives to constantly improve and perfect their activities in the field of industrial safety and health on the basis of regular monitoring.

In order to improve the management system the Company developed and approved a uniform policy of PJSC «Nizhnekamskneftekhim» to meet the requirements of international standards, the obligations of which are aimed at ensuring safe working conditions for employees and protect the health of personnel by improving the management system of PJSC «Nizhnekamskneftekhim» based on the best international standards.

In April 2014 the specialists of CQS «IQNet» (Prague, Czech Republic) conducted a compliance audit of the management system at PJSC «Nizhnekamskneftekhim» for compliance with the directives of the International Standards MS ISO 9001: 2008, MS ISO 14001: 2004, BS ONSAS 18001: 2007. According to the audit findings, no discrepancies were found, the scope of certification was expanded, in the area of certification included were: design, development and production of ABS plastics; preparation of rolling stock for loading and routine repairs, repairs of rolling stock, the current maintenance and repair of railway tracks and alarm devices for centralization and blocking.

The management system of PJSC «Nizhnekamskneftekhim» is an integrated one and meets International Standards ISO 9001, ISO 14001, and OHSAS 18001.

Pursuant to the requirements of International Standard OHSAS 18001 in 2013 the "Program of Labor Protection and Industrial Safety for the 2013-2015 Period" was developed and approved. The program provided for the implementation of 180 measures aimed at improving industrial safety and labor protection, activities planned for 2013 and 2014 were fully implemented.

An Agreement on a labor safety in 2014 was concluded between the administration and trade union committee in order to increase safety and improve working conditions. In accordance with this Agreement 35 activities were scheduled and fully implemented. During the implementation of these measures working conditions were improved for 1704 employees of the Company, including 726 women.

INDUSTRIAL INJURIES

Only one case of injury occurred at PJSC «Nizhnekamskneftekhim» in 2014, it was not related to the category of heavy injury. The case was investigated by the Commission; the causes were established as well as those responsible for the violations committed, according to the results of the investigation measures, were developed to prevent similar cases in the future.

GAS AND FIRE SAFETY

The maximum permissible concentration of harmful substances and fire in the Company production units were avoided in 2014.

MEETING THE REQUIREMENTS OF INDUSTRIAL SAFETY

41 hazardous production facilities operate at PJSC «Nizhnekamskneftekhim», out of which 28 units are certified as Hazard Class 1, 4 units – as Hazard Class 3, 8 units - as Hazard Class 4. Liability insurance was arranged for injury resulting from an accident or incident at hazardous production facilities.

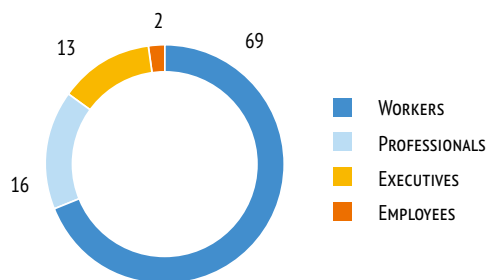
PREVENTIVE WORK

In 2014 production control management and safety department jointly with the specialists of the technical divisions of the Company carried out comprehensive surveys in line with the "Master Plan of the Administration and Technical Services of PJSC «Nizhnekamskneftekhim».

Personnel

When summing up the results of the IXth All-Russian contest "Best HR Service - 2014", based on the provided materials and expert opinions of the organizing committee of the International Forum «The World Experience and Economy of Russia» PJSC «Nizhnekamskneftekhim» was awarded an honorary diploma of the winner for the professional, effective and socially oriented approach to the organization of human resource management.

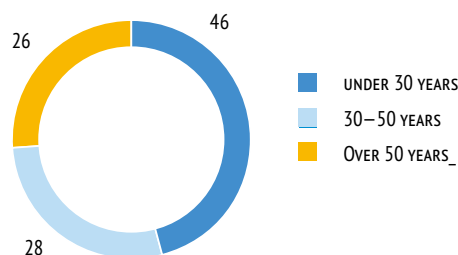
STAFF COMPOSITION, %



RECRUITING GRADUATES

As of 31.12.2014 the number of employees at PJSC «Nizhnekamskneftekhim» was more than 16 772 people of 300 trades (men - 10260, women - 6512). For stable staffing human resources of required quality, the Company developed a system of recruitment of workers. In 2014, the Company's share of workers with higher education accounted for 35.76%, with an average vocational education - 19.2%. Graduate degree had 45 people. The average age of the workers at the Company was 39 years. The percentage of young people under 30 years of age was 27.6% out of the total number of

STAFF COMPOSITION AGE WISE, %



the manpower.

Turnover rate of personnel was 6.53%. The increase in manpower turnover was associated with changes in the labor market. In order to prevent the labor fluctuations the Company management adopted a number of measures at the end of 2014. The human resources manager conducted an interview with every worker who had filed for voluntary leave, in order to find out the reason for his wish to quit the job. Whenever possible, if a worker was required for the Company as a good specialist, he would be offered a transfer to another department. For the young workers retention the Company performed a package of measures. Some measures to improve the living conditions of workers were developed and implemented. As a result, the Company managed to maintain a multidiscipline team i.e. the HR stability factor was nearly 95%.

INTERACTION WITH EDUCATIONAL INSTITUTIONS OF THE CITY

The Company, upon the requests of the production units, developed plans for recruiting of graduates from the education institutions of the city, which for many years were the main sources of replenishment of the company with young professionals and workers. Due to long-term contracts a systematic work was carried out with such institutions as:

- Nizhnekamsk Institute of chemical-engineering;
- Nizhnekamsk Petrochemical college;
- Nizhnekamsk College of Technology;
- Petrochemical and oil refining technical college.

In 2014 the Company accepted for employment 421 graduates of the above mentioned educational institutions (in 2013 – 510).

