



TAIF GROUP OF COMPANIES



NIZNEKAMSK NEFTEKHIM

Annual Report



**The annual report was preliminary
approved by Resolution of Board
of Directors of OAO Nizhnekamskneftekhim
on March 14, 2011**

strategic growth

Petrochemical industry is regarded as the key point of growth of Tatarstan economy. OAO Nizhnekamskneftekhim is a dynamically advancing company implementing the strategic program of development until 2016.

Preference is given to advanced processing of raw materials and manufacturing of products with high value added. Main trends of the Company are production of rubber and polymers.

Production output of the Company in 2010 was increased by 113.8% compared to the last year and the sales proceeds were 40% higher than the planned figure and the net income went up by 2.4 times.





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Address of the Chairman of the Board of Directors



Dear shareholders!

In 2010 OAO Nizhnekamskneftekhim continued intensive development in all the areas of its production activities and managed not merely to completely restore the production to the level of their own best performance of the Soviet Union times, but also exceeded this performance many-fold, having reached the Company's record highest results both in higher amounts of feedstock processing as well as in enhanced most modern petrochemical product manufacturing, especially polymers, in particular, rubbers and plastics.

The Company overcame the hardships of crisis and adopted for execution a new Strategic Development Program, which successive implementation will ensure further growth in stability and confidence in tomorrow for everyone – producers of hydrocarbon feedstock, users of petrochemical products, Company staff proper, shareholders and financial institutions. As far as the future is concerned, the Company will keep on speeding up effective development with an accent on absolute transparency of the Company's operations to the extent possible within the framework of applicable legislation. I am convinced that innovative approach, professionalism, high intellectual potential and human resources of the Company will work for dynamic development of the Company, the Republic of Tatarstan and all-Russia henceforward.

On behalf of the Board of Directors I extend appreciation and sincere gratitude for fruitful cooperation to the stock holders and believe in its successful continuation. You have a chance to get familiarized with events in Nizhnekamskneftekhim Inc. in this Annual Report that has been prepared by a magnificent team of highly professional specialists guided by General Director Vladimir Mikhailovich Busyguin and approved by the Board of Directors of the Company.

General Director of PSC "TAIF"
Chairman of the Board of Directors
OAO Nizhnekamskneftekhim

A handwritten signature in black ink, appearing to read 'A.K. Shigabudinov'.

A.K. SHIGABUTDINOV



Address of the General Director

Dear shareholders and partners!

Despite tense situation as an aftermath of recent economic crisis, 2010 became one of the most successful year throughout the entire history of OAO Nizhnekamskneftekhim.

Nizhnekamskneftekhim Group is still in the lead among enterprises in the petrochemical industry of the country. In 2010 the product sales revenue reached 110.5 billion Rubles, 53 % higher than in 2009. Net profit is 7.853 billion Rubles. The yield was 544 000 tons of plastics, 500 000 tons of rubbers and 593 000 tons of ethylene, which is the record highest not only for the past decade of development, but for the entire history of the Company.

In the reported year OAO Nizhnekamskneftekhim for the first time signed global agreements on delivery of products with all the major world suppliers of synthetic rubbers. The claimed long-term increase of purchase amounts will become a dependable basis for investing into further development of rubber plants.

The Company is consistently pursuing the task of transitioning to production and sales of polymer materials. In the nearest future the plastics manufacturing capacities will considerably expand when an ABS Plant is added.

The power-saving program remains one of the major priorities of the Company development. The third Power-Saving Program for a period of 2011 through 2015 is underway in the Company to be extended till 2020. Currently, OAO Nizhnekamskneftekhim operations are carried out in new retail electric power market conditions. In future, it is planned to enter the wholesale electric power and utility market.

OAO Nizhnekamskneftekhim is incessantly active in the field of environmental control. Actual operations are performed in compliance with the long-term Ecological Program for 2007 through 2015. During recent years the amount of emissions to atmosphere has been reduced more than two-fold due to optimization of process conditions and modernization of process equipment.

Today, based on accrued production and investment capital, OAO Nizhnekamskneftekhim is starting implementation of the Strategic Development Program, which is in full compliance with targets and tasks of the Presidential Development Program of Oil-Gas and Chemical Complex of Tatarstan. The Strategy calls for expansion of the Company's feedstock supply chain, increased rubber manufacturing capacities and construction of new plastics plants.

I am sure that based on support from stockholders and effective actions of the management OAO Nizhnekamskneftekhim will fulfill all the assigned tasks, that will have a synergetic effect within the TAIF Group.

On behalf of the managerial board and on behalf of myself I thank all the stock holders and partners for mutual understanding and trust, and I thank the labor collective for high professionalism.



General Director
OAO Nizhnekamskneftekhim

A handwritten signature in black ink, consisting of a large, stylized 'V' followed by 'M' and 'BUSYGUIN' in a cursive script.

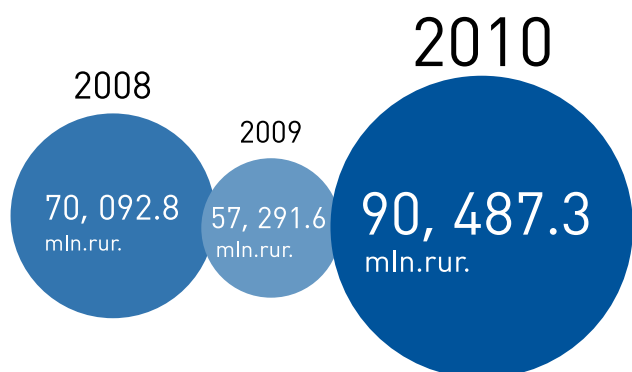
V.M. BUSYGUIN

key performance indicators

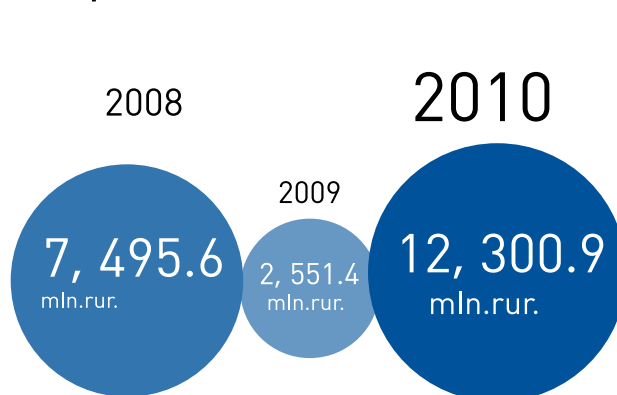
Output of marketable products in 2010 made 90.5 billion rubles, which is 33.2 billion rubles more compared to the level of the previous year. The growth of commercial output compared to that of 2009 made 113.8 %.

Marketed products and services amounted to 94.4 billion rubles.

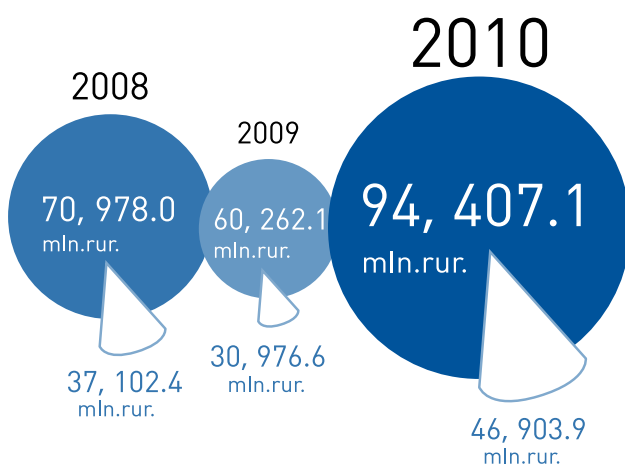
Commercial Output



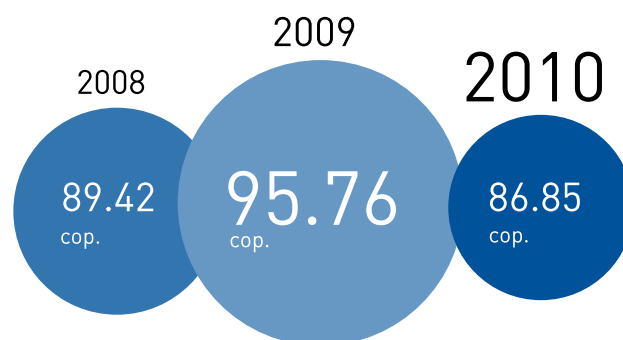
Sales profit



Proceeds from sales of products, goods and services

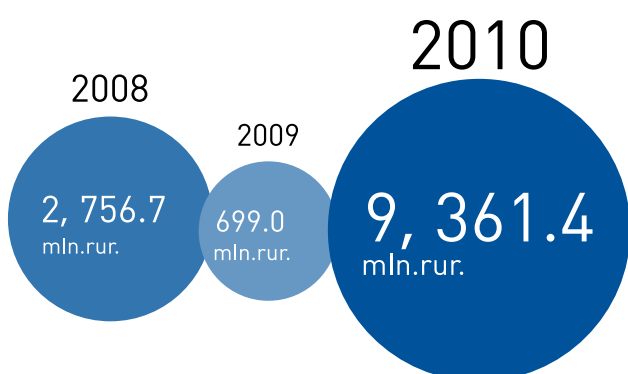


Expenses per 1 ruble of marketed products

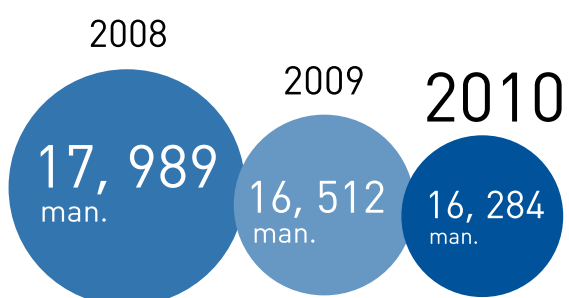




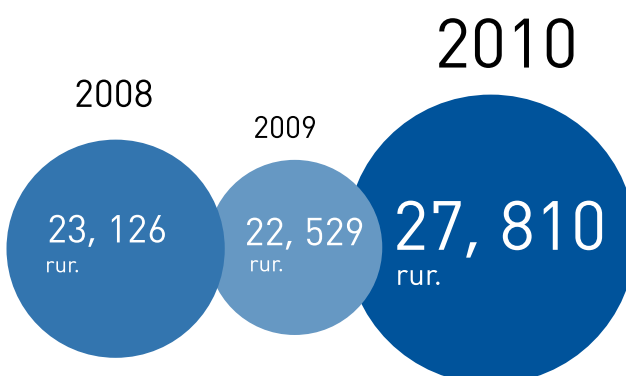
Profit before tax

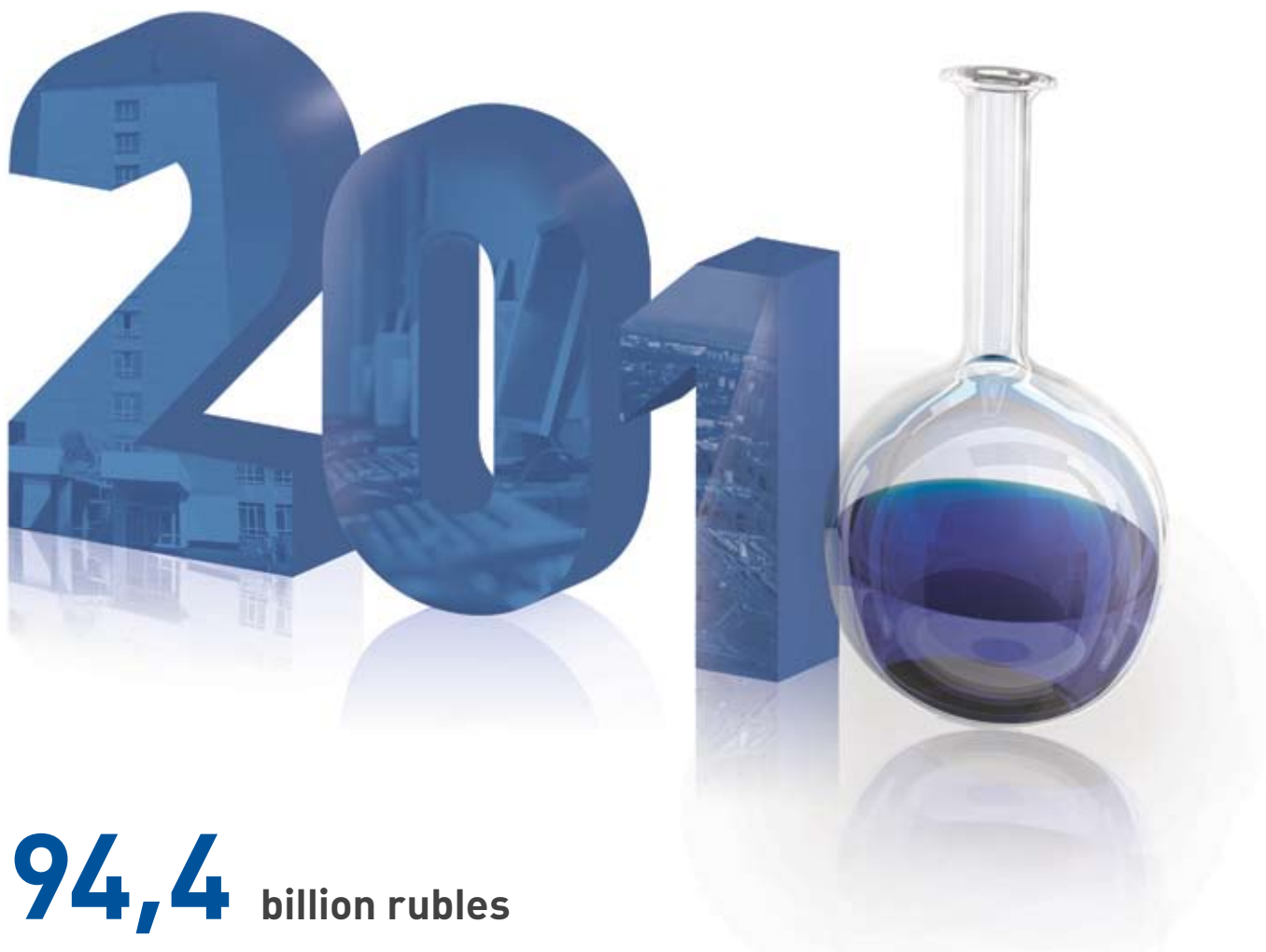


Number of production personnel



Average monthly wage rates of production personnel





94,4 billion rubles

Sales proceeds of Nizhnekamskneftekhim in 2010 reached 94.4 billion rubles which is 57% more than in 2009

01

company profile

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- ▶ Business priorities and development prospects
- ▶ OAO Nizhnekamskneftekhim
- ▶ Nizhnekamskneftekhim group of companies' structure
- ▶ World market standing
- ▶ Company position in the industry
- ▶ Most important events



company profile

Mission

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

Business priorities and development prospects

Implementation of a comprehensive strategic development program until 2016:

- project on the construction of the olefin complex;
- projects on expansion of capacities for production of synthetic rubber: butyl rubber, halobutyl rubber, IR, ND-catalyzed PBR;
- revamping and expansion of existing facilities producing petrochemical products (divinyl, isobutylene, isoprene, alpha-olefins).

Construction of ABS-plastics plant with capacity of 60,000 tons a year.

Completion of ethylene plant reconstruction.

Implementation of activities as part of the energy saving program and ecological program.

Continued implementation of an integrated enterprise management system based on SAP ERP software of SAP AG firm.

OAo Nizhnekamskneftekhim

OAo 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 was founded in 1967 and is part of TAIF group of companies. Major manufacturing facilities are located in Nizhnekamsk, Tatarstan.

The production complex of the company includes: 10 major production plants, the principal departments and centers that are located on two production sites and have a centralized transport, energy and telecommunications infrastructure. Total production space is 22 square kilometers.

The product slate includes one hundred and thirty three items.

Major commodities are:

- general purpose and special synthetic rubber (46.8% of marketable products)
- plastics: polystyrene, polypropylene and polyethylene, (26.2% of marketable products)
- other petrochemical products; ethylene oxide, propylene oxide, alpha-olefins, surfactants, etc. (27% of marketable products).

The company products are exported to 59 countries of Europe, America and South-East Asia. The share of exports in total output is about 50%. The main large-tonnage products sold for export include synthetic rubber (isoprene, butyl, halobutyl and butadiene rubber), plastics (polystyrene, polypropylene, polyethylene), styrene and neonol.

The favorable geographical location, advanced railway system and network of motor roads provide the reliability and prompt delivery of the company's products to domestic and foreign consumers.

The Company's activities in the field of environmental protection have been acknowledged as complying with ISO 14001:2004. The Quality Management System of OAo Nizhnekamskneftekhim has been certified to comply with the requirements of ISO 9001:2008, and Health and Occupational System – with the requirements of OHSAS-18001:2007.

In order to materialize the strategy of polymer processing, the company is implementing projects in the Nizhnekamsk Industrial Region and in the Industrial Park Kamskiy Polyany.



Nizhnekamskneftekhim Group of Companies' Structure

Plants

Butadiene & Hydrocarbons
Butyl Rubber
Synthetic Rubber
Isoprene-monomer
Polystyrene
Polyolefins
Ethylene
Ethylene Oxide
Styrene & Polyester Resins
Oligomers

Centers

Research & Development
Drawing & Designing
Technical Diagnostics & Residual Resources
Automation
Welding
Personnel Training
Publications & Printing

Divisions

Railway Transport
Ethylene Pipeline Transport
Technical Control
Water Supply, Waste waters Teatment
Chief Metrologist
Power Supply
Social Development

Departments

Civil Construction
Information Technologies
Sports
Agriculture

Дочерние общества

000 Trust TSNHRS	000 Petrochemist Hockey Club
000 Machinery & Repair Plant - NKNK	000 Neftekhimresurs - NKNK
000 Motor Transport Service - NKNK	000 Vtorresursy
000 Divinyl - NKNK	000 PAP Transport-Express
0AO NefteKhimCevylen	000 Polymer - NKNK
0AO SOV - NKNK	000 UOP-Neftekhim
OY Nizhex Scandinavia	000 NeftekhimAgroProm
000 Petrochemist Sports & Culture Complex	000 NKNK-Service
000 Polymerkholodtechnica	000 Shop No. 4100 - NKNK
000 CHOP - NKNK	000 PEST



World market standing

AO Nizhnekamskneftekhim is a major producer and exporter of petrochemical products in the Russian Federation. In 2010, 50% of shipped products was accounted for export (in Dollar terms).

Within the current Strategic Development Program aimed at launching new production facilities, expansion of existing capacities and diversification of the product slate, AO Nizhnekamskneftekhim has been scaling up, from year to year, supply volumes both to domestic and overseas markets. The Company's exported-product sales volumes have been steadily increasing for several years.

In 2010, in connection with gradual after-crisis recovery, global petrochemicals consumption began to grow. Apart from revival and tuning world-scale productions across all the products chains, it became the result of so called "postponed demand" for various goods, such as vehicles, household appliances and electronics, consumer goods. Demand for certain product types on the part of overseas customers exceeded the Company's manufacturing capabilities.

Although gross tonnage of products exported remained, essentially, at the level of 2009, revenue in Dollar terms increased by 57% and exceeded the level of the record year 2008. With natural growth of prices in the overseas market, it also became the result of optimization of export product portfolio, where the polymer component increased enabling to improve export sales efficiency.

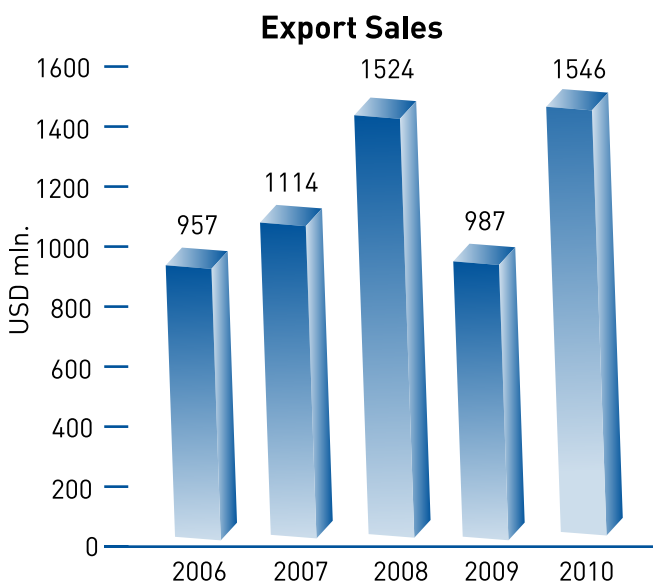
Hence, in terms of export sales volume, AO Nizhnekamskneftekhim succeeded to return to the pre-crisis level. In 2010, the Company exported its products to 59 countries of the world. In terms of sales volume, 75% of the Company's total export falls within the first ten countries.

In 2010, the leading route of export sales of AO Nizhnekamskneftekhim's products was China, which accounted for 15%. The Company shipped 12% and 11% to Poland and Latvia, respectively; 9%, 8%, and 6% to Hungary, Turkey, and Belarus, respectively. 4% fall on Ukraine and Finland, 3% – on India and Germany, each.

Export portfolio of AO Nizhnekamskneftekhim is sufficiently diversified. The most heavy-tonnage products supplied to overseas markets are synthetic rubbers (isoprene, butyl, halobutyl and butadiene), plastics (polystyrene, polypropylene, polyethylene), styrene, neonols, cumulative share of which being equal to 91% of products exported.