In order to improve the quality of training the students of basic vocational educational institutions and for closer interaction with the Company a dual system of vocational education was introduced in 2013 that combined a theoretical training at an educational institution and practical training at the enterprise.

The final-year students of the Nizhnekamsk Institute of Chemical-Engineering were on one year practical training at PJSC «Nizhnekamskneftekhim». The Training Center of the Company issued the Blue-Col- lar Occupation Certificates. The Company also paid for the annual leave to the trainees. Subjects of graduation thesis were selected taking into account the specificity of their trades.

In the 2013–2014 academic year 35 students were trained under the contract. Beginnings from the year 2001 total 735 students of the Nizhnekamsk Institute of Chemical Technology were trained in the

production units.

PROFESSIONAL ORIENTATION ACTIVITY

PJSC «Nizhnekamskneftekhim» acts as a sponsor over 20 educational institutions of the city of Nizhnekamsk and assists in preparation for the school season every year. In 2014 the Company equipped the chemistry classrooms with laboratory equipment, provided tools, instruments, technical documentation for the work-shops. The company specialists shared their professional and life experience with the students during regular sessions.

In 2014, work began on equipping with materials and instrumentation the electro-mechanical laboratories of the municipal budgetary general education institutions

"Secondary school No. 29, was sponsored to attend the contest for obtaining the republican grant "School after school"

STAFF RECRUITMENT

A careful selection of personnel was conducted for the production units, which activity is connected with the operation of hazardous production facilities. Matching of the objective characteristics of candidates and new incoming workers to the needs of production units was determined by way of thorough psychological diagnostic testing. The list of departments and positions was determined by the General Director order. Recommendations were given to each tested specialist to improve his psychological resistance to the occupational hazards.

Within the framework of the "Internet Longevity" project approved by the Ministry of Education and Science of the Republic of Tatarstan, the training center of the Company organized special courses to master the basics of computer literacy. This training was intended for retired employees and the elderly people and was aimed at personal development, social adaptation, preserving their position in life, promoting the possibility of obtaining public services in electronic form. In 2014 38 people were trained.

HUMAN RESOURCE TRAINING

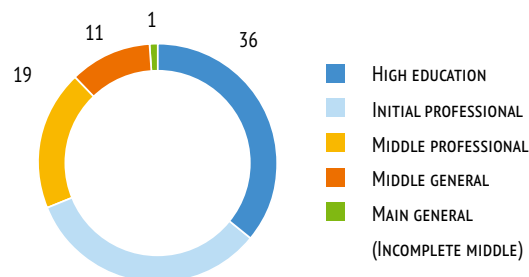
A vocational training center operates at PJSC «Nizhnekamskneftekhim» for training personnel; it has a perpetual license of the Ministry of Education of the Republic of Tatarstan for training and upgrade qualifications for more than 100 professions and trades. To develop and maintain a high level of professional competence of employees, the Company established a material and technical resources.

In order to meet the Company's needs in the training and certification of personnel the proven educational institutions and organizations not only from Tatarstan, but also those from the Russian

Federation were involved.

Funding for training was carried out in accordance with the annual limit of staff training costs and production needs. In 2014, all in all

STAFF COMPOSITION EDUCATION WISE, %



were trained 6746 (in 2013 - 6596) employees, of which: 5313 (in 2013 - 5398) of workers upgraded their skills at the production and technical courses, special purpose courses or were retrained and learned a second profession, 1433 (in 2013 - 1198) managers and specialists upgraded their managerial skills. Upon completion of training 913 workers were upgraded.

In 2014 were held 36 contests of professional skills among young workers of basic professions.

PERSONNEL RATING

To assess the staff were involved 48 evaluation committees in production units of the Company and the Central Commission. Rating of each manager was determined during certification. In 2014, certified were 544 (in 2013 – 577) of the head and 580 (in 2013 – 679) specialists. The Commissions issued 795 recommendations for further professional growth.

EMPLOYEES OPINION SURVEY

To improve their work with the staff, sociologists systematically conducted surveys of employees on various topics. Knowledge of the views of the collective and individual socio-professional and demographic groups allows to work directly with the staff, to take into account the interests and needs of employees, to develop measures to improve the work with collectives. In 2014, a total of 17 sociological studies were carried out, surveyed were 7325 people (in

2013 - 7643). Also reviewed was the situation with transport service carrying to and from the industrial estate 16919 employees.

MONITORING THE QUALITY OF WORK LIFE

In addition to current opinion polls the Company monitors employees' satisfaction with various aspects of working life in order to determine the level of quality of working life at the Company. In 2014, 974 employees were interviewed on this topic (in 2013 – 454).

The results of this study were discussed with the personnel of production units, elaborated were social programs for development of labor collectives. It was revealed that the level of employees' satisfaction remains high.

WORKING WITH PERSONNEL RESERVE

About 624 employees were put on the List of Reserve of managerial personnel for the 2014-2018 period. The List of personnel reserve for the nomination was updated and approved by the CEO. Every employee on the List of Reserve was interviewed, tested to determine its managerial and professional potential. Education of the employees was carried out according to approved programs. 110 people from the reserve took up new positions in 2014 (in 2013 – 158) among those as managers - 106 persons, as specialists - 4 persons. All in all 579 employees got new positions within the 2009 to 2013 period.

STAFF MOTIVATION

In order to increase the motivation to work for the Company the "Regulation on the promotion of employees of PJSC «Nizhnekamskneftekhim» was in force for the work and contribution to the development of the Company. In 2014, 202 persons were awarded the honorary title of "Veteran of the Company", portraits of 32 persons were put on the Honors Board of the Company, 1 person was enrolled into the Book of Honor, and a portrait of 1 person was put in the Alley of Veterans. Encouraged by Letter of Gratitude of the Director General were 11 persons, awarded with a plaque PJSC «Nizhnekamskneftekhim» was 1 person, Certificate of Honor got 1074 persons, awarded a commendation were 266 persons. Acknowledged by the state, local and municipal awards were 152 persons including 5 persons awarded with a medal "Valorous Labor", title of honor "Distinguished Chemist of the Republic of Tatarstan" got 5 persons; "Distinguished Chemist" got 1 person, acknowledgement of the President of Tatarstan were presented to 4 persons, Thank-you letter of the Cabinet of Ministers of the Republic of Tatarstan received 17 persons, Certificate of Merit and acknowledgement of the Ministers of the Russian Federation and the Republic of Tatarstan received 57 persons, Certificate of Merit and Grateful Letter of the Head of the Nizhnekamsk Municipal Region got 63 persons.