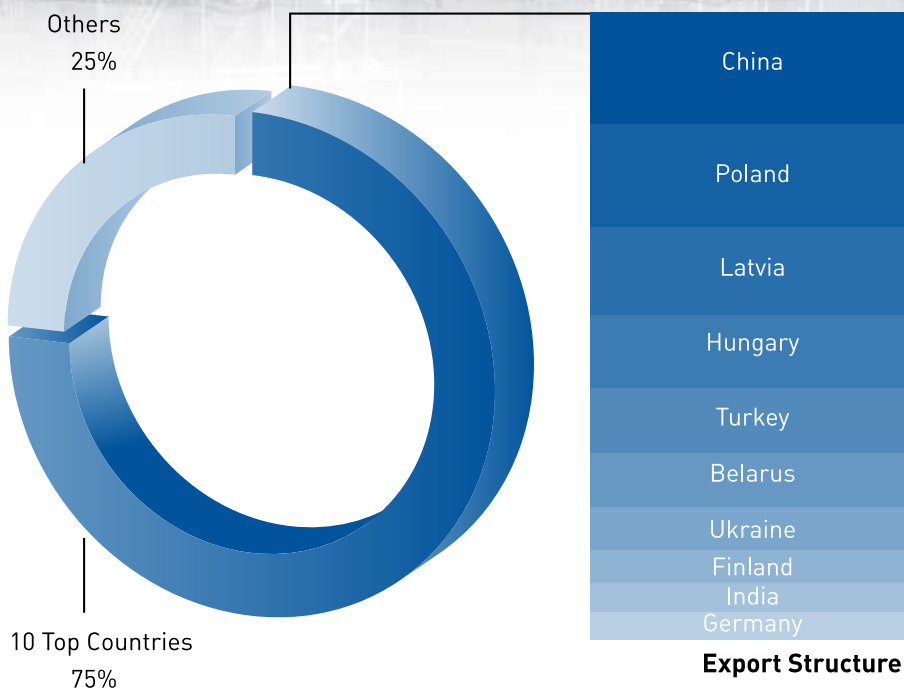
In 2010, synthetic rubbers covered 76% of products exported by AO Nizhnekamskneftekhim. These products are extremely demanded in overseas markets. Synthetic rubber shipment volumes to overseas buyers are growing from year to year. In 2010, synthetic rubber exports increased by 27% in physical terms and by 88% in Dollar terms as compared to 2009.

AO Nizhnekamskneftekhim successfully cooperates with the largest overseas tire companies, including Michelin, Goodyear, Pirelli, Continental, Bridgestone and Belshina Group. In 2010, the Company launched shipment of its products to Finnish Manufacturer Nokian Tyre. In 2010, share of export to said customers constituted 68% of the total rubber export volume.

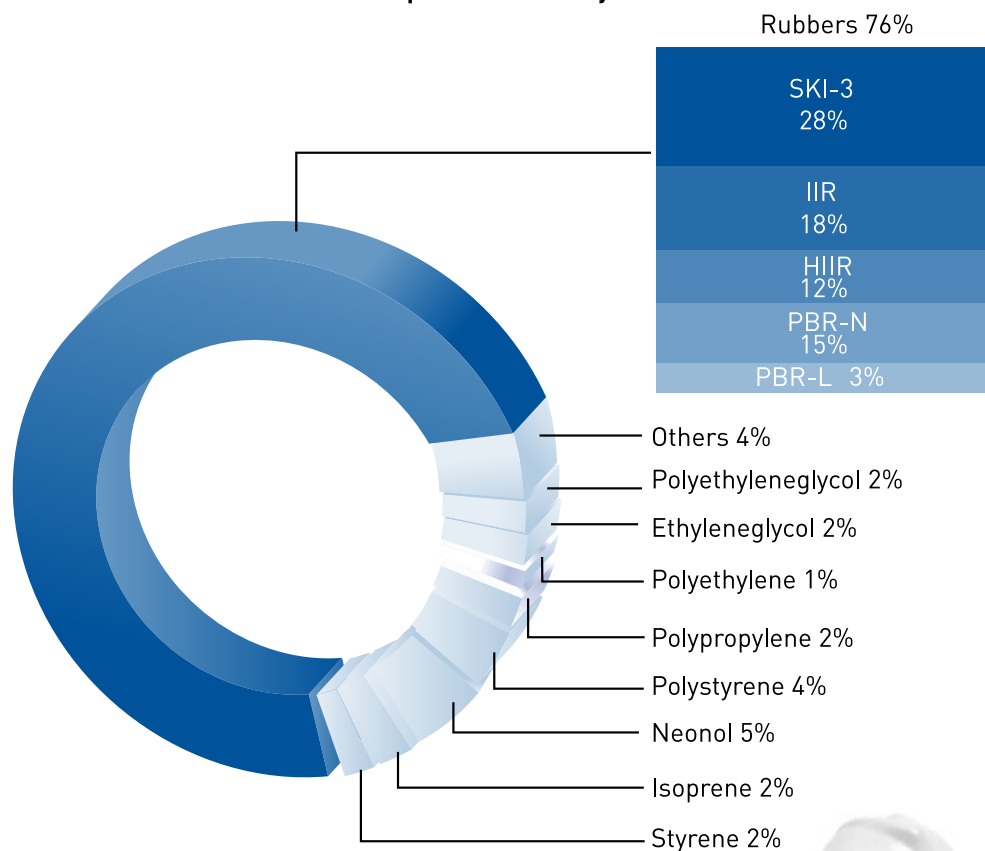


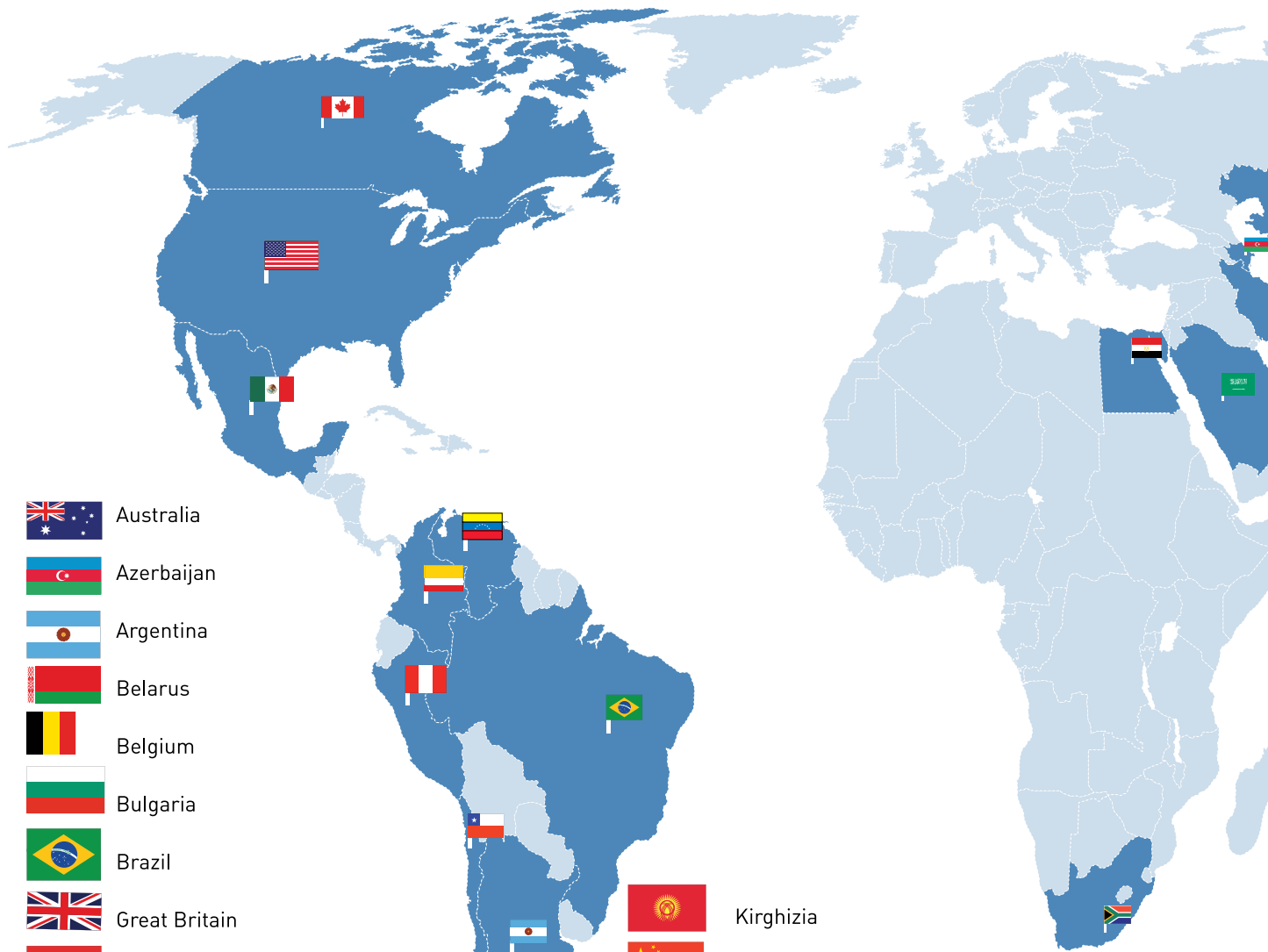


Export Structure by Countries




Export Structure by Products






-  Australia
-  Azerbaijan
-  Argentina
-  Belarus
-  Belgium
-  Bulgaria
-  Brazil
-  Great Britain
-  Hungary
-  Venezuela
-  Vietnam
-  Germany
-  Greece
-  Egypt

-  India
-  Indonesia
-  Iran
-  Italy
-  Kazakstan
-  Canada

-  Kirghizia
-  China
-  Columbia
-  Latvia
-  Lithuania
-  Liechtenstein
-  Malaysia
-  Mexico

-  Moldova
-  Netherlands
-  New Zealand
-  UAE
-  Pakistan
-  Peru





Isoprene Rubber SKI-3

For many years, OAO Nizhnekamskneftekhim has been supplying isoprene rubber SKI-3 to foreign markets. Industrial basis for production of isoprene rubbers (synthetic analogues of natural rubber) was well developed in the former Soviet Union. That necessity was dictated by remote location of the USSR from the markets of natural rubber required for the country's defense industry. Given that, 5 SKI Plants were constructed in the country. Only three of them have survived until now. OAO Nizhnekamskneftekhim is among them, being an indisputable leader in terms of production and supplies to foreign markets.

The main competitors of OAO Nizhnekamskneftekhim in the overseas market are the American Company Goodyear, Russian Companies Sibur and Kauchuk (Sterlitamak). Goodyear and OAO Nizhnekamskneftekhim are linked by strong partnership relations.

In 2010, OAO Nizhnekamskneftekhim exported 72% of the total annual volume of SKI-3 output. Export volume increased by 55% as compared to 2009. OAO Nizhnekamskneftekhim's share in the world market amounted to 31% in terms of production volume and 38% in terms of supplies to the global market (RF included).

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

Butyl Rubbers

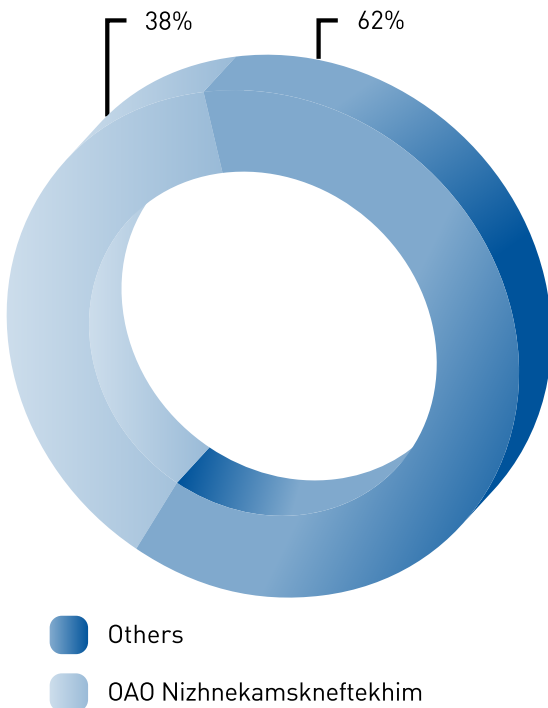
The Plant for production of Butyl Rubber BK-1675N being within the structure of OAO Nizhnekamskneftekhim is widely known all over the world. The main application of butyl rubber BK-1675N is automobile inner tubes manufacture. In the territory of the Russian Federation this type of rubber is produced only in Nizhnekamsk and Togliatti. It should be noted that for many years OAO Nizhnekamskneftekhim maintains the leading positions in Russia both in terms of production and sales of the product.

Overseas, the principal demand for butyl rubber is concentrated in the Asian market. Due to high and persistent quality and active marketing policy, OAO Nizhnekamskneftekhim managed to essentially strengthen its positions in the global market.

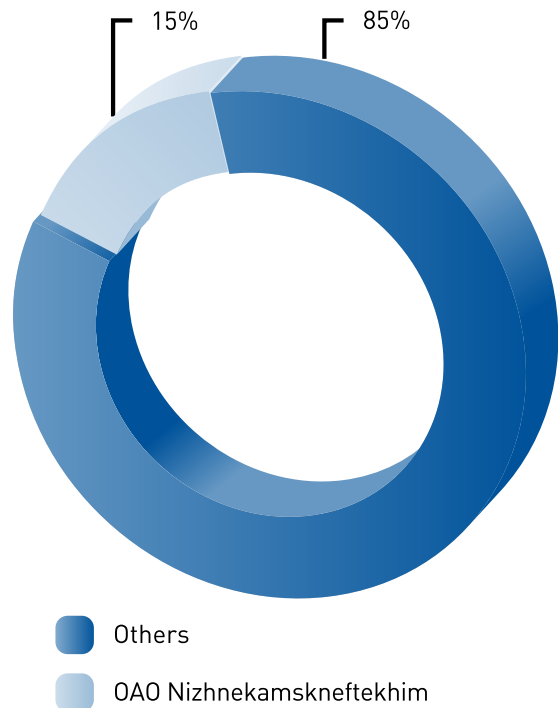
In 2010, OAO Nizhnekamskneftekhim exported 94% of the total butyl rubber output. Export volume decreased by 6% against 2009 at the expense of increase of halogenated butyl rubbers production volumes.

In 2004, upon startup of Halogenated Butyl Rubber Facility, OAO Nizhnekamskneftekhim became the third producer and supplier of halobutyl rubber. Approximately 90% of halogenated butyl rubbers is used for production of tubeless tire liners. With a yearly-increasing tubeless tire production, the demand for HIR is steadily growing at an average pace

Supplies to Global Market



Supplies to Global Market



of 6% per year. Major consumers of OAO Nizhnekamskneftekhim's butyl rubber are overseas large tire producers, with 94% of total export volume that was supplied to them in 2010.

The Company's competitors in the overseas market are ExxonMobil (JSR inclusive), Lanxess, Sinopec Yanshan PC, Sibur.

In 2010, OAO Nizhnekamskneftekhim exported 93% of the total HIIR produced. Export volume increased by 13% versus 2009. In 2010, OAO Nizhnekamskneftekhim's share in the global halogenated butyl rubbers market, IIR and HIIR inclusive, amounted to 15%.

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

Polybutadiene Rubber, SKD-N

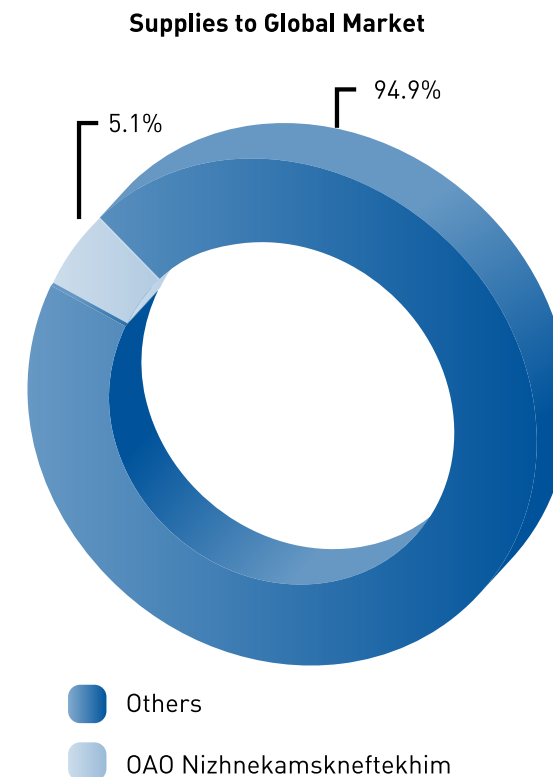
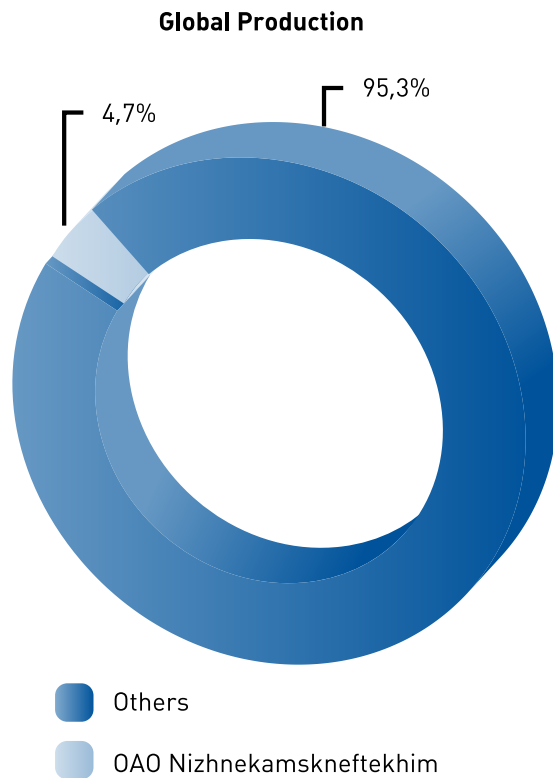
After SBR, polybutadiene rubber is second-in-volume synthetic rubber consumed worldwide. Its share in the overall structure of synthetic rubber global consumption constitutes 25%. Approximately 70% of PBR is applied to produce tires (treads, buttresses and suchlike). But more preferable for that purpose becomes polybutadiene rubber based on neodymium catalyst.

OAO Nizhnekamskneftekhim put into operation precisely such kind of a production unit in 2004. To have SKD-N Unit launched fully meets the Company's strategy targeted at setting up a production complex with a complete range of synthetic rubber grades for tire and general mechanical rubber goods industries satisfying the highest requirements of our time.

Over the past years, SKD-N has been successfully tested by a number of largest customers, and now is shipped mainly to the overseas market. In 2010, the Company exported 94% of said rubber output. Within the total SKD-N export volume, 80% was delivered to major overseas customers. SKD-N export volume increased by 21% in physical terms and by 82% in Dollar terms. In 2010, OAO Nizhnekamskneftekhim's share in the global market of polybutadiene rubbers (SKD-L inclusive) amounted to 5.1% within the volume of supply to the global market and 4.7% within the volume of global production.

The Company's main competitors for SKD-N in the world market are Goodyear, Lanxess, Kumho.

SKD-N production is certified to comply with the Quality Management System ISO-9001.





Polystyrene

OAo Nizhnekamskneftekhim launched its Polystyrene Plant in 2003, licensed by the American Company Fina Technology, using the original imported equipment packages. Due to high quality and adequately selected grade slate, OAo Nizhnekamskneftekhim occupies leading positions in the Russian market. In 2008, the third Polystyrene Unit was commissioned. The Company exported 21% of polystyrene produced in 2010. Compared to 2009, polystyrene export volume reduced by 16% in physical terms (due to extension of supplies to the Russian market), but increased by 19% in Dollar terms owing to higher prices. Share of OAo Nizhnekamskneftekhim in supplies to the global market constituted 1.6%.

Production of polystyrene is certified to comply with the Quality Management System ISO-9001. The main competitors in the overseas market are BASF, Dow, IneosNova, Polimeri Europa.

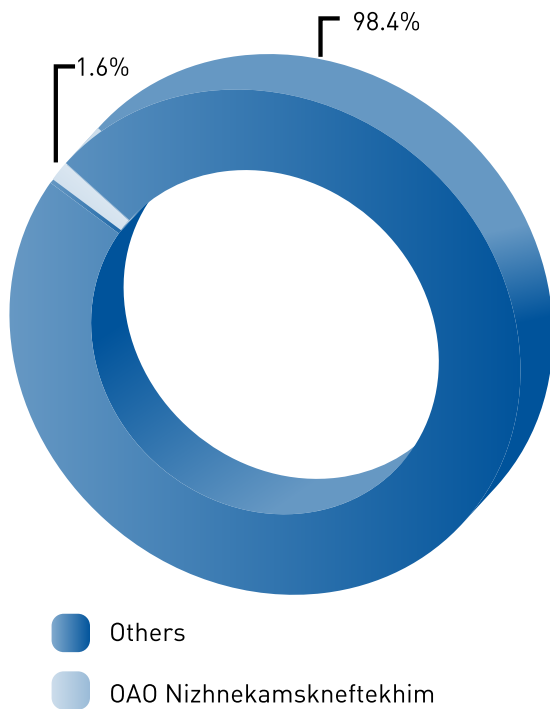
Polypropylene

The Polypropylene Plant was commissioned at 2006 year-end. Currently, it is the most up-to-date Polypropylene Plant in the RF. Over the past years, the Company successfully developed the Russian and overseas polypropylene markets.

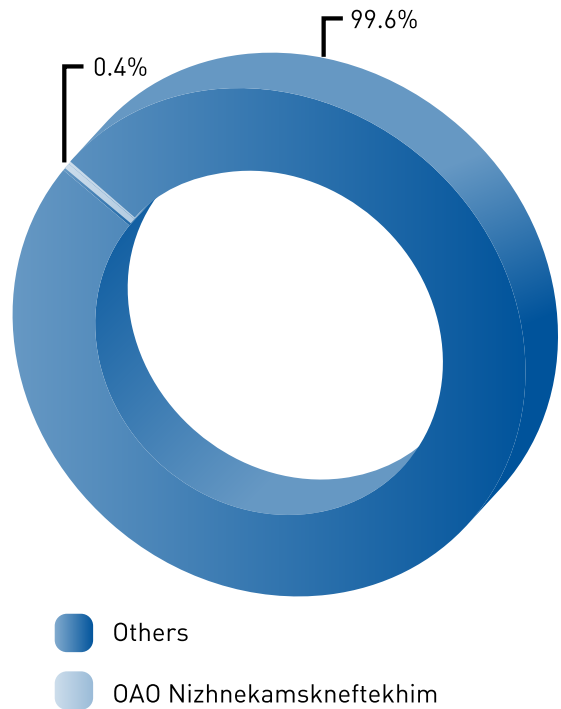
In 2010, the Company exported 13% of polypropylene produced. Export volume reduced by 55% in physical terms owing to high activity of the Russian market players. Share of OAo Nizhnekamskneftekhim in supplies to the global market constituted 0.4%. The primary polypropylene export markets were Belarus, Ukraine, Kazakhstan, Turkey, Finland.

The Company's principal competitors in the export markets are LyondellBasell, Borealis, Stavrolen. Production of polypropylene is certified to comply with the Quality Management System ISO-9001.

Supplies to Global Market



Supplies to Global Market





Polyethylene

The Polyethylene Plant is the youngest one. It was commissioned in 2009 crisis year. For almost two years this product was tested by many consumers, and currently it is actively supplied, primarily to the Russian market.

In 2010, 7% of polyethylene produced was exported. Due to enhanced activity in the Russian market, over a half of volume was redirected to the domestic market. Share of OAO Nizhnekamskneftekhim in supplies to the global market constituted 0.2%.