Social policy



YOUTH OUTREACH

Implementation of targeted youth policy was one of the priorities of PJSC «Nizhnekamskneftekhim».

The Collective agreement provided a number of benefits for young people. Every year, about 100 young people are called up for military service, leave the Company and return from the Armed Forces to work for the Company. Workers, who returned after the military service within three months, receive material assistance. Newly recruited young people after the services in the Armed Forces of the Russian Federation within three months also receive material aid. Young families are allocated a loan of 50 thousand rubles to purchase essential goods. For these purposes 10 million rubles were allocated in 2014.

PENSION PLAN

There are a number of provisions to provide material aid and social assistance to former employees. In 2014, the amount of non-state pension and monthly pension supplements (for the workers laid off before 2001) was 63.1 million rubles. A lump sum on retirement was allocated, which amount depends on the labor contribution. In 2014, such benefits were paid off to the amount of 90.4 million Rubles. Remunerations are paid on the red letter days: Victory Day, the Day of Defender of the Fatherland, the Day of Older Persons, and the anniversaries. Pensioners and veterans are attached to a hospital for medical care at the expense of the Company.

In 2014, 3.8 million rubles were allocated for the treatment of non-working pensioners.

MATERNAL AND CHILD CARE

There are 38% women workers at the Company. Many of them work for many years for the Company, have families and children. Given a special role of women in the society, in parenting, the management and the trade union committee create more favorable conditions of work and leisure for them. Each year the Company organizes Christmas pageant for children of the workers. A Christmas tree Entertainment play grounds is arranged in the city, one of the most spectacular and the largest in the city. In 2014, the Company has presented the city a gift - Christmas tree in the park area "Neftekhimik". New Christmas town became one of the most visited places in the city. For the original designs, lighting design and illumination Christmas town of PJSC «Nizhnekamskneftekhim» was awarded a diploma in the nomination "New Year Discovery".

PJSC «Nizhnekamskneftekhim» provides a one-time financial assistance in the amount of 10 thousand rubles to women after the birth of a child; at the birth of two children at the same time (twins) - 70 thousand rubles; at the birth of three children in one go (triplets) - 100 thousand rubles. In 2014, material payments for child birth amounted to 9.35 mln rubles (in 2013 – 10.050 mln. rubles). One day off is provided every month with a 50% fee to mothers with children under the age of 16. During summer holidays "Ship Grove" sanatorium and recreation camp operate in the Mother and Child arrangement, which is very convenient for workers. Children of petrochemists have a possibility to unwind in "Youth" and "Olympian summer camps". During the summer season about 1905 children enjoyed their rest in the "Youth" camp and 328 in the "Olympian" camp.

MORTGAGE PROGRAM

As before, a lot of attention was paid to solving critical social problems – provision of workers with comfortable accommodation. During the reporting year, 256 apartments were distributed among the Company's employees, out of those according to the internal program of the Company allocated were 180 apartments, according to the program of social mortgage - 76 apartments. For payment of the first installment under these programs were arranged 130 loans totaling 52.15 million Rubles.

In 2014, for the purpose of financial support of the workers in accordance with the "Regulation on the provision of benefits under the housing program by PJSC «Nizhnekamskneftekhim» the Company allocated 10.485 million Rubles to 422 workers. In 2014 PJSC «Nizhnekamskneftekhim» requested the non-profit organization 'State Housing Fund under the President of Tatarstan' to build more than 3000 apartments for employees during the 2014-2016 period.

TRANSFER OF SOCIAL PROPERTY

In order to improve the effectiveness of the Company and to provide a possibility to the employees who live bachelorettes at the hostels, to use the right on to get a free flat in accordance with the Housing Code of the Russian Federation. PJSC «Nizhnekamskneftekhim» transferred the right of ownership to the "Nizhnekamsk" municipal authorities, to Nizhnekamsk Municipal District of the Republic of Tatarstan 29 bachelorette hostels belonging to the Company. More than 10 thousand people live at 29 hostels, whose families occupy about 4.5 thousand bachelorettes.

In order to improve the health care process for the residents of Nizhnekamsk the Company property was transferred to the Republic of Tatarstan property, i.e. the building and equipment of the Out-patient hospital No. 2, located at the Republic of Tatarstan, Nizhnekamsk Municipal District, Nizhnekamsk ave. Builders, Building 10 B. Later this building was transferred to the operational management GAUSE "Nizhnekamsk central regional multi-field hospital".

CULTURAL AND EDUCATIONAL ACTIVITIES

At the House of Folk Art there are 10 creative teams, including six teams for the youth. Very popular are meetings and concerts with participation of the youth clubs, among those are Club of the Merry and Inventive "Chemists' Avenue", club for socializing called "For those Who is over ...", Tatar speaking youth club "Ochrashu-tanyshular", Veterans' club and Coin collectors club. Over 2014 creative teams of the House of Folk Art held more than 484 cultural and leisure activities for the Company workers and 285 000 spectators of the city.

NON-FINANCIAL ACCOUNTING

Annual publication of non-financial reporting (Sustainability Report) along with the results of activity has become the norm for our Company. In 2014 the fourth Sustainability Report was published for the year 2013, which reflects the results of operations, including the work with personnel.

PJSC «Nizhnekamskneftekhim» was the winner at the Contest of the annual reports of the Moscow stock exchange and Media Group "Securities market" in a special nomination "The Best Report on sustainable development and social responsibility."

The results of the social activity of PJSC «Nizhnekamskneftekhim» were reflected in the Collection of corporate practices of the Russian Union of Industrialists and Entrepreneurs.



07

**CHRONICLE OF KEY
EVENTS IN 2014**

January

- 23 ▶ The results of implementation of the collective agreement in 2013 were discussed at the meeting of the workers and employees of PJSC «Nizhnekamskneftekhim». A document was signed, regulating relations between workers and employees and the Company's management for the year 2014. It retains all the benefits and payments that have taken place in the collective agreement of 2013.

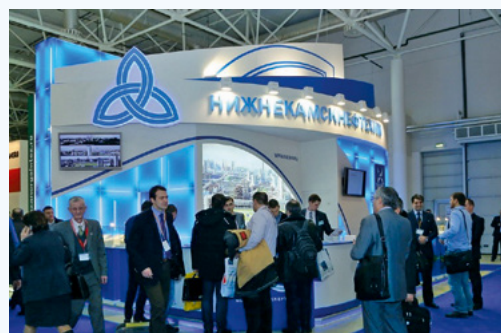
- 28 ▶ Deputy Prime Minister of the Republic of Tatarstan – Minister of Industry and Trade, Ravil Zaripov, and the Head of Federal Service for Ecological, Technological and Nuclear Supervision (RosTekhNadzor), Alexey Aleshin, arrived to PJSC «Nizhnekamskneftekhim» with working visit. Alexey Aleshin arrived in the Republic of Tatarstan to attend the Board meeting of the Volga Region Control Branch of RosTekhNadzor.

- ▶ PJSC «Nizhnekamskneftekhim» was awarded a Diploma of the winner of the contest "Leader of Environmental Protection in Russian - 2013". Its results were announced at the International Forum "World Experience and Russian Economy".

February

- 28–31 ▶ PJSC «Nizhnekamskneftekhim» was awarded with Diplomas "For a wide range of plastics and rubbers of high quality" and "For the professional work of the Company managers at the exhibition at the end of the 17th International special plastics and rubbers exhibition "Interplastika-2014", Expocentre " (Moscow).

- ▶ Car-repair depot management of railway transport at PJSC «Nizhnekamskneftekhim» has received permission from the Council of the CIS Railway Transport for the right to carry out overhaul of railway tank cars for transportation of liquefied hydrocarbon gases and other chemical and petrochemical products, boxcars, flatcars and depot repair of eight-wheeled boxcars-hopper-batchers and low-sided cars. PJSC «Nizhnekamskneftekhim» is the only company providing this type of service in the territory of the Republic of Tatarstan.



March

- 14 ▶ Regular meeting of the Board of Directors of the Company was held in Kazan under the chairmanship of Vladimir Busygin the Chairman of the Board of Directors PJSC «Nizhnekamskneftekhim», examined were issues relating to the Annual Shareholders' Meeting.

- ▶ PJSC «Nizhnekamskneftekhim» was awarded the Diploma of the winner at the Republican contest "Philanthropist of the Year 2013". The Reward was handed over by the President of the Republic of Tatarstan, Rustam Minnikhanov, to the Chairman of the Board of Directors, Vladimir Busygin.

- ▶ PJSC «Nizhnekamskneftekhim» was the first Company in the Republic of Tatarstan that received a Certificate of compliance of the management system to efficient use of energy (energy management) requirements of ISO 50001: 2011.

- ▶ PJSC «Nizhnekamskneftekhim» was awarded the First Degree Diploma for the introduction of the fast-operating automatic switching stand-by system at the Company's plants in the nomination "Energy-efficient equipment and technologies."

- ▶ Sergei Belyaev, the lead engineer of the plant for the production of styrene and polyester resins at PJSC «Nizhnekamskneftekhim» was awarded a Diploma and a commemorative medal of the XIV All-Russian contest "Engineer of the Year 2013" in the nomination "Professional Engineers"



фото © casira www.president.tatarstan.ru

April

- 7-14 ▶ Specialists of certification body IQNet Czech Association for Quality System Certification CQS held a compliance audit of the quality management systems, environmental management and safety management at PJSC «Nizhnekamskneftekhim» and confirmed the extension of the scope of certification and included also ABS-plastic and services for quality control of raw materials, commodity products, repair of rolling stock railway transport.

- 14 ▶ The Annual General Meeting of Shareholders at PJSC "Nizhnekamskneftekhim" summarized the Company activities in 2013. The meeting was attended by the President of the Republic of Tatarstan, Rustam Minnikhanov.

- 14 ▶ The President of the Republic of Tatarstan Rustam Minnikhanov, Chairman of the Board of Directors of PJSC «Nizhnekamskneftekhim», Vladimir Busygin took part in the ceremony of start-up of the fourth line for the production of polystyrene.

- ▶ Department of Information Technology at PJSC «Nizhnekamskneftekhim» received a certificate confirming compliance of all the aspects of the operation and development of the SAP ERP system with the International Standards SAP.

- 21–23 ▶ PJSC «Nizhnekamskneftekhim» was awarded the Grand Prix and a Gold Medal for introduction of a system of effective energy management per ISO 50001: 2011 (energy management) among the companies of the petrochemical complex of the Russian Federation within the framework of the XII-th Moscow International Energy Forum and Exhibition "Energy of Russia in XXI century". The Company was also awarded with four more diplomas and gold medals for active implementation of projects in the field of energy conservation and efficiency, achieving significant results in its implementation of a comprehensive program of energy saving during the period 2011-2015, demonstration of effective energy-saving equipment and technologies at the exhibition and introduction of innovative technologies to improve the reliability of power supply among petrochemical companies.