The Company's principal competitors in the export markets are LyondellBasell, Ineos, Total PC, SABIC. Production of polyethylene is certified to comply with the Quality Management System ISO-9001.

Neonols (Oxyethylated Nonylphenols)

Neonols belong to surfactants applied as a base to produce diverse synthetic detergents. OAO Nizhnekamskneftekhim is a single producer of neonols in the Russian Federation and CIS, and one of the leading players in the world neonol market. OAO Nizhnekamskneftekhim's share in the world market of oxyethylated nonylphenols constitutes 22%.

The main competitors are Dow, Honam, Huntsman, Oxiteno.

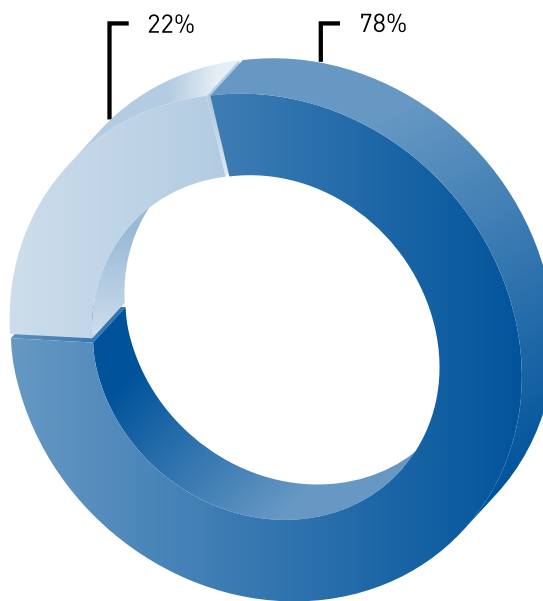
Production of Neonols is certified to comply with the Quality Management System ISO-9001.

Supplies to Global Market



- Others
- OAO Nizhnekamskneftekhim

Supplies to Global Market



- Others
- OAO Nizhnekamskneftekhim

Company position in the industry

ОАО Нижнекамскнефтехим is the first-rate petrochemical complex, located in the European part of the Russian Federation. Its principal commercial products are:

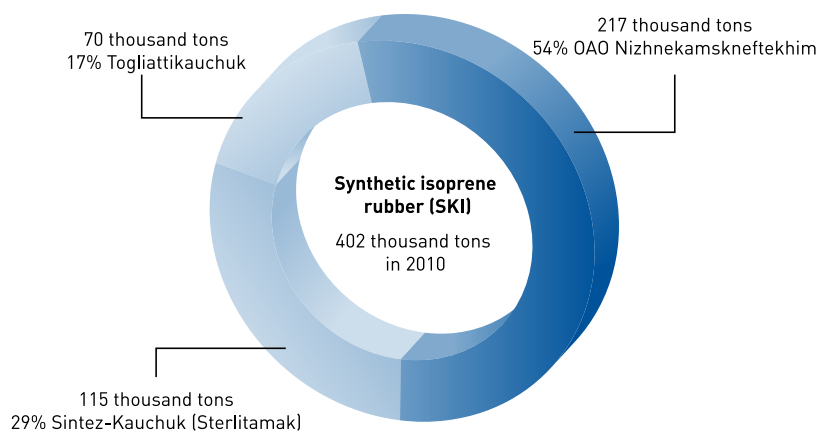
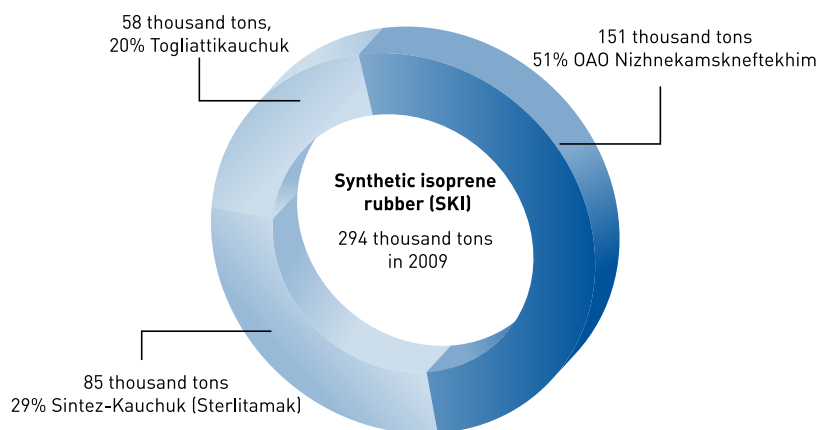
1	Synthetic rubbers	isoprene, polybutadiene, butyl, ethylene-propylene
2	Monomers	ethylene, propylene, isoprene, butadiene, styrene
3	Plastics	polyethylene, polypropylene, polystyrene
4	Polymers	polyethers, polyethylene glycols
5	Oxides	ethylene oxide, propylene oxide
6	Glycols	ethylene glycols, propylene glycols
7	Oligomers	neonols, propylene trimers and tetramers, LAO
8	Ethers	ethyl cellosolve, ethyl carbitol, MTBE

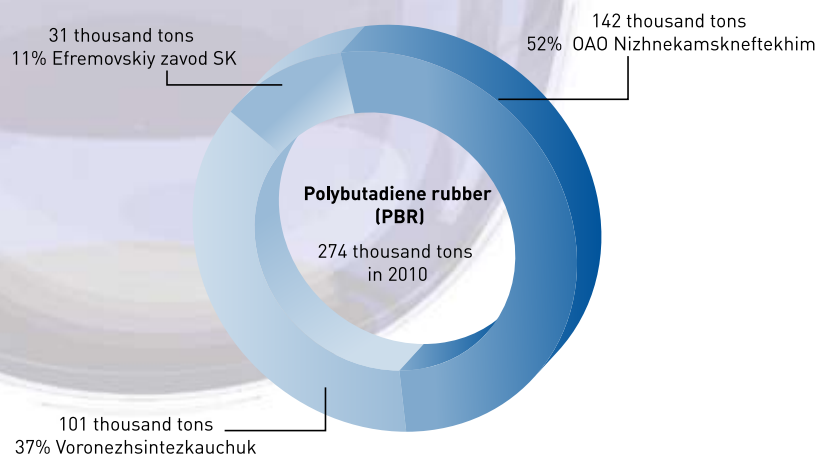
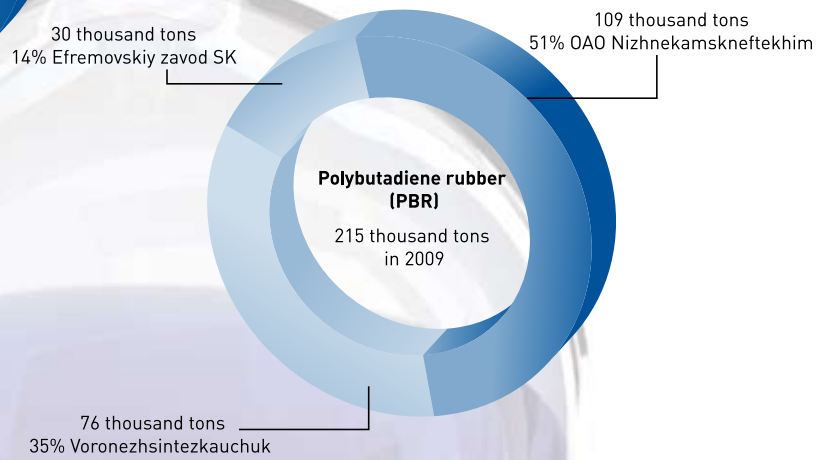
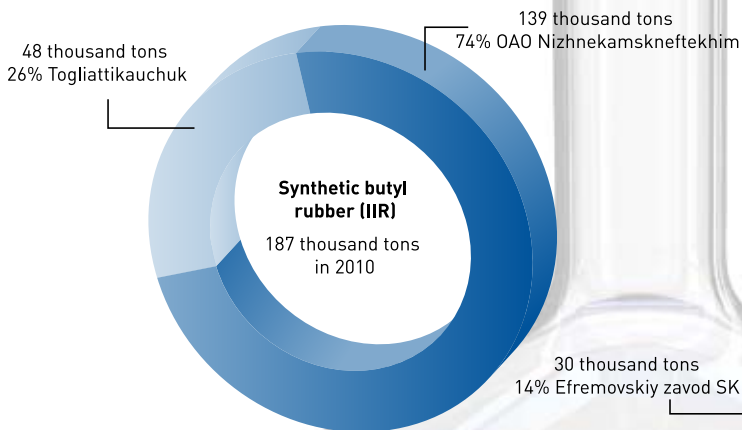
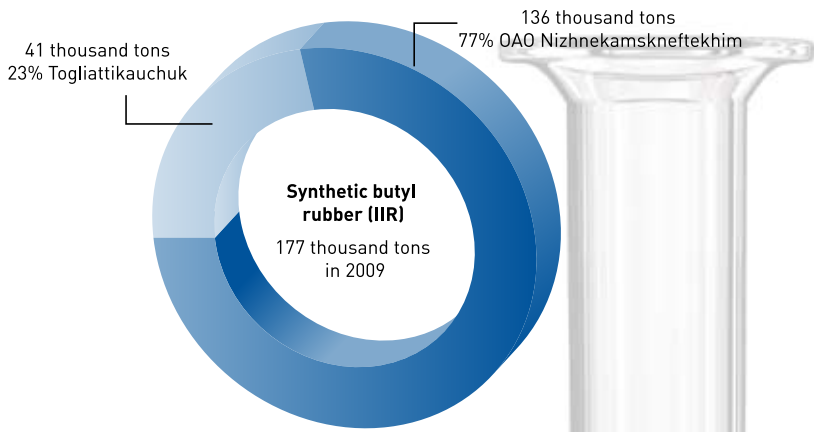
The Company's strategy is focused on reduction of the monomer constituent within ОАО Нижнекамскнефтехим's commercial products while increasing production output of rubbers and polymers – high-technology, higher value-added products – and plastics sales growth in the domestic market of the Russian Federation at the expense of substitution of imported analogues.

Presented below is information on ОАО Нижнекамскнефтехим's status as percent (%) of the total volume of Russian competing production facilities with regard to the principal types of commercial products.

Synthetic Rubbers

Our Company takes up the leading position among Russian producers of synthetic rubbers. ОАО Нижнекамскнефтехим's share in the total volume of synthetic isoprene and polybutadiene rubber output is in over 50%; butyl rubber – 60-65%; halogenated butyl rubbers – 100%.

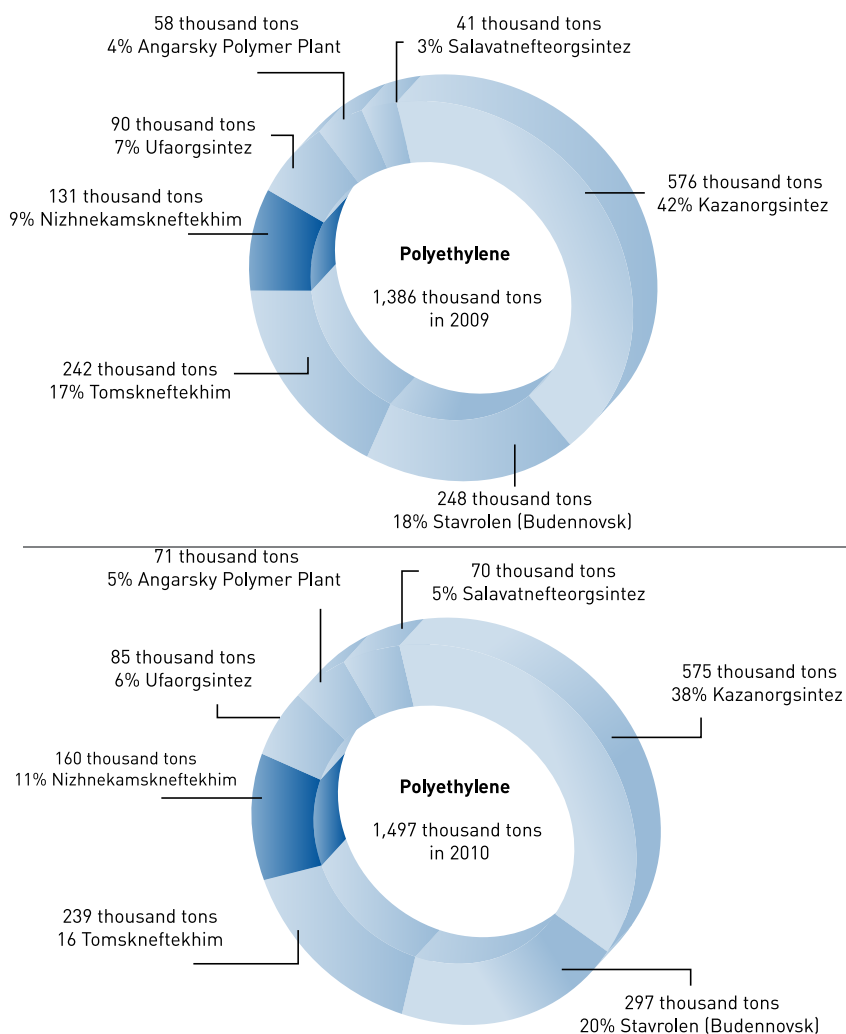


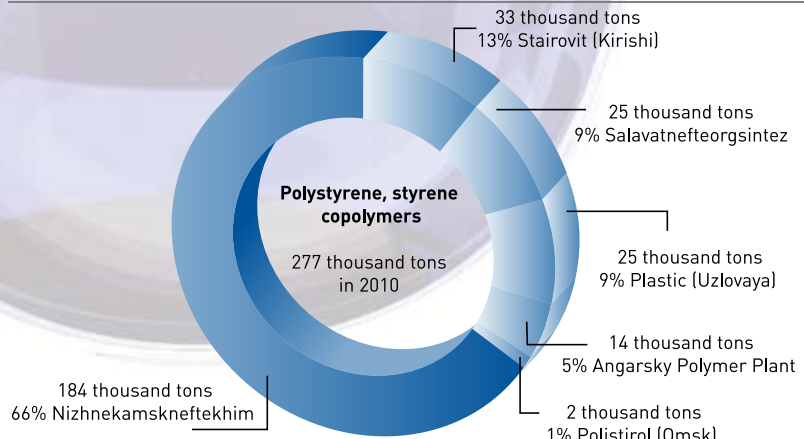
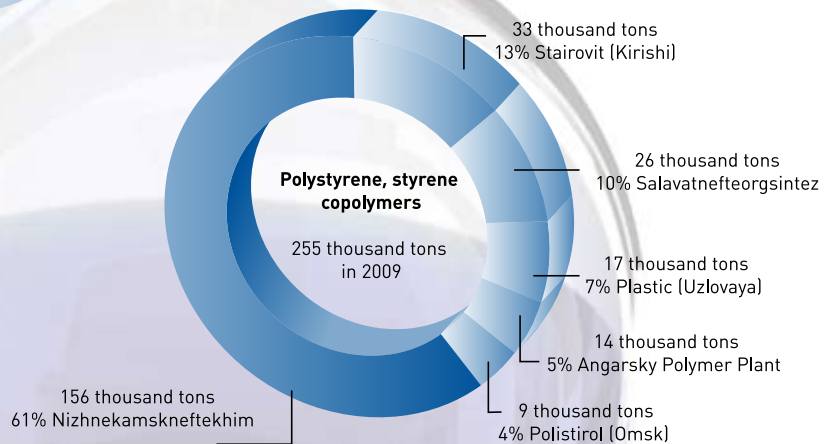
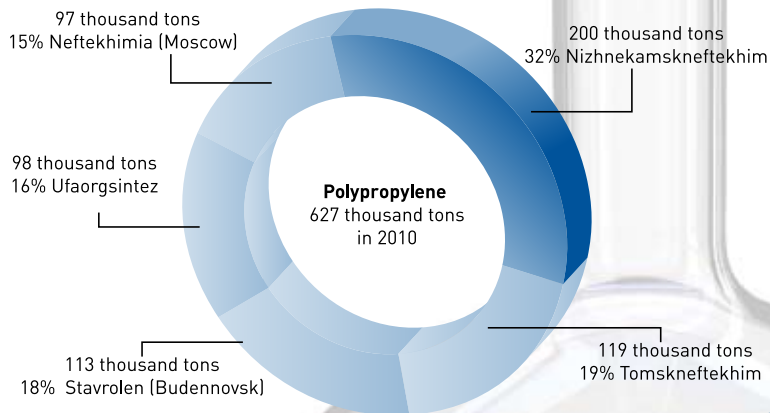
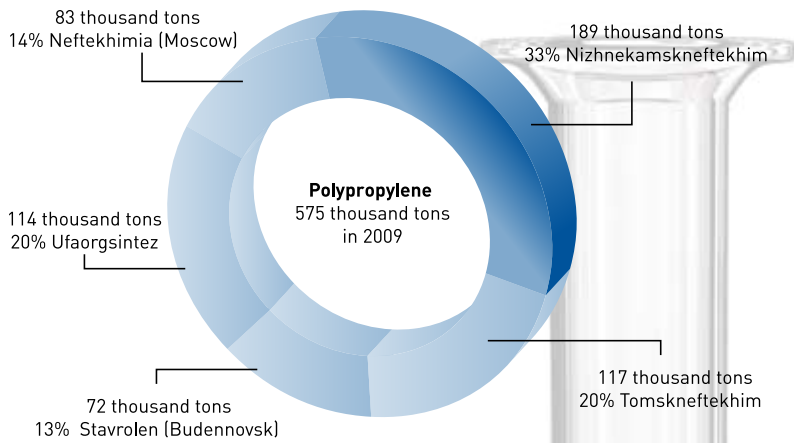


Plastics

OAO Nizhnekamskneftekhim is the leading producer among Russian polystyrene and polypropylene manufacturers. One third of polypropylene currently produced in the Russian Federation is OAO Nizhnekamskneftekhim's polypropylene. The Company's share in the total Russian volume of polystyrene produced is 60%.

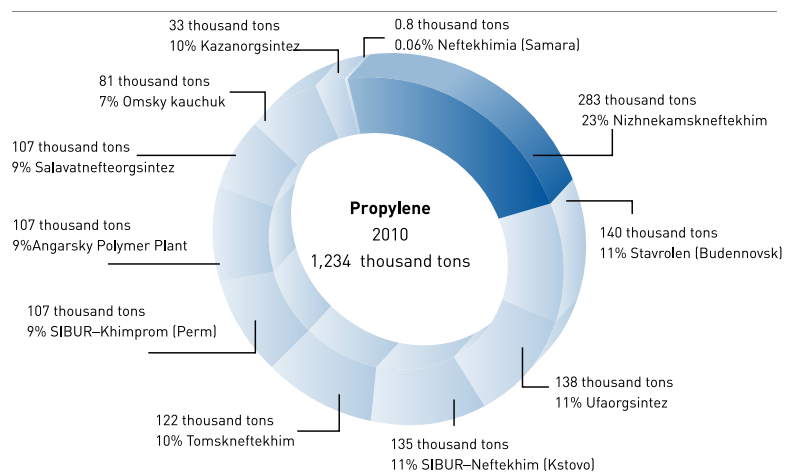
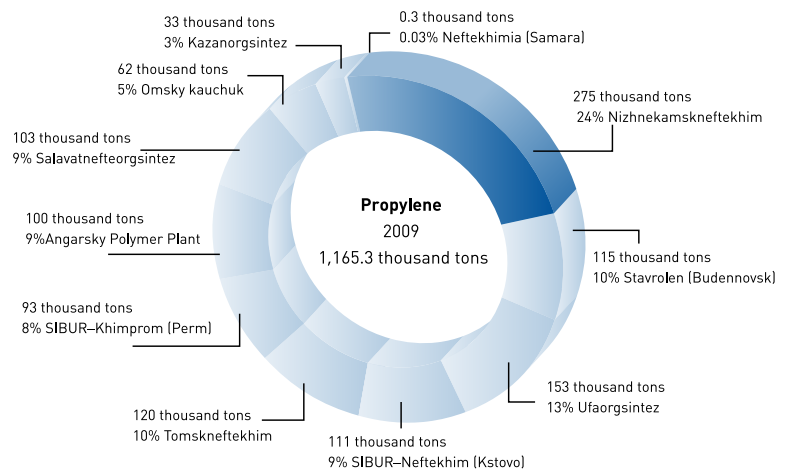
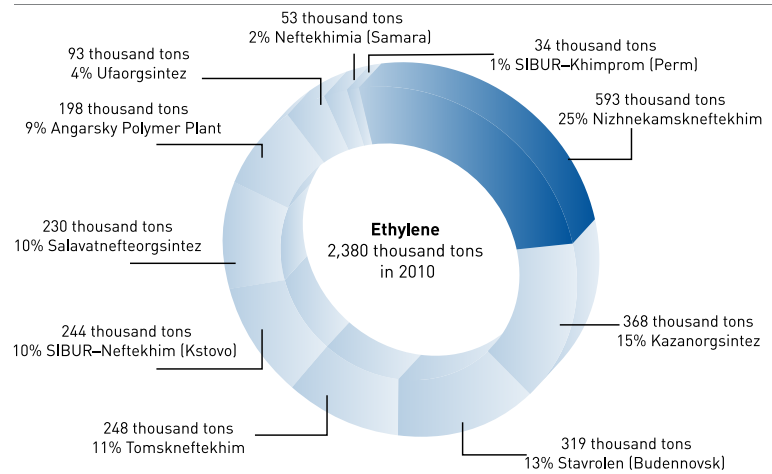
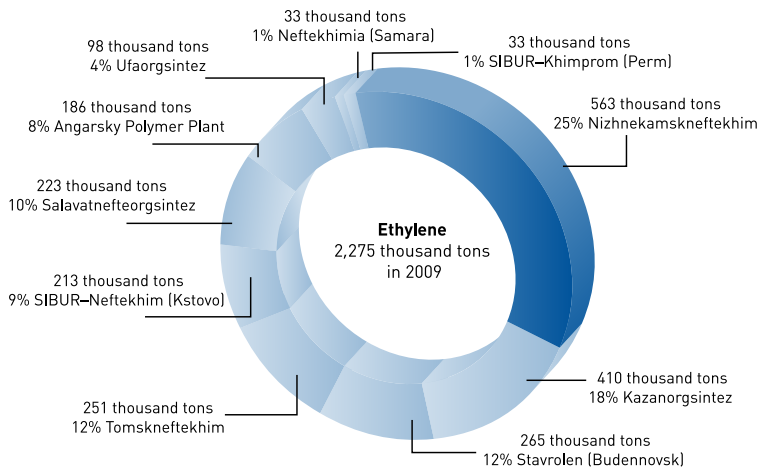
In the Russian polyethylene market OAO Nizhnekamskneftekhim's share in the total Russian volume of polyethylene production is 10-11%, and in the volume of high density polyethylene output – 20%.

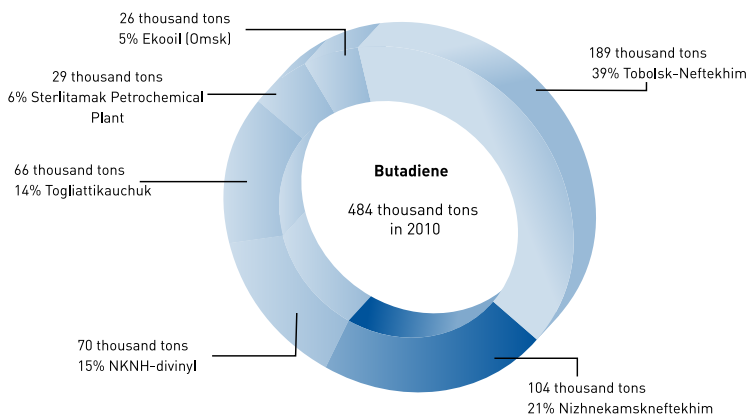
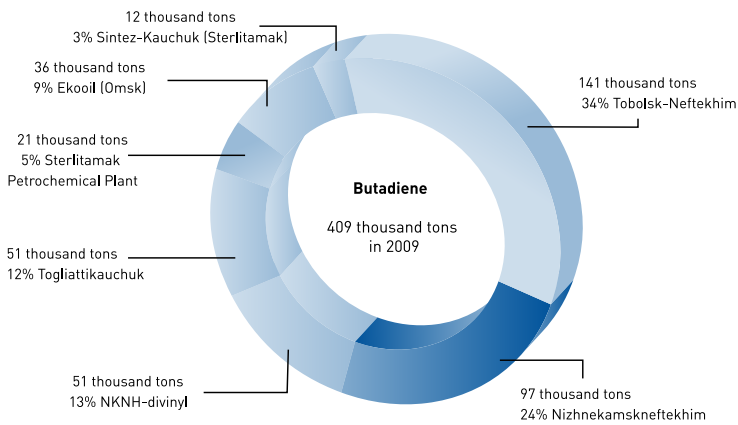
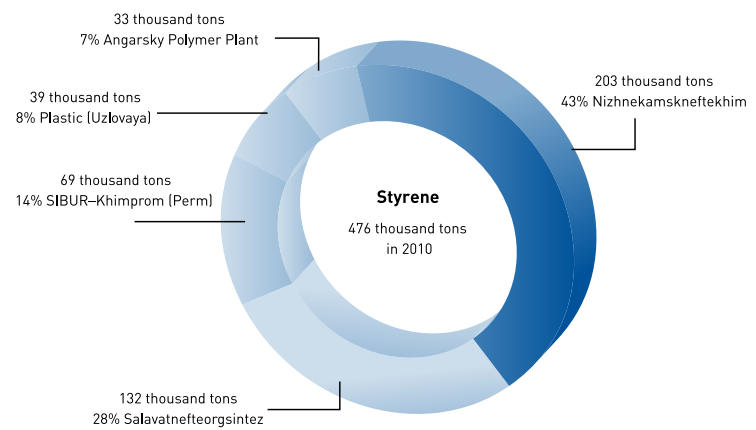
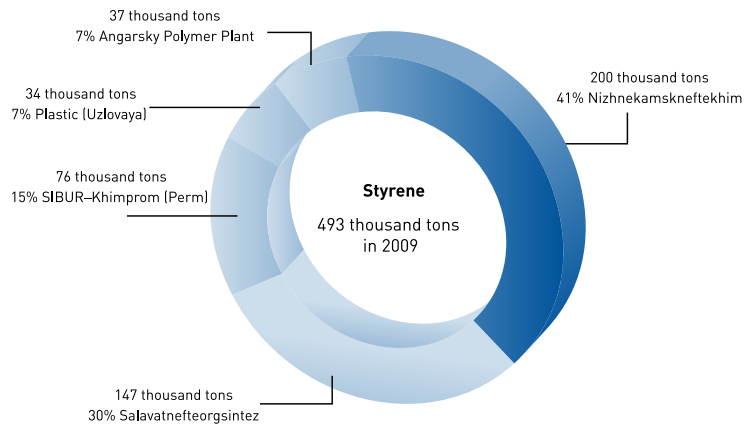




Monomers

ОАО Ниднекамскнефтехим is one of the largest monomer producers, such as ethylene, propylene, isoprene, butadiene, and styrene. It ensures the Company's independence of external negative impact of market conditions on production of polymers.



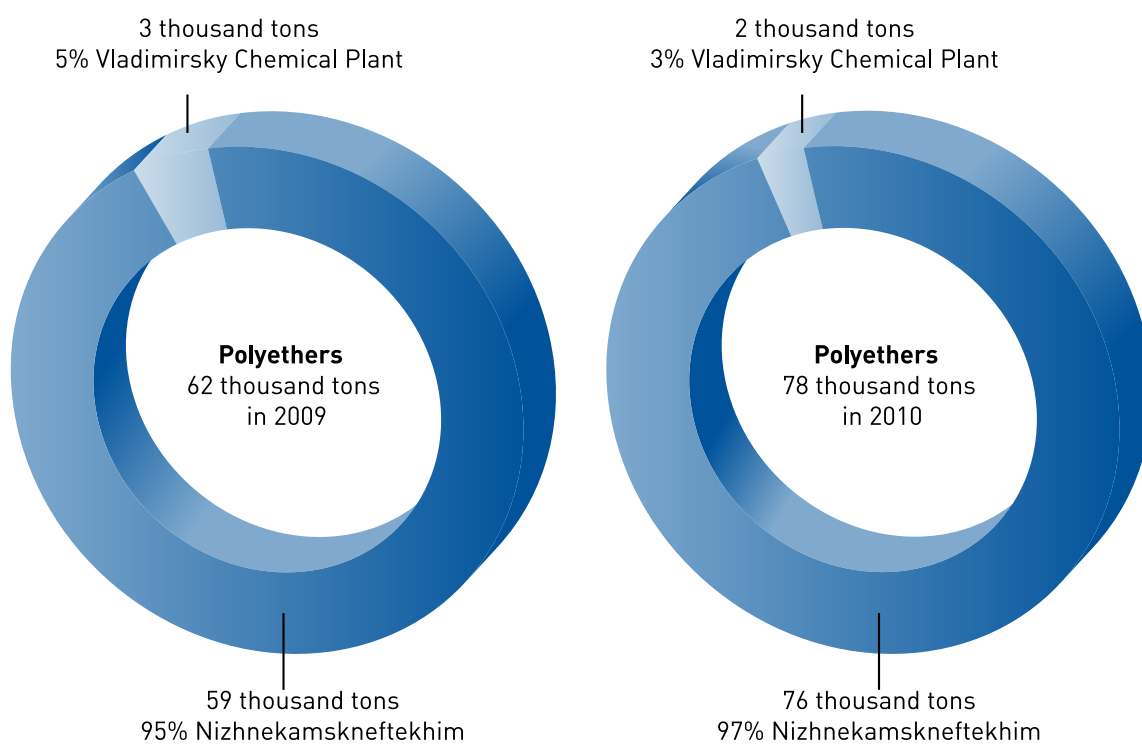


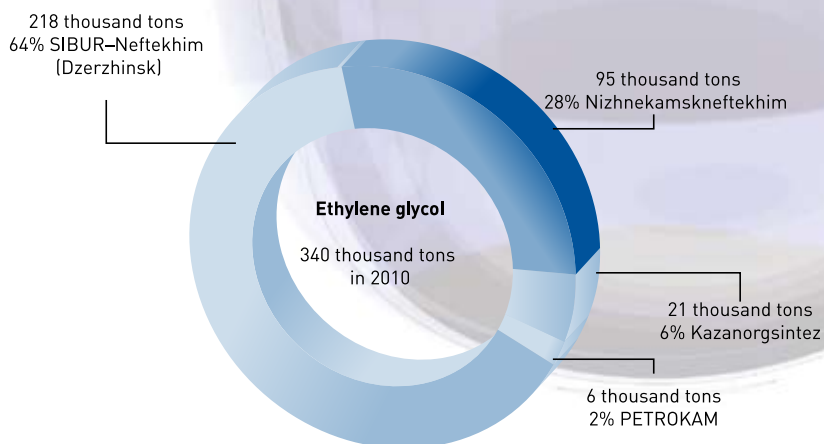
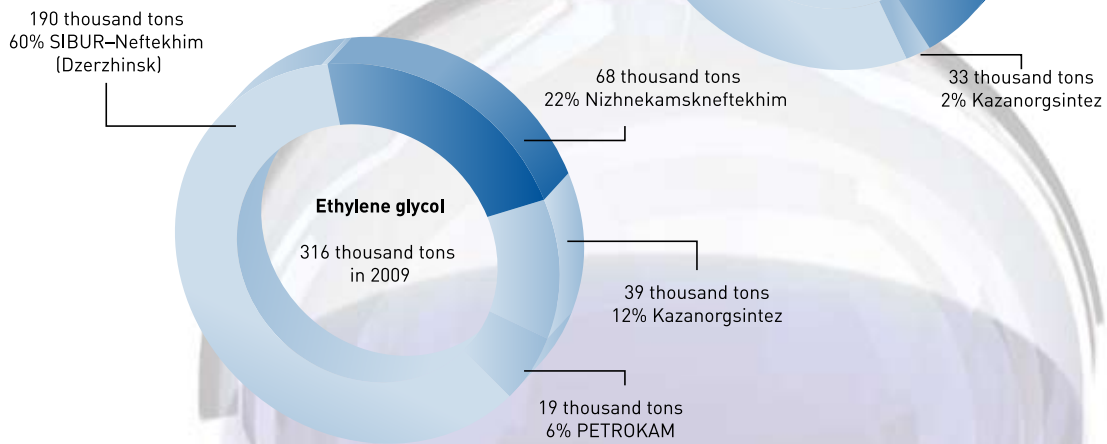
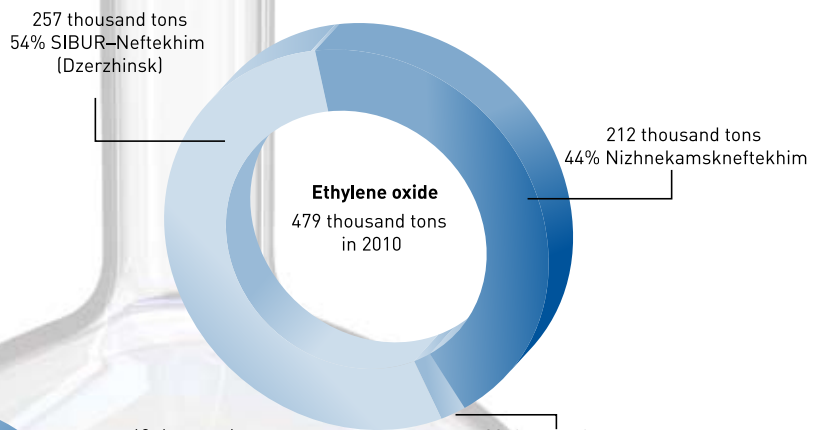
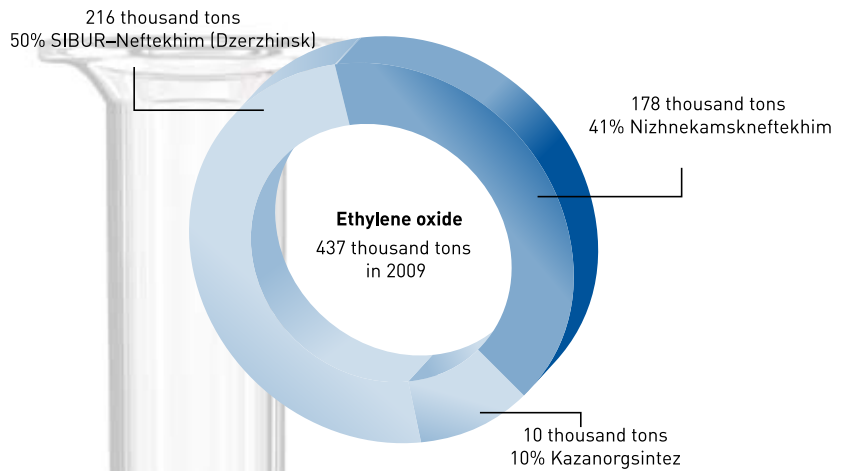
Other Chemical Products

Next group of own made products meaningful for OAO Nizhnekamskneftekhim are the products marketable mainly in the domestic market of the Russian Federation, which are polyethers and ethylene glycols (polyatomic alcohols).

The Company takes up a monopolistic position in the Russian polyether market. The Company is registered in the Register of Economic Entities, which occupy the dominating position in the domestic RF market, with the Russian Federation Federal Antimonopoly Service.

OAO Nizhnekamskneftekhim sells its ethylene glycol in the territory of Russia under conditions of severe competition.



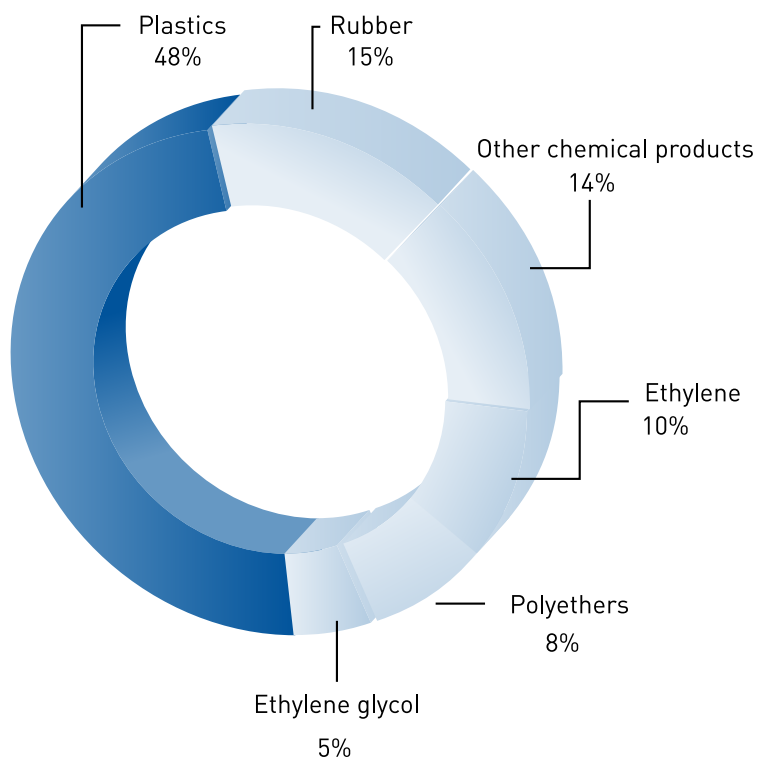




Structure of sales activity in the domestic market

For three years (2008-2010 years) OAO Nizhnekamskneftekhim significantly changed its own structure of sales in the domestic market of the Russian Federation. In 2010, through increased production of polymers and by reducing the share of commercial monomers (ethylene, propylene and styrene) and due to an active substitution of imported plastics in the Russian market, half the proceeds (48%) came from domestic sales of plastics.

Structure of product sales in the home market (in value terms)





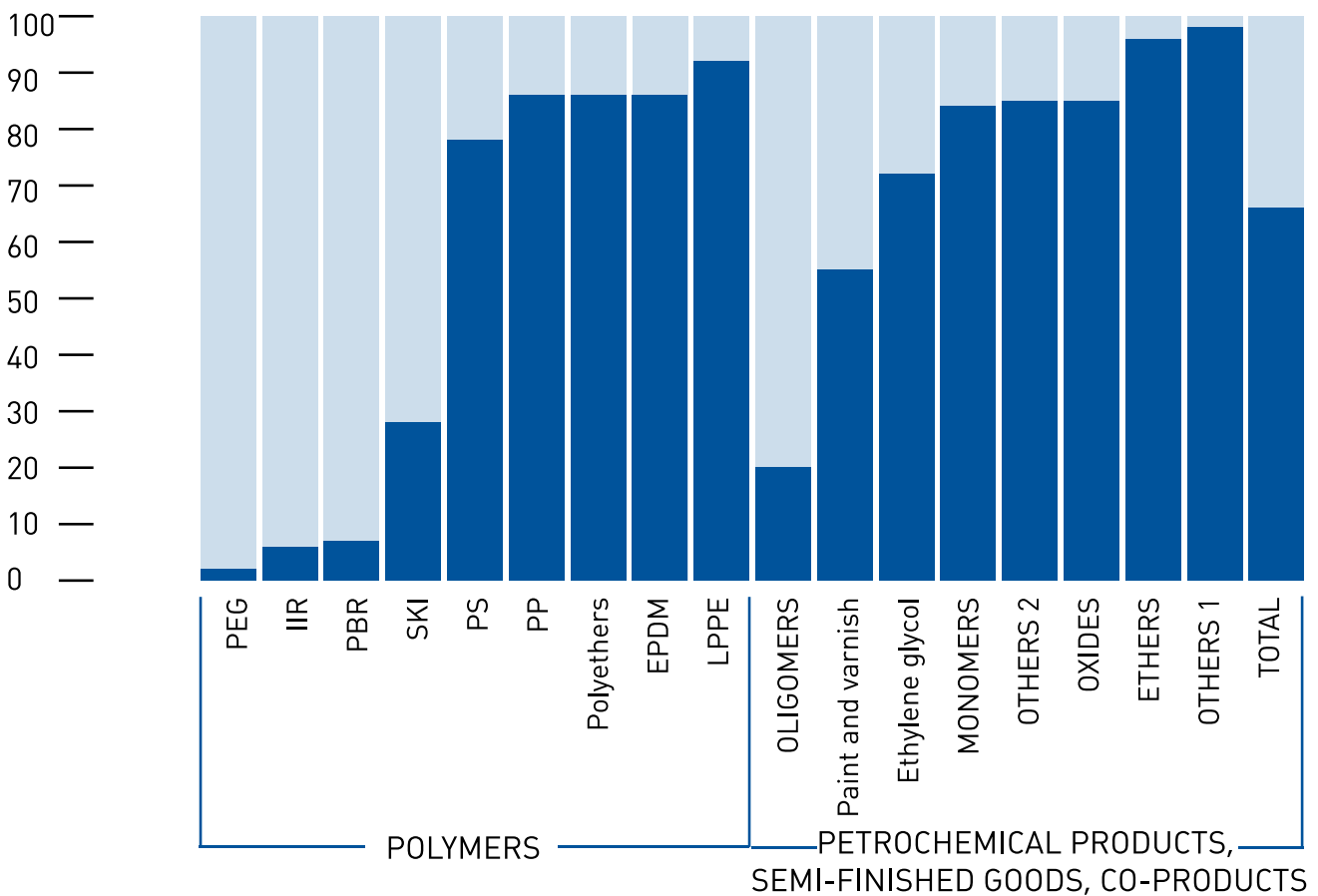
**Structure of sales activity in the context of export/
domestic market**

In 2010, due to growth of real economy of the Russian Federation (automotive industry, tire industry, plastics processing industry etc.) OAO Nizhnekamskneftekhim increased the share of its product sales in the domestic market of the Russian Federation in relation to exports.

- forexample, the portion of sales of OAO Nizhnekamskneftekhim polyethylene in the domestic market of the Russian Federation in 2010 amounted to 93% of the total sales of Nizhnekamsk polyethylene, for reference – it was 74% in 2009;
- polypropylene – 87% in 2010 and 69% – in 2009;
- polystyrene – 79% in 2010 and 70% – in 2009;
- monomers – 84% in 2010 and 76% – in 2009.

**Product sales pattern in physical terms for export/
domestic market in 2010**

Export 2010
Russia 2010



most important events

january



The Conference of labor collective took place at OAO Nizhnekamskneftekhim where implementation of 2009 Collective Agreement was summed up and document governing collective-administration relationship for the year of 2010 was adopted. The delegates of the Conference voted the collective agreement for 2009 abided and satisfied. All privileges and rewards of the 2009 Agreement were retained in the document regulating employer-employee relations for the year 2010.

Pilot tests were successfully completed at styrene and polyether resin plant on removal of polyether from waste water. The tests were carried out by plant workers jointly with the specialists of scientific and research center.

february

A 12.5-millionth ton of ethylene was produced at the ethylene plant since it's been put in operation. Earlier a 6-millionth ton of propylene was produced, which is yielded simultaneously with ethylene in hydrocarbon cracking process.

march

OAO Nizhnekamskneftekhim was recertified by SAP Customer Centre of Expertise (COE). Initial certification took place in summer, 2007. At that time, OAO Nizhnekamskneftekhim turned out to be the fourth holder of such a certificate in CIS. A COE certificate testifies that implementation of new functionality and support of SAP products full life cycle meet SAP's highest standards.

200 thousand tons of halobutyl rubber was produced at butyl rubber plant since the start-up date. Six years ago the production of halobutyl was commenced: first bales of chlorobutyl rubber were manufactured on March 13, 2004. The first bales of bromobutyl rubber made their appearance on May 25 of same year.





april



Commissioning ceremony of industrial park "Kamskie Polyany" presided over by RT President R. Minnikhanov took place in Kamskie Polyany. Manufacture of multifilament yarns and stretch film is arranged in the park

The specialists of Czech certification center CQS which is part of international certification IQNet system have renewed the certificates of OAO Nizhnekamskneftekhim in the sphere of quality and environment management.

Management office of ZAO MICEX arrived at a decision to transfer "B" quotation list preferred shares of OAO Nizhnekamskneftekhim from "B" quotation list into "A" quotation list of the second level of ZAO MICEX.

Transfer was performed due to the increase of Company's volume of preferred shares trade at MICEX, as well as with the aim of liquidity upsurge and securities attraction as investment.

The Company has paid out the yield in the amount of 5 million and 644 thousand US dollars to the holders of NKNH-2012 Eurobonds. Our company never had any defaults in its business and the payments of coupon yields and the principal debt on all primary obligations were made in due time.

OAO Nizhnekamskneftekhim and OAO NOVATEK have signed a long-term agreement on supply of liquefied petroleum gas – the commercial butane. The agreement provides for supply of at least 85,000 tons of butane at the market price and is effective for the period of 2010 – 2012. This will ensure guaranteed supplies of raw materials for OAO Nizhnekamskneftekhim processing facilities and as for OAO NOVATEK – stable sales of its commercial butane.