- 22–25 ▶ PJSC "Nizhnekamskneftekhim" was awarded Diplomas "For the development of new products", "For participation in the exhibition, high level of professionalism and relevance of presented products" and an exclusive commemorative badge from the Bashkir Exhibition Company at the XXII-nd International Specialized Exhibition "Gas. Oil. Technology - 2014", held within the framework of the Oil and Gas Forum in Ufa, the capital of Bashkortostan.



May

- ▶ With the purpose of creating an integrated management system, combining possibilities of QMS, environmental management, occupational safety management with the information security management systems, energy resources and personnel a unified Policy of PJSC «Nizhnekamskneftekhim» has been adopted in the Company.

- 7▶ An unscheduled on-site audit of compliance with environmental requirements of atmospheric air protection conducted by Rosprirodnadzor Department in Tatarstan Republic from the 8th of April to the 7th of May 2014 hasn't revealed any excess emission of substances into atmosphere.

- 23▶ On May 23, 2014 in the sports and leisure centre «Neftekhimic» of PJSC «Nizhnekamskneftekhim» the celebrations of Chemists Day were held in the Republic of Tatarstan with the participation of Rustam Minnekanov, the President of Tatarstan Republic.



June

- 9▶ Ordinary and preferential shares of PJSC «Nizhnekamskneftekhim» are included in the First (top) quotation list of Moscow Inter-bank Currency Exchange (MICEX). Inclusion of shares in the top quotation list will enable the broader range of investors, among them institutional investors, to invest their funds in securities of the Company. Before then the ordinary and registered preferential shares were traded as per the quotation list "A" of the second level.

- 16▶ An unscheduled session of the Board of Directors under the guidance of Vladimir Busygin, the Chairman of the Board of Directors of PJSC «Nizhnekamskneftekhim», was held in Kazan. The Board of Directors has taken a decision to satisfy Oleg Nesterov's request of voluntary resignation from the post of the General Director of PJSC «Nizhnekamskneftekhim». The members of the Board of Directors have elected Azat Bikmurzin to the post of the General Director of PJSC «Nizhnekamskneftekhim».

- 18▶ The General Director of PJSC «Nizhnekamskneftekhim», Azat Bikmurzin and Su Futsyan, the Chairman of Management Board of the Company CC7 have signed in the presence of Rustam Minnekanov, the President of Tatarstan Republic, a Memorandum of Understanding between PJSC «Nizhnekamskneftekhim» and Chinese Company CNCEC (Chinese National Chemical Engineering Company).

PJSC «Nizhnekamskneftekhim» has been awarded the medal of the winner of the tender "100 Best Companies of Russia. Ecology and Environmental Management" which was confirmed by the diploma and is a testament of the company's achievements in the field of environmental protection and environmental safety of the production. PJSC «Nizhnekamskneftekhim» was also the winner in special nomination "For the liquidation and processing of accumulated wastes", and the department of environmental protection was awarded a diploma of the winner in the category "Best Environmental Service".

- 18–21▶ The Legal Department of PJSC «Nizhnekamskneftekhim» won the IX annual contest "Best Legal Departments of Russia-2014" the results of which were announced at the IV St. Petersburg International Legal Forum.

- 23▶ NKNC FINANCE PLC paid to the holders of Eurobond v "NKNC-2015" coupon income in the amount of 5 271 thousand US dollars and repaid the 1/10 portion of issue in the amount of 3 million 100.6 thousand. US dollars in accordance with the repayment schedule.



July

- ▶ PJSC «Nizhnekamskneftekhim» won the open tender for selection of organizations having the right to obtain a grant for implementation jointly with FSAEI HVE KFU (KAZAN (VOLGA REGION) FEDERAL UNIVERSITY) and OJSC KATALIZ–PROM of the complex project for creation a high-tech production within the resolution of the Government of the Russian Federation No.218 from April 9, 2010

- ▶ In the water supply, sewerage and wastewater treatment division of PJSC «Nizhnekamskneftekhim» works on clearing the buffer pond on Strelocny Log creek were completed and recycling of water for production needs was started.

- ▶ As part of the program of import substitution and increase of competitiveness of production at the beginning of July the production of the next new polypropylene grade PP4445T which has improved optical, organoleptical and physico-mechanical properties noninferior to foreign analogues was mastered at Polyolefins Plant of PJSC«Nizhnekamskneftekhim».

- ▶ In July, 2014 the representatives of the companies Bridgestone and Pirelli audited in PJSC «Nizhnekamskneftekhim» the supplier. Auditors visited butyl and synthetic rubber plants, R&D Centre, technical control and chemical feedstock supply division, they were familiarized with the state of business in the sales department and in the quality management system department of technical control division. The quality management system main tasks of which are the compliance with the customer requirements, an increase in sales and reaching a higher level business reputation of the Company has been given a high rating according to the results of audit.

- ▶ The training centre of PJSC «Nizhnekamskneftekhim» obtained a new «perpetual» license for training and advanced training for 100 lines of profession and directions. Material and technical base of the educational process is made up by 9 specialized training rooms directly at the training center and special technology classrooms in the business units of the Company.



August

- 7 ▶ On the basis of PJSC «Nizhnekamskneftekhim» staff training exercises "Actions of emergency liquidation and rescue units in the liquidation of emergency situation " were carried out with participation of representatives of Privolzhsky Region Directorate of Rostekhnadzor. During summarizing of staff exercises it was noted that all services coped with the task and ready for localization and liquidation of emergency consequences at explosion dangerous object.

- ▶ As part of the program of import substitution in the management of water supply, sewerage and wastewater treatment (UVK and OSV) of PJSC «Nizhnekamskneftekhim» GOXA-8 domestic coagulant has been successfully implemented in the process of obtaining filtered water.

- ▶ In August PJSC «Nizhnekamskneftekhim» produced the maximum quantity of block-copolymers of propylene (over 10 000 tons). This production increase is due to an increased demand for unique grades and planned moving of the enterprise towards reduction of homopolymer production.