Annual Meeting of Shareholders of OAO Nizhnekamskneftekhim was held on the results of the Company's operation in 2009. President of the Republic of Tatarstan Rustam Minnikhanov participated in the meeting.

The annual report and the annual financial statements were approved including the profit and loss statement and distribution of profits of OAO Nizhnekamskneftekhim based on financial results of 2009. Dividends will be paid at the rate of 7% of par value of ordinary and preference shares. ZAO Price-waterhouseCoopers Audit was approved as the auditor of the Company for 2010.

The Board of Directors supported the motion of the RT President R. Minnikhanov to elect Albert Shigabutdinov, general director of TAIF PSC, as the chairman of the Board, and the authority of Vladimir Busygin was confirmed as the general director of OAO Nizhnekamskneftekhim.

may

Production of new polyether grade PP-2506 has been mastered at Styrene and Polyether Resin Plant. Polyether of PP-2506 grade that was developed by the Company's specialists is used as a modifying component for production of bulk polyurethane foam.

Corporate newspaper Neftekhimik is the winner of the XIII republican contest of journalism and mass media "Crystal pen" in the category "Corporate mass media". The newspaper has been published since May 1968 and it became full-color in 2008. Newspaper circulation is 11,000 copies.

OAo Nizhnekamskneftekhim was recognized as the best company in inventions and innovations in 2009 among the companies of chemical and petrochemical industry of Tatarstan. Six innovators of the Company were awarded the title of "Excellent innovator and inventor".

June

The Company became the winner of the first degree National Ecology Prize "EcoWorld" in the category "Ecological science and technologies" for successful implementation of the long-term ecological program for years 2007 through 2015.

OAo Nizhnekamskneftekhim paid to holders of NKNH-2015 Eurobonds the income in the amount of USD 1,317,000.

Nizhnekamskneftekhim is the winner of the 5-th Republic-wide show contest on safety in the category "The best management of labor safety".

July

As part of implementation of the program "Responsible Care", representatives of the Russian union of chemists visited our Company. The purpose of this visit was preparation of the Company's facilities for international auditing of implementation of the main principles of the program "Responsible Care".

Minister of Energy and Natural Resources of the Republic of Turkey Mr. Taner Yildiz visited OAo Nizhnekamskneftekhim as part of a two-day working trip. He was accompanied by Prime Minister of the Republic of Tatarstan Mr. Ildar Khalikov.

The guests have visited the first and second industrial zones of the enterprise and familiarized themselves with the prospects for development of production of plastics, rubber and ethylene.





august

Specialists of Goodyear and Sawex carried out supplier quality assurance audit at OAO Nizhnekamskneftekhim. The delegates visited synthetic rubber plant and butyl rubber plant and familiarized themselves with the production process. The auditors jointly with the Company's specialists reviewed implementation of corrective and preventive actions plan prepared based on customers' claims. In the course of the audit high estimate was given to performance of OAO Nizhnekamskneftekhim specialists.

Fitch Ratings confirmed ratings of OAO Nizhnekamskneftekhim as follows: long-term issuer default rating at B level, priority unsecured rating B and national long-term rating BBB-(rus). Alongside with that, the agency excluded above ratings from the list Rating Watch marked as Negative and assigned Stable forecast on the long-term issuer default rating and national long-term rating. Short-term issuer default rating of the Company was confirmed at B level. Rating of repayment of assets on priority unsecured bonds is at RR4 level.

september



HR department of OAO Nizhnekamskneftekhim became the winner of the sixth All-Russian contest "The best Russian personnel department – 2010" that was held within the framework of International forum "Worldwide experience and economics of Russia". Nizhnekamskneftekhim is the holder of the winner's certificates of previous contests for the best HR department in Russia in 2005, 2006, 2007 and 2009.

Following the results of the annual rating of best managers in the country, Igor Larionov, deputy general director, head of department of corporate property and strategic development, was included in the top hundred most professional directors of corporate governance. This project also supported by the Russian Managers Association determines the most professional executives and leaders of industry branches and functional business activities.



october



OA O Nizhnekamskneftekhim is granted winner's diploma of "Ecoleader" Republican Award among companies of All-Russian importance in the category "For effective environmental management". Environmental management of the company is organized in accordance with requirements of ISO 14000 international standards and was the first company in the Republic of Tatarstan to be MC ISO 14001 certified.

Joint project of OA O Nizhnekamskneftekhim and Kazan federal university became the winner of the open public contest on selection of organizations entitled to subsidies for implementation of multipurpose projects for establishment of high-tech production facility (stage II). The project is dedicated to increase the efficiency in production of synthetic rubber monomers by development and commercialization of high-technology production of domestic catalysts for dehydrogenation of isoamylenes.

A 2-millionth ton of butyl rubber was produced at butyl rubber plant since its startup.

The first bale of Nizhnekamsk BK – 1675N butyl rubber was produced in July, 1973. Nowadays, in addition to this product type, the plant produces halobutyl rubber (bromobutyl and chlorobutyl). Due to a sustained high quality, butyl and halobutyl rubbers of OA O Nizhnekamskneftekhim are well-known all over the world.

The Company paid to NKNH-2012 bond holders the coupon yield in the amount of USD 6,083,000.

OA O Nizhnekamskneftekhim became the winner at the federal contest "Customs Olympus-2010" in the category "Best Exporter". Nizhnekamskneftekhim's products are exported to 59 countries worldwide including Europe, America and Asia.

OA O Nizhnekamskneftekhim has won the diplomas and grants as the winner of the republican phase of the All-Russia contest "High Social Efficiency Russian Organization" in all three categories of participation: "For Development of Human Resources", "For Creation of the Company's Healthy Life-Style" and "For Promotion of Social Partnership".

Vladimir Busygin, General Director of OA O Nizhnekamskneftekhim, held meetings with the representatives of the world major investment banks: J.P.Morgan, Merrill Lynch, Deutsche Bank and Credit Swiss. The purpose of foreign banks visits is financing further programs of refinery and petrochemical industry development in the Republic of Tatarstan. Development of such programs is the strategic goal, set by the President of Tatarstan, and approved by RT Security Council, Board of Directors and shareholders of the Group of TAIF Group.





november

ОАО Нижнекамскнефтехим has been awarded the "Golden" Compliance Certificate, which confirms compliance of the Company's Management Systems with the globally recognized practices of Quality, Environment and Safety.

The Company became the award winner of the Russian national prize "Russian Creators" in two categories: "Innovations in the information technologies" and "Investment project in the field of power engineering".

Annual report of ОАО Нижнекамскнефтехим became the winner of the XIII Annual federal contest of annual reports and Web sites in the category "Professionalism and quality of presentation of the company in the issuer's annual report". In the past the annual report of the Company already was the winner of the XI contest and the diploma winner of the X contest.

ОАО Нижнекамскнефтехим became the absolute winner and the holder of Grand Prix of "Volga Wreath" V Interregional festival of corporate media for development of corporate communications system, and radio station "Neftekhim-Chanson" was awarded the diploma and the cup as the winner of the corporate radio contest in the category "For advancement of corporate values".

Law department of the Company won the annual professional contest "Best law departments of Russia-2010" held by "Corporate lawyer" magazine and Pynes&Moerner company in the category "Chemical industry".

december



In 2010 ОАО Нижнекамскнефтехим became a winner of the Contest for Implementation of the Program "Energy Saving Efficiency in the Republic of Tatarstan for 2006-2010".

The Company's Energy Saving Program for 2006-2010 has been completed and its continuation is represented by the activities pertaining to energy resources saving, which are included in the Program for 2011-2015 with the perspective until 2020.

For the fifth time ОАО Нижнекамскнефтехим was declared the winner of All-Russia ecological show contest and was awarded the honorary title "Leader of environmental activity in Russia-2010".



110,5 billion rubles

Product sales revenue of Nizhnekamskneftekhim group of companies in 2010 reached 110.5 billion rubles which is by 53% higher compared to 2009.

02

corporate management

- ▶ Management structure
- ▶ General meeting of shareholders
- ▶ The Board of Directors
- ▶ The committees of the Board of Directors
- ▶ Management Board
- ▶ Audit commission

corporate management

Management structure

Supreme management authority of OAO «Nizhnekamskneftekhim» in accordance with the Federal law «About joint stock companies» and Charter is the general meeting of shareholders. General management of the Company business and instituting of the Company development strategy for long-term prospects is performed by the Board of Directors. Executive bodies are Director General (Chairman of Board of directors) and the Management Board which exercise operational administration over day-to-day current performance. Audit commission fulfils control over financial-economic activities of the Company.

Independent auditor checks fidelity of financial accounting of the Company.

General meeting of shareholders

Under the Federal law «About joint stock companies» and Charter of OAO «Nizhnekamskneftekhim», supreme management authority of the Company is General meeting of shareholders. The issues which can't be relegated to the Board of Directors fall within the competence of general meeting of shareholders, General director or Management Board of the Company. For fiscal year one ordinary meeting of shareholders was conducted on April 15, 2010. The following issues have been reviewed at the meeting:

- ▶ On approval of annual report, annual financial statement, including profit and loss account of OAO «Nizhnekamskneftekhim» prior 2009 year base.
- ▶ On allocation of profits of OAO«Nizhnekamskneftekhim» including dividends payment (declaration) preceding fiscal 2009 year.
- ▶ On elections of members of Board of Directors of OAO «Nizhnekamskneftekhim».
- ▶ On elections of Auditing Commission of OAO «Nizhnekamskneftekhim».
- ▶ On approval of auditor of OAO«Nizhnekamskneftekhim».
- ▶ On insertion changes and additions to the Charter of OAO «Nizhnekamskneftekhim» and approval of it's revised version.
- ▶ On insertion changes and additions to internal regulations of OAO «Nizhnekamskneftekhim» and approval of them redrafted.



The Board of directors

The Board of Directors is the regulatory body of the Company. It has overall charge over the Company business except for the issues resolution referred to the competence of general meeting of shareholders by the Federal law and The Company charter.

The members of the Board of Directors are elected by annual Meeting as set forth by the Federal law for the period till the next annual Meeting. 11 members form the Board of Directors of the Company. In 2010 11 meetings of the Board of Directors of the Company have been conducted.



Chairman of Board of Directors:

ALBERT K. SHIGABUTDINOV

Born in: 1952

Title: General Director of OAO "TAIF"

Share in the Issuer Authorized Capital: none

Issuer equity share: none



Vladimir M. Busygin

Born in: 1949

Title: General Director of

OAO Nizhnekamskneftekhim

Share in the Issuer Authorized Capital: 0.03%

Issuer equity share: none



Radik R. Gaizatullin

Born in: 1964

Title: Finance Minister of the Tatarstan Republic

Share in the Issuer Authorized Capital: none

Issuer equity share: none



Evgeney A. GRISHIN
Born in: 1961
Title: Deputy head secretariat to the Counsellor of state of the Tatarstan Republic
Share in the Issuer Authorized Capital: none
Issuer equity share: none



Nahil U. MAGANOV
Born in: 1958
Title: First Deputy General Director for Oil & Oil Product Sales & Processing- Head of Oil & Oil Product Sales Department, OAO "Tatneft"
Share in the Issuer authorized capital: none
Issuer equity share: none



Zeljko MILIC
Born in: 1946
Title: Managing director of IPCO Trading S.A.
Share in the Issuer authorized capital: none
Issuer equity share: none



Vladimir V. PRESNYAKOV
Born in: 1951
Title: Deputy General Director for Oil-Refining & Petrochemistry, OAO "TAIF"
Share in the Issuer authorized capital: 0.0005%
Issuer equity share: 0.0006%





Alexander L. RAPPOPORT
Born in: 1959
Title: Managing partner of the Law Office "Rappoport and Partners"
Share in the Issuer authorized capital: none
Issuer equity share: none




Rinat K. SABIROV
Born in: 1967
Title: Assistant to the Prime-Minister of the Tatarstan Republic
Share in the Issuer authorized capital: none
Issuer equity share: none



Guzeliya M. SAFINA
Born in: 1955
Title: Deputy General Director for Economics and Finances, OAO "TAIF"
Share in the Issuer authorized capital: 0,009%
Issuer equity share: none



Ilshat Sh. FARDIEV
Born in: 1960
Title: Deputy of the Prime-Minister of the Tatarstan Republic, Minister of Energy of the Tatarstan Republic
Share in the Issuer authorized capital: none
Issuer equity share: none



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 OAO Nizhnekamskneftekhim the Audit Committee and the Personnel & Reward Committee were formed.

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

The Audit Committee and the Personnel & Reward Committee function pursuant to the Regulation on the Audit Committee of the Board of Directors of OAO Nizhnekamskneftekhim and Regulation on the Personnel & Reward Committee of the Board of Directors of OAO Nizhnekamskneftekhim approved in a new edition by the Board of Directors of OAO Nizhnekamskneftekhim.

THE AUDIT COMMITTEE

Radik R. GAIZATULLIN – Finance Minister of the Tatarstan Republic (The Committee Chairman)

Evgeney A. GRISHIN – Deputy head secretariat to the Counsellor state of the Tatarstan Republic

Vladimir V. PRESNYAKOV – Deputy General Director for Oil-Refining & Petrochemistry, OAO “TAIF”

Rinat K. SABIROV – Assistant to the President of the Tatarstan Republic

Guzeliya M. SAFINA – Deputy General Director of OAO “TAIF” for Economics and Finances

Committee secretary – **I. R.YAKHIN** – Chief accountant of OAO “Nizhnekamskneftekhim”

THE PERSONNEL & REWARD COMMITTEE

Ilshat Sh. FARDIEV – Deputy of the Prime-Minister of the Tatarstan Republic, Minister of Energy of the Tatarstan Republic (the Chairman of the Committee)

Rinat K. SABIROV – Assistant to the Prime-Minister of the Tatarstan Republic (Deputy chairman of the Committee)

Vladimir V. PRESNYAKOV – Deputy General Director for Oil-Refining & Petrochemistry, OAO “TAIF”

Alexander L. RAPPOPORT – Managing partner of the Law Office “Rappoport and Partners”

Guzeliya M. SAFINA – Deputy General Director of OAO “TAIF” for Economics and Finances

The secretary of the Committee – **V. A AMELIN** – head of Labour and Wages department of OAO Nizhnekamskneftekhim



Management Board

The Management Board of OAO Nizhnekamskneftekhim consists of 25 members

The Sole executive officer of OAO Nizhnekamskneftekhim:

Vladimir M. BUSYGIN (General Director; Chairman of Management Board)
Born in: 1949
Title: **General Director OAO Nizhnekamskneftekhim**
Share in the Issuer authorized capital: 0.03%
Issuer equity share: none

Akhtyam T. AMIRKHANOV
Born in: 1964
Title: **Director of Synthetic Rubber Plant, OAO Nizhnekamskneftekhim**
Share in the Issuer authorized capital: 0.0007%
Issuer equity share: 0.0006%

Rustam M. AKHMETOV
Born in: 1959
Title: **Deputy General Director for Economics, OAO Nizhnekamskneftekhim**
Share in the Issuer authorized capital: none
Issuer equity share: none

Igor A. BELANOGOV
Born in: 1967
Title: **Director of isoprene monomer plant, OAO Nizhnekamskneftekhim**
Share in the Issuer authorized capital: none
Issuer equity share: none

Azat Sh. BIKMURZIN
Born in: 1969
Title: **Director of Ethylene Plant, OAO Nizhnekamskneftekhim**
Share in the Issuer authorized capital: 0.0004%
Issuer equity share: 0.0003%

Valery A. VALK
Born in: 1967
Title: **Manager of Sales Department, OAO Nizhnekamskneftekhim**
Share in the Issuer authorized capital: 0.0007%
Issuer equity share: 0.0006%

Alexander M. VDOVIN
Born in: 1954
Title: **Chief Power Engineer, OAO Nizhnekamskneftekhim**
Share in the Issuer authorized capital: 0.0029%
Issuer equity share: 0.0026%

Ravil M. GALYMZYANOV
Born in: 1954
Title: **Director of Styrene & Polyether Resin Plant, OAO Nizhnekamskneftekhim**
Share in the Issuer authorized capital: 0,003%
Issuer equity share: 0,0031%

Rustam Kh. GALIMOV
Born in: 1958
Title: **Director of Oligomer Plant, OAO Nizhnekamskneftekhim**
Share in the Issuer authorized capital: none
Issuer equity share: none





Shamil Sh. GALIAVIYEV

Born in: 1954

Title: Chief Mechanical Engineer,
OAO Nizhnekamskneftekhim

Share in the Issuer authorized capital: 0.0083%

Issuer equity share: 0.0087%

Khamit Kh. GILMANOV

Born in: 1949

Title: First Deputy General Director-Technical
Director, OAO Nizhnekamskneftekhim

Share in the Issuer authorized capital: 0.0041%

Issuer equity share: 0.0037%

Leonid Kh. KUTUYEV

Born in: 1959

Title: Director of Butadiene and Hydrocarbon feed
Plant

Share in the Issuer authorized capital: 0,0003%

Issuer equity share: none

Gennady M. MAKAROV

Born in: 1951

Title: Director of Ethylene Oxide Plant,
OAO Nizhnekamskneftekhim

Share in the Issuer authorized capital: 0.0055%

Issuer equity share: 0.0062%

Irina N. MAKSIMOVA

Born in: 1962

Title: Manager of Export Department,
OAO Nizhnekamskneftekhim

Share in the Issuer authorized capital: 0.0014%

Issuer equity share: 0.0011%

Oleg N. NESTEROV

Born in: 1960

Title: Director of Butyl Rubber Plant,
OAO Nizhnekamskneftekhim

Share in the Issuer authorized capital: 0.001%

Issuer equity share: 0.0007%

Nail S. NURGALIYEV

Born in: 1952

Title: Director of polystyrene Plant
OAO Nizhnekamskneftekhim

Share in the Issuer authorized capital: 0,0006%

Issuer equity share: none

Siren G. SAKHAPOV

Born in: 1957

Title: Director of polyolefin Plant
OAO Nizhnekamskneftekhim

Share in the Issuer authorized capital: none

Issuer equity share: none





Valeriy G. STARKOV

Born in: 1966

Title: Manager of Finance Department,
OAO Nizhnekamskneftekhim

Share in the Issuer authorized capital: 0,00004%

Issuer equity share: none

Adip A. KHAIRULLIN

Born in: 1958

Title: Chairman of Trade Union,
OAO Nizhnekamskneftekhim

Share in the Issuer authorized capital: 0.0014%

Issuer equity share: 0,001%

Aidar R. SULTANOV

Born in: 1965

Title: Manager of Law Department,
OAO Nizhnekamskneftekhim

Share in the Issuer authorized capital: 0.0013%

Issuer equity share: 0.0011%

Eugene A. TSYGANOV

Born in: 1951

Title: Commercial Deputy General Director,
OAO Nizhnekamskneftekhim

Share in the Issuer authorized capital: 0.0015%

Issuer equity share: 0.0017%

Aleksei I. TOKINOV

Born in: 1951

Title: Deputy General Director for Production,
OAO Nizhnekamskneftekhim

Share in the Issuer authorized capital: 0,0018%

Issuer equity share: 0,0012%

Vasily N. SHUYSKY

Born in: 1957

Title: Deputy General Director for Personnel and So-
cial Issues, OAO Nizhnekamskneftekhim

Share in the Issuer authorized capital: 0.0007%

Issuer equity share: 0.00005%

Victor S. TRIFONOV

Born in: 1965

Title: Deputy General Director on industrial
construction and revamp,
OAO Nizhnekamskneftekhim

Share in the Issuer authorized capital: none

Issuer equity share: none

Ilfar R. YAKHIN

Born in: 1963

Title: Chief Accountant, OAO Nizhnekamskneftekhim

Share in the Issuer authorized capital: 0.00002%

Issuer equity share: 0.00002%



Audit Commission

The Audit Commission of OAO Nizhnekamskneftekhim consists of 5 members.

Chairman of the Audit Commission:



Olga V. IGNATOVSKAYA

Born in: 1963

Title: Chief Accountant of OAO "TAIF"

Share in the Issuer authorized capital: none

Issuer equity share: none



Alsu K. ISMAGILIVA

Born in: 1960

Title: Manager of supervision and auditing service of financial and economic department, OAO "TAIF"

Share in the Issuer authorized capital: none

Issuer equity share: none



Almaz I. Galeev

Born in: 1979

Title: Assistant to the Prime – Minister of the Tatarstan Republic on oil-gas chemical complex

Share in the Issuer authorized capital: none

Issuer equity share: none





Igor V. LARIONOV

Born in: 1970

Title: Deputy General Director - Manager of Corporate Property & Strategic Development Department, OAO Nizhnekamskneftekhim

Share in the Issuer authorized capital: 0.0053%

Issuer equity share: 0.006%



Rushan R. SHAMGUNOV

Born in: 1978

Title: Manager of petrochemical and oil refining Department of the Tatarstan Republic, OAO TAIF

Share in the Issuer authorized capital: none

Issuer equity share: none



500000 tons

OAO Nizhnekamskneftekhim as before is at the top among domestic producers of synthetic rubbers. In 2010 more than 500 000 tons of rubbers (7 types) were produced.

for the attention of shareholders and investors

- ▶ Observance of Corporate Behavior Code
- ▶ Statutory capital and structure of equity capital
- ▶ The list of OAO Nizhnekamskneftekhim shareholders
- ▶ Information on equity issues
- ▶ Dividend policy
- ▶ Market capitalization
- ▶ Credit ratings
- ▶ Affiliates



for the attention of shareholders and investors

Observance of Corporate Behavior Code

OA O Nizhnekamskneftekhim in its corporate activities is guided by the Code of Corporate Behavior recommended by FCSM RF Instruction No. 421/r, dated 04.04.2002, and by the Code of Corporate Behavior of OA O Nizhnekamskneftekhim, approved by the Company's Board of Directors on November 23, 2007.

List of corporate documents effective in OA O Nizhnekamskneftekhim:

- ▶ The Articles of OA O Nizhnekamskneftekhim;
- ▶ Statute on the General meeting of stockholders of OA O Nizhnekamskneftekhim;
- ▶ Statute on the Board of Directors of OA O Nizhnekamskneftekhim;
- ▶ Statute on the Audit Commission activities of OA O Nizhnekamskneftekhim;
- ▶ Statute on Information Policy of OA O Nizhnekamskneftekhim;
- ▶ Statute on Dividends Payoff Policy of OA O Nizhnekamskneftekhim;
- ▶ Statute on Administration of Internal Management of OA O Nizhnekamskneftekhim;
- ▶ Statute on the Committee for Auditing of the Board of Directors of OA O Nizhnekamskneftekhim;
- ▶ Statute on the Personnel and Awards Committee for the Board of Directors of OA O Nizhnekamskneftekhim;
- ▶ Statute on the Executive Boards of OA O Nizhnekamskneftekhim;
- ▶ Statute on Independent Directors of OA O Nizhnekamskneftekhim;
- ▶ Code of corporate ethics of a member of the Board of Directors of OA O Nizhnekamskneftekhim;

Ensuring a high level of the Company's transparency and completeness of information disclosure are still the most important priorities for the Company. In 2010, the Company's efforts to improve disclosure of information gained recognition of expert community: the annual report of the Company for the year 2009 was one of the winners at the competition, organized by the magazine "Securities Market", in the category "Professionalism and quality of the company presentation in the annual report of the issuer."