September

- 5 ▶ Demonstration of fire-fighting and rescue operations exercises took place in the training area of IP-4, OAO «Nizhnekamskneftekhim». The event was attended by the participants of All-Russian seminar "Problems of implementation of federal supervision during the construction and operation of chemical and petrochemical complexes" carried out the day before in Kazan; the delegation was headed by Svetlana Radionova, Deputy Head of the Federal Service for Ecological, Technological and Nuclear Supervision.

- 7 ▶ JSC «Nizhnekamskneftekhim» was awarded the Grand Prix "The best exhibit, the best project or the best technical solution" within the framework of Tatarstan Petrochemical Forum in the category "Innovative environment friendly technologies" for the development and implementation of environment friendly technologies in production waste disposal. The President of the Republic of Tatarstan Rustam Minnikhanov presented the Badge of Honour and Grand Prix Diploma to Azat Bikmurzin, General Director of JSC «Nizhnekamskneftekhim» at the Forum Opening Ceremony.

- 8–21 ▶ JSC «Nizhnekamskneftekhim» participated in the National Congress on Energy 2014, which was held on the basis of the Kazan State Power University.
As part of the exhibition, the Company presented its achievements in the field of energy efficiency, in particular the model of One-Step Isoprene Synthesis Unit and GTP-75, the on-site power plant with combined power and steam generation cycle, which is integrated into the plan of Nizhnekamsk CHPP.

- ▶ JSC «Nizhnekamskneftekhim» has signed another long-term contract with the Italian tire company Pirelli with an increase in the supply of synthetic rubber.

- 19–20 ▶ JSC «Nizhnekamskneftekhim» participated in Tatarstan industry and investment potential exhibition within the Days of the Republic of Tatarstan held in Astana (Kazakhstan).



October

- 21–24 ▶ PJSC «Nizhnekamskneftekhim» products of 10 types are awarded the First Degree Diplomas for the high consumer characteristics based on the results of competitions held within the framework of "Chemistry + exhibition held in Moscow "Expocentre". Rubbers (BK, GBK, SKI, SKD-N, SKD-L, and DSSK) and plastics (polystyrene, polypropylene, polyethylene, and ABS plastics) awarded the highest score.

- 29 ▶ Extraordinary General Meeting of PJSC «Nizhnekamskneftekhim» Shareholders was held. Mr. R. Minnikhanov, the President of the Republic of Tatarstan, participated in the Meeting. Upon its completion, the first meeting of the new Board of Directors was held. Supporting the proposal of Rustam Minnikhanov, the President of Tatarstan, the members of the Board of Directors re-elected Vladimir Busygin as the Chairman of the Board and confirmed the powers of Azat Bikmurzin, the General Director of PJSC «Nizhnekamskneftekhim».

- 29 ▶ In the presence of Rustam Minnikhanov, the President of the Republic of Tatarstan, there was held a ceremonial commissioning of the first process line for the production of a catalyst carrier for isoparaffins dehydrogenation.

- ▶ The Polymer Forum of PJSC «Nizhnekamskneftekhim» was held in October, 2014, in Minsk, the capital of the Republic of Belarus. Its purpose was to promote Nizhnekamsk polymers in Belarusian market by enhancing processors awareness about new grades of plastics and the potential of one of Russia's largest polymer products manufacturers as well as reaching agreement on conclusion of long-term mutually beneficial contracts.



November

- 13 ▶** After the entry of amendments to the Civil Code of the Russian Federation into force on 1 September 2014 and pursuant to the decision dd. October 29, 2014, of the Extraordinary General Meeting of PJSC «Nizhnekamskneftekhim» Shareholders, the state registration of the Charter (revised) was performed on November 13, 2014, and the Company became a Public Joint Stock Company. From that moment the full official name of the Company in Russian is PJSC «Nizhnekamskneftekhim», abbreviated name is PJSC «Nizhnekamskneftekhim»; official name in English is Public Joint-Stock Company «Nizhnekamskneftekhim», abbreviated name is PJSC «Nizhnekamskneftekhim».
-
- 20–22 ▶** PJSC «Nizhnekamskneftekhim», within a unified exposition of the Republic of Tatarstan, took part in the international forum "Energy efficiency and saving" (ENES-2014).
-
- 20 ▶** PJSC «Nizhnekamskneftekhim» was ranked second among the top 10 private companies in the II Annual Survey of Russian companies corporate transparency.
-
- ▶ PJSC «Nizhnekamskneftekhim» became the winner of the XVII Annual Competition of Annual Reports of Moscow Stock Exchange and Media group "Stock Market" in the category "Best Report on Corporate Social Responsibility and Sustainable Development".
-
- 25 ▶** PJSC «Nizhnekamskneftekhim» was awarded a special prize "For the development of brand assortment" at ceremony of awarding the winners of award "Plastics of Russia 2014". The company was awarded for the development of import-substituting copolymers production.
-
- 27 ▶** The regular meeting of the Board of Directors of PJSC «Nizhnekamskneftekhim» was held in Kazan by Vladimir Busygin, the Chairman of the Board of Directors on November 27, 2014.

Board of Directors took note of the results of financial and economic activities, implementation of the plan of capital investments and financing of PJSC «Nizhnekamskneftekhim» and the Company Group (CG) «Nizhnekamskneftekhim» in the whole according to the results of 9 months of 2014; it approved the production and financial plan, the plan of capital investment and financing PJSC «Nizhnekamskneftekhim» for 2015 and the Company Group (CG) «Nizhnekamskneftekhim» in the whole; it took note of information on the actual PJSC «Nizhnekamskneftekhim» payment of taxes and fees to the consolidated budget of the Republic of Tatarstan according to the results of 9 months of 2014 and on the forecast of payments to the consolidated budget of the Republic of Tatarstan for 2015.