Capital Stock and structure of the capital stock

Capital Stock of OA O Nizhnekamskneftekhim amounts to 1,830,239,750 rubles as of 01.01.2011 and is split into 1,830,239,750 shares, 1 ruble par value each including 1,611,256,000 ordinary (voting) registered shares, and 218,983,750 preference registered shares.

All shares are placed, there are no assessable capital stocks placed. The capital stock is fully paid up. The Articles of OA O Nizhnekamskneftekhim provide for availability of 27,400,000,000 declared ordinary shares and 218,983,750 declared preference registered shares, 1 ruble par value each, within which additional shares might be issued.



List of shareholders of OAO Nizhnekamskneftekhim, holding 5% and more of its shares as of 25.02.2011

No№	Shareholders		% to Statutory capital	% of voting shares
1.	OAO Svyazinvestneftekhim	461,307,200	25.2	28.6
2.	OOO Telekom-Menedzhment	815,316,570	44.5	50.6
3.	NKB Investments Ltd.	141,636,195	7.7	8.8

Securities issue data

No	Decision on shares placement (who and when made)	Share type	Number of shares in issue	Number of paid-off shares on issue	Method of placement	Cost of placement	Governmental body in charge of issue registration, registration No.	Status of issue
1.	Privatization plan by Decree No. 41 of RT State Committee for Property dd. 11.08.93	Ordinary share 10 rubles	6,445,024	6,445,024	private offering	RUR 10 at nominal value, RUR 6.40 at a discount	RT Ministry of Finance № 11-1p-423 dd.18.08.93.	Annulled
2.	—//—	Preferred share 10 ruble	875,935	875,935	—//—	free of charge	—//—	—//—
3.	Stockholders meeting 23.04.98	Ordinary share 1 ruble	64,450,240	—	conversion	—	FCCB of Russia No. 1-02-00096-A dd. 28.12.98.	Placed
4.	—//—	Preferred share 1 ruble	8,759,350	—	—//—	—	FCCB of Russia No. 2-02- 00096-A dd. 28.12.98.	—//—
5.	Stockholders meeting 20.04.01	Ordinary share 1 ruble	1,546,805,760	—	Distributed among shareholders	—	FCCB of Russia No. 02- 00096-A dd. 15.08.03.	Placed
6.	—//—	Preferred share 1 ruble	210,224,400	—		—	FCCB of Russia No. 2-02- 00096-A dd. 15.08.03.	—//—

Bond issues

In November 2001, OAO Nizhnekamskneftekhim re-sorted the first 300,000,000 rubles bond issue repaid in November 2002.

On 24.05.2002, OAO Nizhnekamskneftekhim placed the second 1,500,000,000 rubles bond issue that was repaid on 24.05.2005.

On 02.09.2003, OAO Nizhnekamskneftekhim placed the third 2,000,000,000 rubles bond issue, repaid on 01.09.2007.

On 04.04.2005, OAO Nizhnekamskneftekhim placed the 4th 1,500,000,000 rubles bond issue with a 7 year maturity and half-year coupon payments. Coupons at the annual rate of 9.99% were repaid on 03.10.2005, 03.04.2006, 02.10.2006, 02.04.2007, 01.10.2007, 31.03.2008, 29.09.2008 and 30.03.2009. By the order of the Director General of OAO Nizhnekamskneftekhim dd. March 6, 2009, a coupon rate was adopted for 9-14 coupon periods at 10% annual rate. 02.04.2009 OAO Nizhnekamskneftekhim successfully effected the offer as a result of which bonds to the amount of 1,499,991,000 rubles were bought. 28.09.2009 coupon payments were made at a rate of 10%.

On 22.12.2005 OAO Nizhnekamskneftekhim completed placement of the first USD 200 000 000 Eurobond issue (NKNK – 2015) with the annual interest rate of 8,5% for the whole circulation period and bi-annual income payment. The coupon payments' schedule is strictly observed.

Maturity period of Eurobonds up to final redemption is 10 years. Eurobonds NKNH-2015 passed listing and are sold at the Irish Stock Exchange (Dublin). Specially established company NKNK FINANCE PLC (Ireland) acted as an issuer, issue sponsors – OAO MDM Bank and ZAO Troika Dialog. As of 01.01.2010 the amount of NKNK-2015 Eurobonds in circulation is USD 31.006 million.

03.11.2009. OAO Nizhnekamskneftekhim exchanged portion of the NKNK-2015 Eurobonds for new NKNK-2012 Eurobonds to be repaid in 2012 at the annual rate 12% with half-year coupon payments. The final redemption date is 20.04.2012. Specially established company NKNK FINANCE PLC (Ireland) was the issuer. City Bank acted as a sponsor.

The amount of NKNK-2012 Eurobonds in circulation was USD 101.394 million.

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 OAO Nizhnekamskneftekhim and its shareholder value. Statute «On Dividend Policy» is placed on the web-site: <http://www.nknh.ru/docs.asp>.

Annual general meeting of shareholders of OAO Nizhnekamskneftekhim held on 15.04.2010 decided to pay dividends on shares preceding 2009 year base in the amount of 0.07 rubles per share. This liability to shareholders was performed within a period determined by the Company's Articles of Association and Law on Joint-stock companies.

Decision on dividend payment is taken by the general meeting of shareholders 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 OAO Nizhnekamskneftekhim according to Russian accounting standards.

In accordance with the dividend policy of the Company, the total dividend payout shall be minimum 15% of net profit. In recent years, in accordance with established practice, the company used to commit 30% of net profits to dividend payments.



Dynamics of dividend payments

No	Type of security paper	1994		1995		1996	
		RUR	% to nom. value	RUR	% to nom. value	RUR	% to nom. value
1.	Registered ordinary shares	5.5	55.0	6.0	60.0	—	—
2.	Preferred ordinary shares	5.5	55.0	6.0	60.0	15.0	150.0

No	1997		1998		1999		2000	
	RUR	% to nom. value	RUR	% to nom. value	RUR	% to nom. value	RUR	% to nom. value
1.	4.0	40.0	0.4	40.0	0.5	50.0	1.5	150.0
2.	15.0	150.0	1.5	150.0	1.5	150.0	1.5	150.0

No	2001 and 2002		2003		2004		2005	
	RUR	% to nom. value	RUR	% to nom. value	RUR	% to nom. value	RUR	% to nom. value
1.	0.054	5.4	0.062	6.2	0.1855	18.55	0.1765	17.65
2.	0.06	6.0	0.062	6.2	0.1855	18.55	0.1765	17.65

No	2006		2007		2008		2009	
	RUR	% to nom. value	RUR	% to nom. value	RUR	% to nom. value	RUR	% to nom. value
1.	0.5448	54.48	0.6715	67.15	0.3098	30.98	0.07	7.00
2.	0.5448	54.48	0.6715	67.15	0.3098	30.98	0.07	7.00

No	2010 (plan)	
	RUR	% to nom. value
1.	1.1760	117.60
2.	1.1760	117.60

No dividend payments arrears.

Market capitalization

Market price as of December 31, 2010 (for the last 90 selling days), RUR*		Security papers allowed for selling	Capitalization RUR**
Registered	22.65934	1,611,256,000	36,509,997,531.04
Preferred	12.68953	218,983,750	2,778,800,865.14
Total		1,830,239,750	39,288,798,396.18

* – The Market price is calculated according to the Decree of the Federal Commission on Securities of Russia dated December 24, 2003 No. 03-52/ps "The assertion of the procedure for calculation of a market price of issuing securities and investment shares of the share investment funds admitted to the circulation through organizers of trade, and an establishment of limits of fluctuations of a market price".

** – It is defined according to Order FCFR of Russia dated 10.10.2006 06-117/pz-n "The assertion of Regulations on disclosing of the information by emitters of issuing securities".

Market capitalization of OAO Nizhnekamskneftekhim shares is based on the buying price (demand) on closing of the last selling day of the accounting business period of aforementioned shares at the OAO Stock Exchange RTS.

Note: Since October 12, 2007 ordinary shares of OAO Nizhnekamskneftekhim are admitted to the trades in the Quoting List «A2»; since March 6, 2008 – preferred shares. On March 29, management of ZAO Stock Exchange MICEX decided to transfer the preferred shares of OAO Nizhnekamskneftekhim from

the quoting list B to the quoting list "A" of the second level of ZAO Stock exchange MICEX.

This was due to increased volume of the Company preferred share trading at the ZAO MICEX Stock Exchange, and with intent to increase liquidity and investment attractiveness of securities.

Since April, 2008 up to July 20, 2009 ordinary and preferred shares of OAO Nizhnekamskneftekhim were traded at the ZAO MICEX Stock Exchange as non-listed securities. Since July 20, 2009 ordinary shares of the Company were included to the Quotation list "A" of the second level, and preferred shares – to the Quotation list "B" of ZAO MICEX Stock Exchange.

Information on OAO Nizhnekamskneftekhim registered ordinary and registered preferred shares trades as well as current trading you can find at the servers of ZAO MICEX Stock Exchange and OAO Stock Exchange RTS in Internet: http://www.micex.ru/marketdata/quotes?group=stock_shares&data_type=history, <http://www.rts.ru/?tid=91>.

For searching the information on OAO Nizhnekamskneftekhim shares trading at ZAO MICEX Stock Exchange and OAO Stock Exchange RTS it is possible to use an instrument code – an ordinary registered share of OAO Nizhnekamskneftekhim – NKNC; a preferred registered share of OAO Nizhnekamskneftekhim – NKNCP

Credit ratings

Two International Rating Agencies assigned credit ratings to OAO Nizhnekamskneftekhim as of December 2005.

1. Moody's investors Service Ltd.

Type of credit rating assigned	Rating mark	Forecast of rating change	Date of last reassignment
Issuer corporate rating	B1	stable	26.02.2008
Issuer long term credit rating on the national scale	A2.ru	stable	12.12.2005
Eurobonds issue	B1	stable	29.10.2009

2. Fitch Ratings Ltd.

Type of credit rating assigned	Rating mark	Forecast of rating change	Date of last reassignment
Long-term issuer default rating	B	stable	16.08.2010
Sort-term issuer default rating	B	-	02.12.2005
Issuer long term credit rating on the national scale	BBB-(rus)	stable	16.08.2010
Eurobonds priority-oriented uncovered rating	B	stable	16.08.2010
Eurobonds assets return rating	RR4	-	18.03.2009



List of affiliates and indexes of financial and economic activity for the year 2010

No	Name of affiliate	Revenues	Net profit	Average staffing number
		Th.roubles		person
1	000 Trust TSNHRS	1,697,256	10,865	1,962
2	000 Mechanical Repair Plant - NKNH	345,737	723	561
3	000 Motor Transport Department - NKNH	443,982	7,112	648
4	000 NKNH-DivinyI	5,094,414	369,192	250
5	0AO NefteKhimSevylen	1,492,487	124,858	342
6	0AO SOV-NKNH	425,455	705	151
7	AO Nizhex Scandinavia	4,060,750	82,090	5
8	000 Sports-and-culture complex Neftekhimik	73,796	4,006	105
9	000 Polymerkholodtekhica	47,991	2,797	44
10	000 CHOP-NKNH	194,364	1,083	523
11	000 Hockey Club Neftekhimik	458,074	434	158
12	000 Neftekhimresurs-NKNH	24,000	959	63
13	000 Vtorresursy	26,968	3,183	28
14	000 PAP-Transportexpress	193,708	4,707	344
15	000 Polymer - NKNH	132,982	-31,114	148
16	000 UOP-Neftekhim	319,402	181	623
17	000 Neftekhimagroprom	127,383	512	441
18	000 NKNH-Servis	854,789	4,129	39
19	000 Shop No 4100-NKNH	58,012	7,337	72
20	000 PEST	0	-1,520	2
	Total	16,071,550	592,239	6,509



69 percent

Synthetic rubber supplies share of OAO Nizhnekamskneftekhim to major foreign tyre-producing companies in 2010 has increased to 20%, amounting to 69% of total export volume of this type of product.

major risk factors

- ▶ Risk factors
- ▶ Industrial risks
- ▶ Country and regional risks
- ▶ Financial risks
- ▶ Legal risks
- ▶ Risks associated with the changes of currency legislation
- ▶ Risks related to the issuer's business

major risk factors

Industrial risks

ОАО Nizhnekamskneftekhim conducts its business in the petrochemical industry sector. Raw material and power industry have the highest ratio in the structure of costs in this branch. The major risks could be the change of demand and prices of raw material, energy and products manufactured.

The main observable trend is that the global economy more positively overcomes the severe crisis situation of 2008-2009. Actual fundamental demand for crude oil is still gradually recovering. The industrial sector is gaining its pace. The price of oil resumed its growth in the fourth quarter of 2010. The increase of crude oil price is 13% compared to the previous quarter and 16% versus last year's price.

Behavior of European prices for straight-run gasoline generally correlated with the crude oil price. The average European price of straight run gasoline in the fourth quarter amounted to \$ 792.28 per ton which is 20% higher than the same period of 2009.

Stabilization of prices for crude oil and naphtha has a positive impact on the industrial petrochemical sector. The demand for petrochemical products is being reestablished. In general, according to CMAI, the growth rate of industrial production in the major economies of the world reached the level of the first half of 2008.

Revenue from exports in 2010 showed growth over the same period of the previous year, and even exceeded the level of 2008.

We expect that the environment of the foreign market for products in 2011 will be favorable for the Company. Demand for synthetic rubbers and plastics, in particular, will remain at a high level, which is more than 80% of export earnings in 2010.

The main risk factors in sales of the Company's own products are excessive prices for raw materials and utilities and oversupply in the internal market by do-

mestic petrochemical industry, as predicted in the short term (2 – 4 years).

In future large-scale holding companies (e.g. SIBUR, LUKoil, GAZPROM, TITAN) declare commissioning of additional production capacities of polymers:

1. SIBUR – construction of Tobolsk-Polymer complex for production of polypropylene with a capacity of 500 thousand tons a year (planned launch in 2013);
2. TITAN – POLIOM facility is scheduled for commissioning in the second half of 2011 with a design capacity of 180 thousand tons of polypropylene a year;
3. LUKoil – increase of a design capacity of LPPE plant in 2013 to 600 thousand tons per year (design stage of the project);
4. GAZPROM-Neftekhim-Salavat (former Salavat-nefteorgsintez) – launched the LPPE plant with a capacity of 120 thousand tons per year in 2010, with subsequent increase of a design capacity in 2013 to 200 thousand tons of LPPE per year;
5. GAZPROM – construction of a facility for production of 400 thousand tons of polyethylene per year on the basis of the Novo-Urengoy Gas-Chemical Complex (the declared start is 2013);
6. SIBUR – SIBUR-Khimprom of Perm, commissioning of expandable polystyrene production plant with a capacity of 50 thousand tons per year in autumn 2010, with subsequent increase of a design capacity in 2013 - 2014 to 100 thousand tons of EPS per year;
7. Establishment of a "zero" rate by the RF government for imported linear low density polyethylene;
8. Reduction of export duties by the RF government for hydrocarbon material resulting in the rise in value of this raw material at the Russian internal market.





Country and regional risks

OAO Nizhnekamskneftekhim is one of the largest enterprises of petrochemical industry in the Russian Federation. Political and economic situation in the modern Russia has a significant effect on the activities of our joint-stock company.

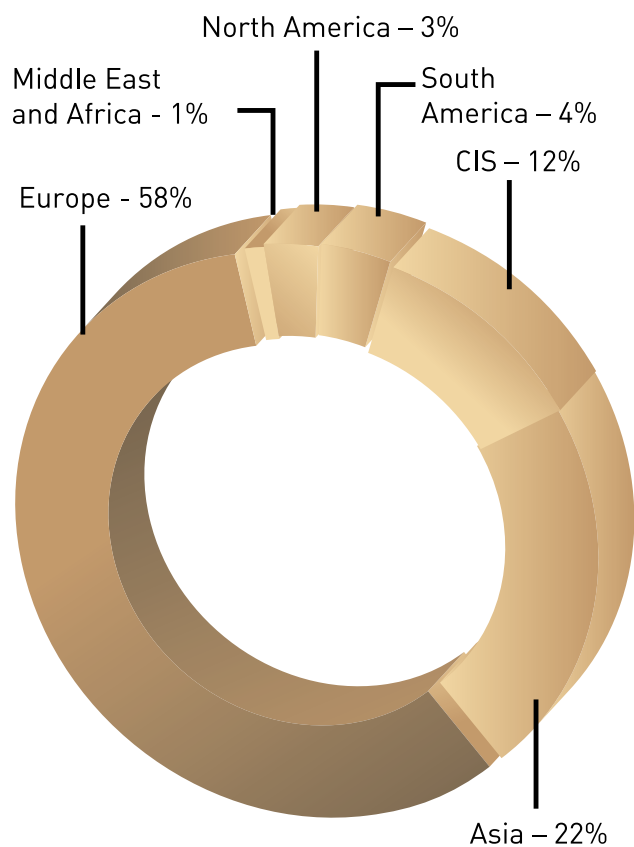
There are no risks related to geographical features of the country and region, in which the Company conducts its basic business, since the place of disposition of the Company is characterized by absence of danger of natural disasters. Besides, in view of the level of development of a transport infrastructure, there are no risks of the cease of the communication due to geographical inaccessibility and remoteness. The convenience of disposition allows smooth shipping of products by railway and motor transport from warehouses of the Company.

In the present-day conditions the status of domestic chemical and petrochemical industry to a large extent depends on the export. Therefore the most efficient segments of chemical and petrochemical complex were and still remain the production facilities that operate not only domestically but also having a strong export potential.

OAO Nizhnekamskneftekhim exports its products to 59 countries worldwide.

The main share of products is supplied to the countries Europe (58%), Asia (22%) and CIS (12%) non-susceptible to serious political risks and natural disasters. Besides, presently one could see the recovery of European economies and growth in the Asian countries. The risk of defaults is minimized. International trade approaches the pre-crisis level. There are no risks associated with social disruptions, strikes etc. in these regions.

Regional structure of exports





Financial risks

Exposure of the issuer to risks associated with change of the interest rates, exchange rate of foreign currencies, in connection with business of the issuer or in connection with hedging, conducted by the issuer for the purpose of reduction of adverse consequences of impact of the following risks:

Risk of change of the interest rates

Some long-term transactions of the issuer use floating interest rates (based on LIBOR or EURIBOR) therefore there is a risk of cost increase of such borrowings.

Factor of decrease: such transactions (credit transactions, where floating interest rates are used) provide for the mechanism of switching to fixed interest rate.

Risk of the exchange rates

The main part of credit liabilities of the issuer is defined in US dollars. Therefore there is a certain currency risk related to the increase of exchange rate of US dollar/ruble.

Factor of decrease: about 46.8% of total revenue of the company is based on the export sales of products. The main currency of export sale proceeds is US dollar, which certainly reduces this currency risk.

Besides, there is a risk to the issuer, related to the fact that the main prices for products are defined in US dollars while the considerable part of expenses incurred by the issuer is in rubles. Use of instruments for hedging of currency risks in the issuer's practice (various options and their combinations) would help reduce this risk.

Impact of inflation on securities payment as well as presumed actions of the issuer directed to reduction of this risk

There is no considerable effect of current inflation rate on the issuer's financial status. Price escalation caused by the change of inflation rate shall proportionally increase both the production costs and the proceeds of the issuer.

In case of unfavorable change of general inflation figures the issuer intends to reduce the delays of payments for its counterparties and to optimize the control of accounts receivable and costs. The critical inflation values (in the judgement of the issuer) are over 25% a year, however the issuer estimates the probability of inflation escalation in Russia in the midterm as fairly low in view of anti-inflationary policy pursued by the Russian Federation government and the Central Bank of Russian Federation.

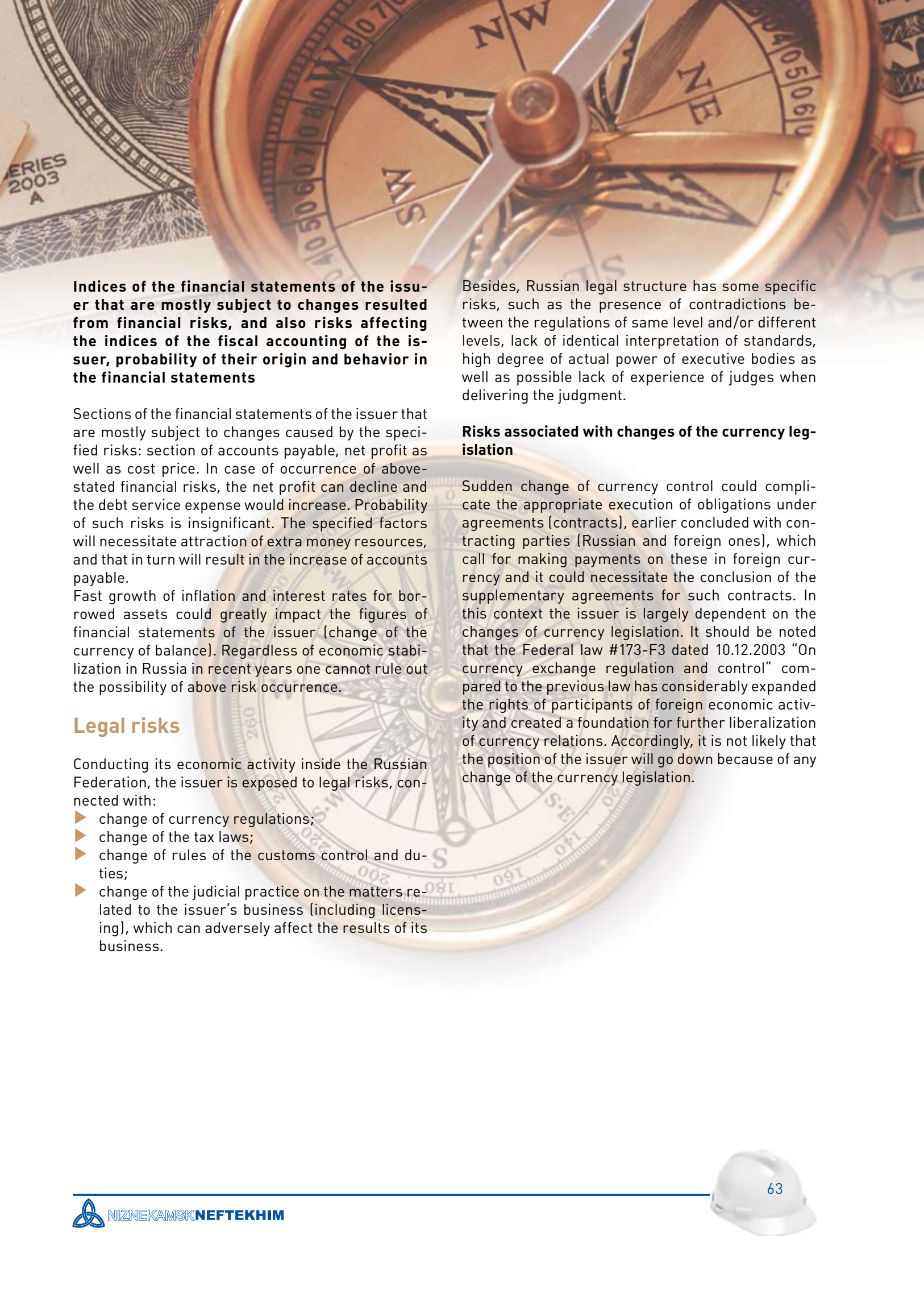
In case of unfavorable change of interest rates (raising) the issuer considers to gradually reduce the volumes of short-term loans and credits, there is also a possibility of gradual switching over to long-term credit resources with floating interest rate.

The sums of transactions with foreign counterparties are in US dollars, in case of the dollar fall in relation to national currency the issuer's returns in rubles could decrease. But the exchange risks, including the risk of the dollar downing relative to ruble, are included in all newly concluded contracts.

Other presumed actions of the issuer aimed at reduction of risk resulted from inflation:

- restructuring of liabilities in favor of borrowed assets in the RF currency;
- reconsideration of investment program of the issuer





Indices of the financial statements of the issuer that are mostly subject to changes resulted from financial risks, and also risks affecting the indices of the fiscal accounting of the issuer, probability of their origin and behavior in the financial statements

Sections of the financial statements of the issuer that are mostly subject to changes caused by the specified risks: section of accounts payable, net profit as well as cost price. In case of occurrence of above-stated financial risks, the net profit can decline and the debt service expense would increase. Probability of such risks is insignificant. The specified factors will necessitate attraction of extra money resources, and that in turn will result in the increase of accounts payable.

Fast growth of inflation and interest rates for borrowed assets could greatly impact the figures of financial statements of the issuer (change of the currency of balance). Regardless of economic stabilization in Russia in recent years one cannot rule out the possibility of above risk occurrence.

Legal risks

Conducting its economic activity inside the Russian Federation, the issuer is exposed to legal risks, connected with:

- ▶ change of currency regulations;
- ▶ change of the tax laws;
- ▶ change of rules of the customs control and duties;
- ▶ change of the judicial practice on the matters related to the issuer's business (including licensing), which can adversely affect the results of its business.

Besides, Russian legal structure has some specific risks, such as the presence of contradictions between the regulations of same level and/or different levels, lack of identical interpretation of standards, high degree of actual power of executive bodies as well as possible lack of experience of judges when delivering the judgment.

Risks associated with changes of the currency legislation

Sudden change of currency control could complicate the appropriate execution of obligations under agreements (contracts), earlier concluded with contracting parties (Russian and foreign ones), which call for making payments on these in foreign currency and it could necessitate the conclusion of the supplementary agreements for such contracts. In this context the issuer is largely dependent on the changes of currency legislation. It should be noted that the Federal law #173-F3 dated 10.12.2003 "On currency exchange regulation and control" compared to the previous law has considerably expanded the rights of participants of foreign economic activity and created a foundation for further liberalization of currency relations. Accordingly, it is not likely that the position of the issuer will go down because of any change of the currency legislation.

Risks related to change of the tax legislation

As well as any other economic entity the issuer is the participant of the tax relations. OAO Nizhnekamskneftekhim is one of the major taxpayer of the Republic of Tatarstan making payment of federal, regional and local taxes.

General principles of taxation in the Russian Federation being the basis of the tax system in Russia have been established by part one of the Tax code of the Russian Federation. Part one of the Tax code of the Russian Federation defines general rules that should be followed by the subjects of tax legal relations and assigned their rights and obligations as well as legal procedures served to observe the rights and duties. Among the most substantial changes that could have an adverse effect on the issuer's business one could point out any changes or amendments to legislative acts on taxes and duties concerning the increase of tax rates and also imposition of new categories of taxes. Such changes as well as other changes of tax legislation could result in the increase of tax payments and, as a consequence, the decrease of the net profit of the issuer. The issuer assesses the legal risks related to changes of tax legislation at the average level. The issuer always reacts to any changes of tax legislation to ensure absolute and strict observance of its requirements and the issuer also perfectly respects the revenue laws concerning its activity, however, this does not eliminate a potential risk of divergence of views with relevant regulatory organizations on the matters permitting ambiguous interpretation.

Risks related to change of rules of the customs control and duties

As the most part of the equipment acquired for production is imported or is made of foreign manufacture components, the change of rules of the customs control and duties could result in certain risks for the issuer associated with appreciation of the acquired fixed assets.

At present basically new legal base of the customs procedures is created in Russia complying with universally acknowledged standards, that provides for direct regulation of legal relations in the customs area based on the rules of RF Customs code and in the system of direct action rules.

For the purpose of improvement of operation of customs authorities of the Russian Federation the large scope of work was carried out for preparation of regulatory and legal framework on the basis of the RF Customs code, practice and experience of administration of international legislation. Such changes in the customs legislation are evaluated positively since they increased the transparency of customs procedures and simplified them.

No major changes of customs duties are foreseen for products exported by the issuer. Such risks are assessed by the issuer as minimal.

The risks related to change of the judicial practice on the matters, associated with activity of the issuer (including licensing matters), which could have an adverse effect on the results of its business

Changes of requirements on licensing of the principal activities of the issuer, as well as the change of the judicial practice on the matters related to activities of the issuer (including licensing issues), can have a negative effect on the business activities of the issuer in the event when because of these changes the issuer fails to receive (extend) licenses required for its further business, or the current licenses are withdrawn in a judicial procedure, however, probability of occurrence of suchlike events is insignificant.

Probability of changes of judicial practice related to activities of the issuer (including the licensing issues) is considered negligible and shall not have a material effect on its business. In case any modifications are introduced in the judicial practice related to activities of the issuer, then the issuer shall plan its financial and economic activities accordingly.



Risks related to the issuer's business

Current suits at law, in which the issuer participates

Risks related to business activity of the issuer, including the risks associated with the current suits at law, in which the company participates, are absent. There are no claims about liquidation of the issuer, about alienation of assets of the issuer, about disputing of the rights on the license, patents, about acknowledgement of indebtedness on the taxes and duties in the budget and extra-budgetary funds.

Options for extension of licenses of the issuer for certain lines of business or for projects that are restricted in any business (including natural resources)

Expiration of licenses causes the problems of performing the licensed activities by the issuer. The issuer adheres to the requirements of licenses, takes all necessary actions to obtain the licenses and to maintain their validity and minimize the probability of suspension, change or withdrawal of a license – to avoid such risk the issuer performs the respective

systematic work for timely renewal of licenses (re-issue of licenses).

Risks attributed to changes of legislation or to resolutions of federal or local authorities on licensing issues are beyond control of OAO Nizhnekamskneftekhim and the issuer shall not guarantee that there will be no any changes that could adversely affect its business. However, at present there are no conditions of legal, economic or political nature that could cause complications of licensing procedure or reduce the feasibility of license extension for OAO Nizhnekamskneftekhim.

Liability of the issuer for third party debts including the affiliates of the issuer

The issuer assesses as negligible the risk associated with potential liability for third party debts including the affiliates of the issuer.

Probability of loss of consumers with at least 10 percent of total sales proceeds of the issuer's products (work, services)

At this time the issuer assesses as negligible the risks of loss of major consumers.



600 thousand tons

Nizhnekamskneftekhim steadily transfers from production of monomers to production and sales of polymer materials. The aggregate output of plastics in 2010 was 600 thousand tons.

05

production activity

- ▶ Production activity
- ▶ Production of key products in kind
- ▶ Intensity of using production facilities
- ▶ Fixed assets flow
- ▶ Dynamics of production efficiency indices
- ▶ Dynamics of net assets cost
- ▶ Information on budget payments
- ▶ Automated process control system SAP ERP
- ▶ Energy saving

production activity

Production of key products in kind

No.	Description	Meas. unit	2007	2008	2009	2010	2010 / 2009, %%
1.	SKI rubber	t	178,890	190,074	150,583	216,751	143.9
2.	EPDM rubber	t	9,377	3,967	2,636	2,994	113.6
3.	SKD-N rubber	t	82,996	91,786	88,770	113,110	127.4
4.	SKD-L rubber	t	10	20,416	19,780	28,483	144.0
5.	Butyl rubbers	t	107,156	118,822	135,841	138,852	102.2
6.	Divinyl, own	t	101,380	94,186	96,883	103,798	107.1
7.	Ethylene	t	511,069	545,148	563,108	592,751	105.3
8.	Propylene	t	260,041	273,654	275,412	283,400	102.9
9.	Benzene	t	195,690	195,666	185,527	186,725	100.6
10.	Styrene	t	287,814	267,880	200,731	202,643	101.0
11.	MEG	t	113,613	88,159	68,031	95,053	139.7
12.	Ethylene oxide	t	278,619	248,769	177,502	212,064	119.5
13.	Propylene oxide	t	72,234	71,574	55,955	67,280	120.2
14.	Polyether	t	83,943	83,492	58,867	76,092	129.3
15.	Propylene trimers	t	28,932	27,981	23,746	17,251	72.6
16.	Propylene tetramers	t	10,950	10,631	7,594	5,131	67.6
17.	Neonols	t	117,899	109,366	86,816	74,109	85.4
18.	Polystyrene	t	123,031	142,728	155,757	184,353	118.4
19.	Polypropylene	t	155,029	172,738	189,643	200,006	105.5
20.	Polyethylene	t	-	-	130,514	160,002	122.6
21.	Polyethylene glycol	t	22,964	29,788	26,873	31,884	118.6



Intensity of using production facilities

Production	Capacity, %			% to the last year
	2008	2009	2010	
1. SKI-3 rubber	95.0	75.3	108.4	144.0
2. Butyl rubber	99.0	113.2	115.7	102.2
3. Ethylene	94.7	93.9	98.8	105.2
4. Propylene	96.3	97.0	99.8	102.9
5. Styrene, EBS	70.5	50.5	29.6	58.6
6. Styrene, SMPD	102.2	78.2	94.1	120.3
7. Propylene oxide	99.4	77.7	93.4	120.2
8. Ethylene oxide, train 1	66.4	32	1.6	5.0
9. Ethylene oxide, train 2	84.6	69.6	105.1	151.0
10. Polyether (Styrene and Polyether Resin Plant)	102.0	70.2	93.1	132.6
11. MEG-1	61.5	48.2	75.7	157.1
12. Polystyrene	110.9	91.6	108.4	118.3
13. Polypropylene	95.9	105.4	111.1	105.4

Fixed assets flow

Description	2008	2009	2010
Wear factor (%)	41.1	44.2	48.3
Coefficient of renewal (%)	21.4	4.9	2.7
Retirement rate (%)	1.4	0.3	0.2

Dynamics of production efficiency indices

Index	2007	2008	2009	2010
Capital-labour ratio, thousand rub.	1,138.4	1,551.8	1,967.4	1,938.9
Average monthly labour productivity of one worker, thousand rub.	258.2	328.8	304.1	483.1

Dynamics of net assets cost in mln. rub.

Index	2007	2008	2009	2010
Net assets	28,279.1	28,498.0	28,908.3	36,047.3



Information on budget payments in 2010, thous. rub.

Description	Accrued	Transferred
Budget of the Russian Federation,	3,975,039	3,699,364
Including customs duties	214,423	228,076
Budget of Tatarstan Republic, including special purpose budget funds	3,188,481	3,327,912
Local budget	599,266	607,300
Budget of other entities of the Russian Federation	16,926	15,978
Total	7,779,712	7,650,554

Automated Process Control System SAP ERP

Currently, modern information systems and technologies represent a major tool for efficient organization management under conditions of continuously varying external and internal environment. ERP system by SAP Company is an integrated solution, which consists of organizational and economic applications designed for all business spheres. SAP ERP solution establishes new standards in the field of the Company resource management, offering new functions and possibilities. Since 01.01.2006, OAO Nizhnekamskneftekhim has put the automated process control system based on ERP software by SAP Company into commercial operation.

Operating Outcomes of 2009

The "Hydrocarbon Balance of OAO Nizhnekamskneftekhim Production Units" has been developed, that provides automated determination of stock material processing losses at period end closing in OAO Nizhnekamskneftekhim for predetermined period of time.

In order to gain additional competitive advantages and strengthening of business relations with the strategic consumers of end products, the work on the improvement of automatic data exchange between ERP systems of the Continental Company and OAO Nizhnekamskneftekhim through Rubber Network

Portal was performed. OAO Nizhnekamskneftekhim has full technical possibility to integrate with other global consumers of chemical products, participants of Elemica trade platform.

The "Dispatch Lot Management Monitor" was developed. The program is intended for optimization of the process of the end product dispatching. Starting January 1, all data required by customs are transferred automatically from the EPR System, this makes it possible to prevent the unreasonable increase of expenses and to keep responsiveness of the customs clearance of the exported products.

The software system for automated planning of purchase, recording, and distribution of working clothes and safety boots was implemented. This task permits forming of more precise and substantiated plans for provision of OAO workers with personal protection equipment and working clothes with regard to anthropometric data of workers, wear life, and date of actual receipt.

In order to improve the pass entrance system, the checkpoints of the Access control department and the entry control facilities are supplied with the information on actual preparedness of salable product lots for loading into transport vehicles.

The integrated database was created for all equipment of OAO Nizhnekamskneftekhim: process, power, and measuring means. The created database makes it possible to monitor the orders for technical maintenance and repair of equipment for every individual piece of equipment and to reflect the actual



information on financial and labor costs of the equipment repairs in analysis reports.

The Information security monitoring MaxPatrol, attack detection, and active audit system are being implemented for continuous technical audit of security at all levels of the information system. In the context of accounting the real assets of OAO Nizhnekamskneftekhim, the component "Real Property Management" in SAR ERP System is being introduced.

In line with the strategy of implementation and development of the SAP ERP Enterprise Management System and the necessity of OAO Nizhnekamskneftekhim share accounting, the project for implementation of the task complex "Maintenance of the shareholders database and dividend calculation in OAO Nizhnekamskneftekhim" was created. The pilot-commercial implementation is scheduled for 2011.

Energy saving

Energy saving is a priority line of activity of OAO Nizhnekamskneftekhim which amid the power sector reform, rising utilities prices is a significant internal reserve that would significantly increase not only its own production but also the gross regional product.

The company is the largest consumer of energy among the industrial enterprises of Tatarstan consuming 9.2% of electrical power and 29.2% of thermal energy generated by the entire power system of the Republic of Tatarstan. In 2010 the company consumed 2.1 billion kWh of electricity amounting to 3.7 billion rubles, 9.5 million Gcal of thermal energy to the amount of 9.1 billion rubles and 665 million m³ of natural gas amounting to 1.8 billion rubles. The total acquisition cost of these utilities amounted to 14.6 billion rubles.

OAO Nizhnekamskneftekhim successfully implemented the First and Second energy saving programs. Measures introduced within the framework of the programs have facilitated the decrease in the expenditure on the energy imports, yearly reduction of utilities consumption rates per unit of output. During the period of the First Energy saving program

(from 2000 till 2005) 418 energy saving measures were implemented. Savings amounted to 632.3 million rubles. The economy made 1.6 million Gcal of thermal energy, 122 million kWh of electrical power and 77 thousand tons of fuel equivalent.

During the period of the second Energy saving program (from 2006 till 2010) 457 energy saving measures were implemented. The economy made 3.5 million Gcal of thermal energy, 127 million kWh of electrical power and 79 thousand tons of fuel equivalent. Economy of implementation amounted to 2.7 billion rubles.

To reduce energy costs and to make products more competitive in August 2007 OAO Nizhnekamskneftekhim commissioned a cogeneration Gas-Turbine Unit GTU-75 representing an innovative technology with high technical and economic performance and contributing to higher reliability and manoeuvrability of the Nizhnekamsk Thermal Power Plant power equipment. From 2008 through 2010 GTU-75 generated 1.4 billion kWh of electrical power and 2.3 million Gcal of thermal energy.

With the introduction of Rules for the electric power retail market subject to the RF Government Resolution No.530 OAO Nizhnekamskneftekhim further proceeds in the new transitional period conditions of the power engineering reforms. Energy supplies have been contracted in view of the new operating conditions at the electric power retail market, which ask for daily requests for a planned hourly consumption of electric power two days in advance. Efforts are underway to introduce OAO Nizhnekamskneftekhim to the wholesale electrical power market.

To enhance reliability in energy supply the Company replaces the old electrical equipment control boards (0.4 kV) with Siemens control boards. This Program has been implemented since 2005 and is scheduled till 2012. Replacement of 250 control boards and 27 distribution substations and transformer substations is envisaged.

Over the period of 2005-2010 144 0.4 kV control boards were replaced at Butyl Rubber, Synthetic Rubber, Isoprene Synthetic Rubber, Ethylene, Ethylene Oxide, Divinyl & Hydrocarbon Feed Plants, Oligomer Plant, Sewage & Waste-Water Treatment Facilities, Utilities Supply Systems, as well as a dis-



tribution station and transformer substation mounted at Butyl Rubber Plant and 6 kV indoor switchgear at Treatment Facilities. As part of this program old converters and control boards have been replaced with Siemens equipment on rubber finishing lines. Converters, bailing press control boards and control stations have been replaced on 10 finishing lines. In 2010 following the joint program to enhance reliability in energy supply and to reduce blackout risks for the Nizhnekamsk Industrial Hub the Company replaced the obsolete system "isolating switch – short-circuiter" with an up-to-date system using elegas circuit-breakers at seven main step-down substations.

Perspective activities for the year 2011

- ▶ Renovation of 6 kV distribution boards, 6/04 transformer substations, 0.4 kV PCBs of SIVA-CON series, Siemens company.
- ▶ Replacement of electric drives control systems with variable-frequency drives.
- ▶ Upgrading of the worn-out power equipment.
- ▶ Overhaul of electric motors with change of the worn-out windings.
- ▶ Full repair of lighting network at Isoprene Monomer and Synthetic Rubber plants with usage of Philips luminaries.
- ▶ Replacement of oil-filled bushings with solid insulation bushings at PP-1.
- ▶ Replacement of 6 kV cables for power supply of Air Nitrogen Plant and Ethylene Oxide plant (foreign manufacture).
- ▶ Replacement of pressure regulator valves with GRP-1.
- ▶ Renovation of steam pipe line, raw A from c PTK-1 NK Thermal Power Station

Energy Saving Program for the period 2011-2015 with a perspective up to 2020

For further implementation of energy saving activity in order to reduce energy consumption OAO Nizhnekamskneftekhim drafted the third Energy Saving Program for 2011-2015 with a perspective up to 2020 on the basis of Federal Law No 261-FZ of 23 November 2009 "On Energy Saving and Energy Efficiency Increase and Amending Certain Legislative Acts of the Russian Federation" and the Energy Strategy of Russia up to 2020.

261 energy saving measures have been planned within the program that should help to save 374.4 million kWh of electricity, 2.2 million Gcal of thermal energy and 50 tons of conventional fuel. Currently, additional measures aimed at reducing the consumption of energy, feedstock and materials are being introduced to the program.





**ОАО Нижнекамскнефтехим utilities consumption from OSBL
(without subabonents) for the year 2010**

Utility	Units of measurement	2010	
		number	amount, thousand of rubles (without VAT)
Electric power	th.kWh	2,183,486	3,707,701
Heat power	Gcal	9,567,991	9,146,807
Fuel	th.m.3	665,305	1,791,185
Fuel oil	t	1,102	8,343
Total			14,654,036



7 billion rubles

Net profit of OAO Nizhnekamsk exceeded
7 billion rubles in 2010.