December

- ▶ Bromobutyl rubber (BBK-232) and polybutadiene rubber on lithium catalyst (SKD-L) were among the hundred best goods of Russia 2014 in the category "Industrial and Technical products". Two grades of polystyrene (402 and 409M) awarded the first degree diplomas and became a "Specialty of the year".
-
- ▶ PJSC «Nizhnekamskneftekhim» was awarded the Award of the Government of the Russian Federation in 2014 for achieving significant results in terms of products and services quality and for introducing highly effective methods of quality management.
-
- 8–10 ▶** PJSC «Nizhnekamskneftekhim» held an extended meeting of the Board of the Russian Union of Chemists (RUC) and the Association of refiners and petrochemists. At the plenary part of the session, Igor Belanogov, Director of Scientific and Technological Center, made the report "Import substitution as a strategic objective of PJSC «Nizhnekamskneftekhim»"; Shamil Nadyrshin, Deputy Chief Engineer for Health and Industrial Safety Control, familiarized the meeting participants with the practice of automating the process of hazardous industrial facilities registration in the Company. In the course of the round-table discussions, the practice of "Responsible Care" program realization in enterprises was analysed.
-
- 22 ▶** NKNK FINANCE PLC paid to NKNK-2015 Eurobond holders the coupon yield of USD 395.3 thous. dollars and repaid 1/10 of the release in the amount of USD 3 100 600 in accordance with the repayment schedule.
-
- ▶ PJSC «Nizhnekamskneftekhim» was awarded the diploma of the winner according to the results of X All-Russian Contest "Leader of Environmental Activity in Russia 2014"
-
- ▶ After the large-scale reconstruction, the first air separation unit was put into operation in the Nitrogen, Compressed Air and Oxygen Generation Shop at the Divinyl and Hydrocarbon Feedstock plant of PJSC «Nizhnekamskneftekhim». The reconstruction allowed not only to increase the Nitrogen Unit capacity by 20-25%, but also to increase significantly the reliability and safety of its operation.



Being aware
of its responsibility
to all the parties concerned,
the Company deems it necessary
to follow principles of openness
and, through its activity,
ensures timely disclosure
of complete and accurate
information

08

INFORMATION FOR SHAREHOLDERS

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and structure of equity capital
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Statutory Capital and Equity Capital Structure

STATUTORY CAPITAL OF PJSC «NIZHNEKAMSKNEFTEKHIM» AS ON DECEMBER 31, 2014

- amounts to 1 830 239 750 rub.,
- is split into 1 830 239 750 shares with the nominal value of 1 ruble each,

including:

- 1 611 256 000 ordinary registered shares,
- 218 983 750 preference registered shares. The statutory.

Capital is fully paid up.

Shareholders holding 5% or more shares of the Company as on December 31, 2014 are OJSC Telecom Management and JSC «Svyazinvestneftekhim».

Credit Ratings

PJSC «Nizhnekamskneftekhim» has been cooperating with the international rating agencies in order to maintain and improve the level of its credit rating since 2005.

Within the framework of this cooperation, PJSC «Nizhnekamskneftekhim» holds regular meetings with representatives of the rating agencies, in the course of which the Company results for the past period are discussed.

In addition, throughout the whole time period the constant dialogue is maintained with the rating agencies in order to discuss emerging issues on the financial stability of the Company, its market position and future plans.

MOODY'S INVESTORS SERVICE LTD.

OBJECT OF THE CREDIT RATING	RATING	FORECAST	DATE
Corporate rating	Ba3	Positive*	June 26, 2014
Long-term rating based on the national scale	Aa3.ru	Positive*	June 26, 2014
Eurobond rating	Ba3 / LGD4	Positive	June 26, 2014

* December 23, 2014 Moody's Investors Service Ltd. placed the rating forecast under review for possible downgrade.

STANDARD&POOR'S

OBJECT OF THE CREDIT RATING	RATING	FORECAST	DATE
Long-term foreign currency credit rating	BB –	Stable	May 15, 2014
Long-term local currency credit rating	BB –	Stable	May 15, 2014
Rating based on the national scale	ruAA –	Stable	May 15, 2014

Dividend policy

The dividend policy is based on the balance of interests of the Company and its shareholders, as well as on necessity to increase an investment attractiveness of PJSC «Nizhnekamskneftekhim» and its shareholder value.

The annual meeting of shareholders of PJSC «Nizhnekamskneftekhim» held on 14.04.2014 adopted a resolution to pay dividends on shares following the results of 2013 fiscal year in the amount of 1 ruble per share. This liability to shareholders was performed within a period determined by the Company's Articles of Association and the Federal Law "On Joint-Stock Companies".

The resolution on dividend payment is adopted by the General meeting of shareholders of PJSC «Nizhnekamskneftekhim» based on the recommendations of the Board of Directors.

When determining the amount of dividends the Board of Directors focuses on the net profit according to unconsolidated financial accounting data of PJSC «Nizhnekamskneftekhim» according to Russian accounting standards.

The amount of dividend payments should be at least 15% of net profit according to the Company's dividend policy. In recent years, the Company used to commit 30% of net profits to dividend payments in accordance with established practice.

DYNAMICS OF DIVIDEND PAYMENTS

YEAR	DIVIDEND RATE	ACCRUED, THOUS.RUB.	SHARE OF NET PROFIT FOR DIVIDEND PAYMENTS, %
2006	0.5448	997 115	30
2007	0.6715	1 229 006	30
2008	0.3098	567 008	32
2009	0.07	128 117	30
2010	1.176	2 152 362	30
2011	2.36	4 319 366	30
2012	2.78	5 088 067	30
2013	1.00	1 830 240	30

No arrearage exists.

Statement "On Dividend policy"
<http://www.nknh.ru/investors/documentation/>

Shareholders and investors interaction

Forming and maintaining trust relationships with shareholders and investors is one of the most important tasks of PJSC «Nizhnekamskneftekhim».

The Company works diligently to comply with the interests of shareholders and investors and to establish trust relations with partners within the framework of activities improvement based on the principles of information transparency and direct dialogue according to applicable law and generally accepted international practice.

PJSC «Nizhnekamskneftekhim» discloses information on its official website.

In Sections

- Investors and Shareholders
(<http://www.nknh.ru/investors/market/>);
- Charter and internal documents
(<http://www.nknh.ru/investors/documentation/>)

The internal corporate documents, annual reports, materials for shareholder meetings, information on the recorder and auditor, information on the dividend policy, RAS and IFRS financial statements.

In 2014, on the corporate website allocated were:

- 111 news and press releases on current activities of the Company;
- 21 news on the trade union activities.

In Section "Disclosure" published are:

- 42 accounts of corporate events;
- 8 lists of Affiliates and amendments.

During the reporting period, the Company placed 75 publications, reports, and press releases in periodic media and specialized publications.

Publications are posted in the federal and regional print periodicals such as "Rossiyskaya Gazeta", "Arguments and Facts", "Kommersant", "Komsomolskaya Pravda", as well as in federal magazines "TCP. Trends, events, markets", "Industrial and Environmental Safety" and "Plastics". There are 100 references to promotions, capitalization, dividends of PJSC «Nizhnekamskneftekhim» in the mass media.

Representatives of the Company regularly participate in international conferences, conduct meetings with investors:

- On April 22 the meetings were held in Moscow to discuss the Company activity results with analysts and investors: a meeting with the representatives of 12 investment companies and individual meetings with representatives of 5 investment companies;
- May 29 – the V Annual Forum "Investments in Russia";
- July 15 – a group meeting of four investment companies representatives was held in Nizhnekamsk;
- November 20 - PJSC «Nizhnekamskneftekhim» was ranked second among the top 10 private companies in the II Annual Survey of Russian companies corporate transparency;
- November 21 - PJSC «Nizhnekamskneftekhim» is a winner of the XVII Annual Report Competition in the category "Best Report on Corporate Social Responsibility and Sustainable Development".

In order to timely inform the shareholders and investors, PJSC «Nizhnekamskneftekhim» regularly publishes financial statements with the results of the Company's activity.

In 2014, financial statements according to RAS and IFRS standards, was published on the corporate website.

This Annual Report represents the report of PJSC «Nizhnekamskneftekhim»'s Board of Directors on the Company's development results by priority business activities.



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APPENDICES

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APPENDIX 1.**A LIST OF MAJOR TRANSACTIONS AND TRANSACTIONS FALLING UNDER THE PROCEDURE OF MAJOR TRANSACTION APPROVAL**

PJSC «Nizhnekamskneftekhim» did not implement any major transactions in 2014.

APPENDIX 2.**LIST OF RELATED PARTIES TRANSACTIONS**

RELATED PARTY	ESSENTIAL CONDITIONS	AMOUNT, RUB	THE AUTHORITY HAVING ADOPTED THE DECISION OF THE TRANSACTION APPROVAL
JSC «TAIF»-NK	Tenancy	928 181	Board of Directors
JSC «TAIF»-NK	Tenancy	656 516	Board of Directors
JSC «TAIF»-NK	Tenancy	681 026	Board of Directors
JSC «TAIF»-NK	Tenancy	690 168	Board of Directors

CHRONICLE
OF KEY EVENTS

INFORMATION FOR
SHAREHOLDERS

APPENDICES







Contact Details

Public Joint Stock Company «Nizhnekamskneftekhim» (PJSC «Nizhnekamskneftekhim»)

LOCATION AND POSTAL ADDRESS:

PJSC «Nizhnekamskneftekhim», 423574, Republic of Tatarstan, Nizhnekamsk
Tel. (8555) 37-78-30, 37-73-57, Fax (8555) 37-93-09

ADDRESS IN THE INTERNET:

www.nknh.ru, e-mail: nknh@nknh.ru

DATE OF OFFICIAL REGISTRATION

18th of August, 1993, registered by the Ministry of Finance of Tatarstan Republic and entered under the 388 number in the Register of Joint-Stock Companies, created in the territory of the Republic of Tatarstan. Registered on November 5, 2002, by the Interdistrict Tax Inspectorate No.20 of the Ministry of Taxes and Levies of the Russian Federation responsible for Tatarstan Republic and entered in the Unified State Register of Legal Entities under the principal state registration number 1021602502316.

TAXPAYER ID NUMBER:

1651000010

THE AUDITOR OF THE COMPANY

(according to International Financial Reporting Standards and Russian Accounting Principles)
Closed Joint-Stock Company "PhicewaterhouseCoopersAudit"
The Member of SRO NP Audit Chamber of Russia, the number of registration entry in the Register of Auditors and Audit Organizations is 10201003683.
Location: 125047, Russia, Moscow, Butyrsky Val St., bldg. 10
Tel. (495) 967-60-00, Fax: (495) 967-60-01
Address in the Internet: www.pwc.ru

REGISTRAR:

Limited Liability Company "Euro-Asian Registrar" - Kazan Branch. License for maintaining a register No.10-000-1-00332 of 10.03.2005, issued by the Federal Financial Markets Service without limitation as to period of validity.

LOCATION:

Vishnevsky Str. 6, Kazan 420043, Republic of Tatarstan
Address in the Internet: www.erd.ru

MASS MEDIA:

The list of mass media where the announcements about shareholders meetings are published according to the Article 9.19 of the Charter of PJSC «Nizhnekamskneftekhim», newspapers: Neftechimik, Hezmattash Avazy, Nizhnekamskaya Pravda, Tugan Yak, Respublika Tatarstan, Vatanym Tatarstan.



PJSC «NIZHNEKAMSKNEFTEHIM»

WWW.NKNH.RU