06

financial statements

- ▶ Financial Statements
- ▶ Balance Sheet
- ▶ Profit and Loss Statement
- ▶ Material Aspects of Accounting Policy and Reporting in Financial Statements
- ▶ Auditor's Report
- ▶ Findings of Auditing Committee

financial statements

Balance Sheet

ASSETS	Code	As of the beginning of the accounting year	As of the end of the accounting year
1	2	3	4
I. NON-CIRCULATING ASSETS			
Intangible assets	110	165	142
Fixed Assets	120	32,372,908	30,772,843
Uncompleted Construction	130	1,718,222	2,001,396
Income yielding investments into tangible assets	135	-	-
Long-Term Financial Investment	140	7,616,707	6,876,723
Deferred tax assets	145	132,617	177,879
Other non-circulating assets	150	942,826	1,029,321
TOTAL for Part I	190	42,783,445	40,858,304
II. CIRCULATING ASSETS			
Reserves	210	5,144,971	6,560,154
including:			
feedstock, materials and other similar assets	211	3,330,083	4,050,056
rearers and fatteners	212	-	-
incomplete production costs	213	1,747,315	2,429,415
finished products and goods for re-sale	214	1,125	1,361
shipped goods	215	-	-
deferred expenses	216	66,422	79,296
other reserves and costs	217	26	26
Value added tax for assets purchased	220	611,671	817,517
Receivables (to be presumably paid within more that 12 months after the balance sheet date)	230	392,422	160,806
including buyers and customers	231	279,491	66,438
Receivables (to be presumably paid within 12 months after the balance sheet date)	240	4,974,746	6,410,080
including buyers and customers	241	3,226,672	3,920,315
Short-Term Financial Investments	250	367,167	634,976
Monetary assets	260	2,258,126	2,675,654
Other circulating assets	270	546,372	775,399
TOTAL for Part II	290	14,295,475	18,034,586
BALANCE	300	57,078,920	58,892,890

LIABILITIES	Code	As of the beginning of the accounting year	As of the end of the accounting year
1	2	3	4
III. CAPITAL & RESERVES			
Capital Stock	410	1,830,240	1,830,240
Treasury shares purchased from shareholders	411	-	-
Additional fund	420	6,697,607	6,695,043
Reserve fund	430	112,445	112,445
including:			
reserves, formed in accordance with legislation	431	-	-
reserves, formed in accordance with constituent documents	432	112,445	112,445



Undistributed profits (uncovered loss)	470	20,238,093	27,283,055
TOTAL for Part III	490	28,878,385	35,920,783
IV. LONG-TERM LIABILITIES			
Loans and credits	510	9,125,657	7,795,358
Deferred tax assets	515	1,048,320	1,125,499
Other long-term liabilities	520	666,083	86,567
TOTAL for Part IV	590	10,840,060	9,007,424
V. SHORT-TERM LIABILITIES			
Loans and credits	610	6,977,885	5,051,058
Accounts payable	620	9,890,703	8,783,841
including:			
suppliers and contractors	621	6,658,531	5,761,201
Company staff liabilities	622	241,086	468,494
state non-budgetary funds liabilities	623	45,952	117,969
taxes and dues liabilities	624	280,394	252,167
other creditors	625	2,664,740	2,184,010
Participants (founders) liabilities for income payment	630	461,852	3,277
Deferred revenue	640	29,950	126,506
Reserves for future expenses	650	-	-
Other short-term liabilities	660	85	1
TOTAL for Part V	690	17,360,475	13,964,683
BALANCE	700	57,078,920	58,892,890

Certificate of availability of values, booked on off balance sheet accounts

Metrics	Code	As of the beginning of the accounting year	As of the end of the accounting year
1	2	3	4
Leased fixed assets	910	792,325	342,182
including leasing	911	133,000	-
Impounded material assets	920	49,141	128,610
Commissioned goods	930	-	-
Charged liabilities of insolvent debtors	940	66,211	60,013
Securing obligations and payments - received	950	739,965	1,774,818
Securing obligations and payments – delivered	960	1,712,562	1,888,272
Housing funds depreciation	970	18,202	19,965
Depreciation of external improvement objects and other similar objects	980	6,527	7,561
Intangible assets, received for usage	990	-	-
Other values cost	1000	357,682	401,208
		-	-
		-	-

Manager



V.M. Busygin



Chief Accountant



I.R. Yakhin

February 28, 2011



PROFIT AND LOSS STATEMENT

Metrics	Code	For the accounting period	For the similar period of the previous year
1	2	3	4
PROFIT AND LOSS FROM ORDINARY ACTIVITIES			
Proceeds (net) from selling goods, products, labor, services (less VAT, excises & similar compulsory payments)	010	94,407,096	60,262,138
Cost of goods, products, labor, services sold	020	(75,770,342)	(51,920,119)
Gross profit (loss)	029	18,636,754	8,342,019
Business costs	030	(2,615,602)	(2,063,197)
Administrative costs	040	(3,720,258)	(3,727,456)
Profit (loss) from sales	050	12,300,894	2,551,366
OTHER PROFIT AND LOSS			
Interest receivable	060	22,500	54,603
Interest payable	070	(1,049,053)	(1,127,913)
Profit for partnership with other organizations	080	76,639	602,388
Other receipts	090	45,218,456	28,618,880
Other losses	100	(47,207,989)	(30,000,282)
	120	-	-
	130	-	-
Pretax profit (loss)	140	9,361,447	699,042
Deferred tax assets	141	45,262	21,178
Deferred tax liabilities	142	(77,179)	(304,677)
Current income tax	150	(2,154,788)	(17,051)
Income tax and other similar payments	160	(349)	25,830
Net profit (loss) for the accounting period	190	7,174,393	424,322
FOR REFERENCE			
Recurrent tax liabilities (assets)	200	316,218	160,742
Basic earnings (loss) per share	210	4.44	0.26
Diluted earnings (loss) per share	220	-	-



DESCRIPTION OF CERTAIN RECEIPTS AND EXPENDITURES

Metrics	Code	For the accounting period		For the similar period of the previous year	
		Profit	Loss	Profit	Loss
1	2	3	4	5	6
Penalties, fines and forfeits, cknownleged or for which court (arbitration court) decisions were obtained in respect of recovery thereof	230	5,794	84,117	6,827	98,382
Previous years profit (loss)	240	33,431	287,470	56,202	54,222
Reimbursement of losses caused by failure to fulfill obligations or by undue fulfillment thereof	250	4,362	330	12,553	1,132
Currency adjustment for foreign currency transactions	260	4,498,500	4,413,922	6,244,615	6,838,854
Deductions to valuation reserves	270	X	621,839	X	38,601
Amortization of receivables and accounts payable with expired limitation period	280	1,752	2,556	9,987	195
				-	-

Manager

V.M. Busygin

February 28, 2011



Chief Accountant

I.R. Yakhin





Material aspects of accounting policy and reporting in financial statements

Basis for making out financial statements

Financial accounting is made out based on accounting rules and requirements applicable in Russian Federation, namely, Federal Law On Financial Accounting and Regulations for Accounting and Financial Statements in the Russian Federation approved by Russian Ministry of Finance, as well as based on the accounting policy of OAO Nizhnekamskneftekhim.

In financial accounting assets and liabilities are estimated based on actual expenditures except assets for which the reserves for their cost reduction have been created in accordance with applicable regulations.

Assets and liabilities in foreign currencies

The official rate of foreign currency to Ruble valid on date of transaction in foreign currency was used for accounting of business transactions in foreign currency. Value of currency notes in organization cash, resources on bank accounts (bank deposits), financial and payment documents, securities, accounts receivable including for borrowing (except received funds, down payments made and advanced payments) in foreign currency is indicated in financial statements as amounts calculated based on official currency rates valid on December 31, 2009. Currency rates on this date amounted to 30.4769 rubles for 1 USA Dollar (as of December 31, 2008 – 30.2442 rubles), 40.3331 rubles for EURO 1 (as of December 31, 2008 – 43.3883 rubles). Conversion of Russian Rubles to other currencies is governed by regulations of currency control.

Exchange differences resulting from adjustment operations during the year (including as of the reporting date) expressed in foreign currency of assets and liabilities cost payable both in foreign currency and Russian Rubles are covered in other P&L and shown separately in the financial statement.

Short-term and long-term assets and liabilities

Financial investments, deferred expenses, accounts receivables and accounts payables in accounting balance-sheet are classified as short-term if their maturity (period of repayment) is no more than 12 months after reporting date. Other indicated assets and liabilities are classified as long-term ones.

Fixed assets

Fixed assets include assets meeting the requirements of Financial Accounting Regulations on Fixed Assets Accounting (Financial Accounting Regulations 6/1) approved by order of Russian Ministry of Finance dated March 30, 2001, under No.26n. Fixed assets include land plots, buildings, machines, equipment, transportation vehicles and other adequate property with useful life of more than 12 months.

Constructed, commissioned and actually being used property, for which the documents are submitted for state registration, are accounted within fixed assets.

Purchased objects with initial value up to 20 thousand Rubles per unit are accounted within inventory.

Objects of fixed assets are accounted according to actual expenditures for purchase (construction).

Initial value of fixed assets received under the contracts, which provide obligation fulfilment (payment) with non-monetary assets, is considered as the cost of valuable property transferred or subjected to transfer by organization. It is defined on the basis of cost, at which company defines cost of equivalent valuable property in comparable conditions.

In accounting fixed assets are specified at initial value less amortization accumulated during all operation. Method of amortization accrual is a straight-line.

Amortization is not accrued for:

- ▶ land plots;
- ▶ completely amortized objects not written off the balance.



Profits and losses from asset sale are shown in profit and loss statement as part of miscellaneous expenses.

Interests on credits gained for financing of the purchase (construction) of these objects accrued before accounting of fixed assets objects are included into their initial cost. Interests accrued after accounting of fixed assets objects are shown in profit and loss statement within miscellaneous expenses.

Financial investment

Financial investment is accepted for accounting at initial cost. Initial cost of gained financial investment is calculated in accordance with Financial Accounting Regulations on Financial Investment Accounting approved by the order of Russian Ministry of Finance dated December 10, 2002 under No.126n.

With relation to financial investments for which the current market cost is not defined each year the devaluation check is performed before making up the annual financial statements. In case the devaluation check confirms existing stable substantial decrease of financial investment cost which is defined by the following:

- ▶ on two reporting dates the value of securities was substantially (by 5 percent and more) higher than estimated value (the Company's share in net assets of organization defined according to Russian Accounting Standards);
- ▶ during reporting period the estimated value was changed in decreasing way only;
- ▶ the information on possible increase of estimated value is not available;
- ▶ then estimated value of these financial investments is defined based on data available to the Company, and the reserve equivalent to the surplus of book value over estimated value is made for devaluation of financial investments the amount of which is included into miscellaneous expenses.

The unit for accounting of financial investments is an analytical object which is formed in a way to provide complete and reliable information for each account-

ing object and organizations to which these investments have been placed (issuers of securities, other organizations in which the Company is a partner, borrowers' organizations etc.).

On securities which market cost is not determined, difference between initial and par value is attributed to financial results as a part of other gains (losses) within securities maturity period evenly, as far as income falling due to them according to issue terms. Retirement of financial investment, for which the current market value is not defined, is made according to initial cost for each unit in accounting of financial investments.

Revenues and expenses from retirement of financial investments are shown as part of other revenues and expenses.

Inventory stocks

Inventory stocks are estimated within the sum of actual costs for their purchase, except for the cases recoverable taxes, other than cases set forth in the Russian Federation legislation.

Retirement of them for production and other purposes is performed on the basis of average (moving) cost. In this case the calculation of average estimate includes amount and cost of materials as of the beginning of month and all the received goods before withdrawal of them.

Inventory stocks which are obsolescent or partially deteriorated in original quality, or come down with current market value, the sale cost of which is decreased, are specified in balance sheet with deducted reserve for reduction of valuable property cost.

Owner's equity, added and reserve funds

Owner's equity is shown within the par value of ordinary and preferred shares purchased by shareholders. Amount of owner's equity is in accordance with that stated in the Statute.

The Company's additional capital includes the amount of final estimation of capital assets as a result of revaluation, as well as amounts relating to gratuitously transferred property in 1996-1997. When an object

of capital assets is leaving, the amount of final estimation is transferred from the additional capital to the Company's retained profits.

According to legislation the reserve fund in amount of 5 percent of owner's equity is being generated in the Company. Allocations to reserve fund were not performed during the reporting period as the accumulated sum of reserve fund is in accordance with established amount.

Loans and borrowings received

Loan funds obtained within the open credit line are reflected in the Company's accounting in the amount of actually received monetary means.

Indebtedness on obtained loans and credits in the Accounting Statements is subdivided into short-term (with the contractual maturity period maximum 12 months) and long-term (with the contractual maturity period above 12 months).

Long-term indebtedness is transferred into short-term is done when 365 days remain till main debt repayment.

Expenses as interest on loans and borrowings are calculated as of the end of each month and included into other expenses or investment assets value. The interest payable to a lender on loans and borrowings received at first hand for acquiring, forming and (or) making of investment asset is included into value of investment assets. In case of use of funds for acquiring, forming and (or) making of investment asset received for purposes other than ones connected with such acquiring, forming and (or) making, the interest payable to the lender is included into the investment asset value pro rata share of the said funds in the total borrowings (loans) payable to the lender and received for the purposes other than ones connected with such acquiring, forming and (or) making of the investment asset.

Additional expenses related to borrowings and loans obtaining are accounted in the deferred expenses and attributed to expenses equally within the loan agreement life.

Recognition of income and expenses

Profits from sale of production and rendering of services are recognized according to shipments of production to buyers (rendering of services) and presentation pay documents to them. They are specified in financial statements less value added tax, customs duties and discounts provided to buyers.

For long-term production cycle the profits are recognized after completion of work, rendering of service. For execution of state contracts providing work performance in steps which every of them is prepared as a separate acceptance report, the profits are recognized after completion of each step.

Within the miscellaneous profits of the Company the following profits are recognized:

- ▶ from foreign currency transactions;
- ▶ from sales of miscellaneous assets;
- ▶ exchange rate difference;
- ▶ dividends;
- ▶ profits for past periods;
- ▶ other profits of the Company not relating to its primary activity.

Business and administrative expenses are completely recognized during reporting period as expenses for ordinary activities.


Changes in the Accounting Policy

Changes in the Company's Accounting Policy in 2010

Correction of mistakes during generation of the Company's accounting metrics for 2010 are carried out according to the Accounting Statement "Correction of mistakes in the Accounting Reporting and Statements» (PBU 22/2010).

Essential mistakes of the accounting year 2010, revealed by the Company after termination of the financial year, but prior to the approval date according to the statutory order of accounting statements for 2010, are corrected by final records of 2010.





Essential mistakes of the previous years (up to 01.01.2010), statements revealed prior the date of approval of the Accounting Statements for 2010 according to the statutory procedure, are corrected by records for 2010. Thus, comparative accounting parameters for the previous year are recalculated as though the mistake of the previous financial year had never been admitted.

In case of revealing an essential mistake of the financial year or a mistake of previous accounting periods after signing and submission of the accounting statement to users (except for owners) and its submissions to the Company owners, but before the date of the accounting statements approval according to the statutory procedure, the Company makes out and submits the revised accounting statements to the users (including owners). The revised statements reveal information on replacement of originally provided statements, as well as on the ground for its making out.

Changes in the Company's Accounting Policy for 2011

Starting from the annual accounting statements for 2011, the order of the RF Ministry of Finance comes into force dated 02.07.2010 № 66n "About Forms of Accounting Statements of Organizations". Due to differences in metrics submission of accounting forms, according to this order and procedure of submission of accounting parameters in the accounting statements for 2010 (according to the order of the Ministry of Finance dated 22.07.2003 № 67n), certain accounting metrics for the financial year will be presented as comparative data in the accounting statements for 2011 within other lines of the reporting (see changes in submission of parameters in forms of accounting statements below in sections A-D).

Changes in the Structure of Accounting Forms

The order of the RF Ministry of Finance № 66n provides for changes in forms of accounting statements, focused on data transfer from the accounting forms to the structure of explanatory to the reporting:

- ▶ information note on availability of values discounted on the off balance sheet account is excluded from the form of the balance sheet;
- ▶ description of certain profits and losses is excluded from the form of profits and losses statements;
- ▶ Section 2 "Reserves" is excluded from the form the capital change statement;
- ▶ data presented in the Appendix to the balance sheet (form №5) are shown in the form of reference tables in the explanatory note.

A. Changes in the Balance Sheet

- ▶ balance sheet figures are to be submitted as of three accounting dates (December 31 of the current, previous financial year, as well as the year preceding the previous one).
- ▶ From the line "Other fixed assets", R&D results are allocated into a separate line (section "Fixed assets").
- ▶ From the line "Additional capital", the amount of revaluation of fixed assets is allocated into a separate line (section "Capital and reserves").
- ▶ From the line "Other long-term liabilities", reserves under contingent liabilities are allocated into a separate line (section "Long-term liabilities").

B. Changes in the Profit and Loss Statement

In structure of the Profit and Loss Statement, reference metrics are added, i.e. "Result from revaluation of fixed assets, not included in the net profit (loss) for the period", "Result from other operations, not included in the net profit (loss) for the period", "Cumulative financial outcome of the period".

C. Changes in the Capital Change Statement

The following modifications are introduced into section 1 "Capital Movement"

- ▶ Lines added: income/expenditures directly relating to increase/reduction of the capital, change of additional capital, change of reserve capital, revaluation of the property.
- ▶ Column "Own shares redeemed from shareholders is added.
- ▶ Metrics of the interaccounting period, i.e. "Changes in the accounting policy", "Result of fixed assets revaluation" are excluded. Changes of the accounting policy should be included into section 2 of the report on the capital changes "Adjustments connected with changes in the accounting policy and correction of mistakes". The result of revaluation should be reflected in section 1, line "Revaluation of property within the appropriate period of revaluation.
- ▶ The amount of net assets should be presented as of three accounting dates.

Section 2 "Adjustments in connection with changes in the accounting policy and correction of mistakes is added, including information on the organization's capital value before adjustments, as well as about adjustments in connection with changes in the accounting policy and correction of mistakes within articles about capital (retained profit/uncovered loss), other articles about capital.

D. Changes in the Cash Flow Statement

- ▶ Receipts from sale of products, goods, works, services and receipts in the form of rent, license, commission payments, fees are shown separately.
- ▶ Funds used by Company for payment of dividends, are transferred from the section about current operations to the section about financing activities within the Cash Flow Statement.

Preliminary and comparable data

Balance Sheet

In view of the amended accounting policy, starting from January 1, 2010, the procedure is unified for line-by-line generation of information in the balance sheet.

Data of the balance sheet as of the beginning of 2010 are generated by means of adjustment of the balance sheet data as of the end of 2009, by the executed stages of unfinished works, excises for petroleum products and alcohol, as well as by VAT on advance received.

As of December 31, 2010, within other working assets, the account balance 46 "Executed stages of unfinished works" in the amount of RUR598,858 thou. (as of January 1, 2010 – 416,120 thou. rubles said amount was accounted for within unfinished production of line 210 of the balance sheet) is considered.

According to the provisions of State Contract No. 02.531.11.9004 dated 22.11.2007 with the Federal Agency on Science and Innovations, the Company undertakes to perform development and engineering works according to the approved work schedule. Within the contract, stage-by-stage delivery-acceptance of the executed works is stipulated. The date of works execution (stage of work) should be the



date of signing the certificate. Due to duration of works cycle under the State Contract from 2007 to 2012, proceeds are acknowledged upon completion of each stage using account 46 "Executed stages of unfinished works".

Payment for finished stages of work is effected out of the funds received from the Federal Budget and accounted prior to completion of works under the State Contract within advance payments received (the amount of advance received as of December 31, 2010, amounted to 676,660 thou.rubles as of January 1, 2010 – 416,120 thou. rubles).

The additional capital and undistributed profit are brought into compliance with the requirements of the changed accounting policy reflecting cancellation of some normative acts. In connection with this fact, the amount of the accumulation fund 3,468,171 thou. rubles as of January 1, 2010, was reclassified from

line 420 "Additional Capital" into line 470 "Undistributed Profit" of the balance sheet.

Funds received as target receipts and accounted within other short-term liabilities in the amount of 131,837 thou. rubles were reclassified in the indebtedness against other creditors.

Fixed assets transmitted to the operative management and accounted within other receivables in the amount of 104,047 thou. rubles were reclassified and reflected within other fixed assets.

VAT on advance payments received in the amount of 70,735 thou. rubles and excise on petroleum products and ethyl alcohol in the amount of 57,768 thou. rubles accounted within lines 240 "Receivables up to 12 Months" and 220 "VAT on Acquired Values", accordingly, were reclassified and reflected within other working assets.

Item №	Name of item (entry code)	Amount before corrections, thous. RUR	Corrections, thous. RUR	Amount incl. corrections, thous. RUR
1	Other fixed assets (150)	838,779	104,047	942,826
2	Reserves (210)	5,561,065	(416,094)	5,144,971
3	Unfinished production costs (213)	2,163,435	(416,120)	1,747,315
4	Other reserves and costs (217)		26	26
5	VAT on purchased values (220)	669,439	(57,768)	611,671
6	Receivables (payments on which are expected within 12 months after the reporting date) (240)	5,151,303	(176,557)	4,974,746
7	Other working assets (270)	-	546,372	546,372
8	Additional capital (420)	(10,165,778)	3,468,171	(6,697,607)
9	Undistributed profits (uncovered loss) (470)	(16,769,922)	(3,468,171)	(20,238,093)
10	Payables (620)	(9,758,866)	(131,837)	(9,890,703)
11	Indebtedness with regard to Company personnel (622)	(240,777)	(309)	(241,086)
12	Other creditors (625)	(2,533,212)	(131,528)	(2,664,740)
13	Other short-term liabilities (660)	(131,922)	131,837	(85)

Profit and Loss Statement

In view of amended accounting policy, starting from January 1, 2010, downtime costs are accounted within administrative costs. Downtime costs for 2009 amounting to 341,782 thou. rubles were reflected in other costs within the Accounting Statements for 2009.

Item №	Name of item (entry code)	Amount before corrections, thous. RUR	Corrections, thous. RUR	Amount incl. corrections, thous. RUR
1	Administrative costs (040)	(3,385,674)	(341,782)	(3,727,456)
2	Other costs (100)	(30,342,064)	341,782	(30,000,282)

Capital Change Statement

Data of the Capital Change Statement as of 2010 were generated by means of correction of data included in the Capital Change Statement as of the end of 2009 for the amount of 3,468,171 thou. rubles (see changes of incoming data in the balance sheet).

Item №	Name of item (entry code)	Amount before corrections, thous. RUR	Corrections, thous. RUR	Amount incl. corrections, thous. RUR
1	Additional capital (100)	(10,165,778)	3,468,171	(6,697,607)
2	Undistributed profits (uncovered loss)	(16,769,922)	(3,468,171)	(20,238,093)

Information on transactions with the main supervision management

Fees paid to directors and top management depending on full or part-time execution of their functions in the Company are contractual management salaries and premiums according to annual results. The list of members of the Board of Directors and Management Board is given in section "Corporate management" of the explanatory note. Total amount of fees paid to the members of the Board of Directors, the Management Board for 2010 is 167 999 thou. rubles (for 2009 – 155,933 thou. rubles).





AUDITOR'S REPORT

To Shareholders of Open Joint Stock Company Nizhnekamskneftekhim:

Body being audited:

Joint Stock Company Nizhnekamskneftekhim

State Registration Certificate of OAO Nizhnekamskneftekhim No. 399/k-4(53) was issued on July 3, 2001, by the State Registration Chamber of the Ministry of Justice for the Republic of Tatarstan. 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:

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

Certificate No. 008.890 of State Registration of the Joint-Stock Company was issued by Moscow Registration Chamber on February 28, 1992.

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.

ZAO PwC Audit is a member of Nonprofit Partnership "Auditor Chamber of Russia" (NP ACR) 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.

Close Joint-Stock Company PricewaterhouseCoopers Audit (ZAO PwC Audit)
Business Center "Belaya Loshad", ul. Butyrsky Val, 10, Moscow, Russia, 125047
Tel.: +7 (495) 967 6000, Fax: +7 (495) 967 6001 www.pwc.ru



AUDITOR'S REPORT

To Shareholders of Open Joint Stock Company Nizhnekamskneftekhim:

We audited the attached Financial (Accounting) Statements of Open Joint Stock Company Nizhnekamskneftekhim (hereinafter referred to as "Company"), which comprises Accounting Balance Sheet as of December 31, 2010, Profit and Loss Statement, Capital Changes Statement, Cash Flow Statement for 2010; other Appendices to the Accounting Balance Sheet and Profit and Loss Statement and Explanatory Note (hereinafter collectively referred to as "Accounting Statements").

Company Management Responsibility for Accounting Statements

The Company Management is responsible for preparing and reliability of said Accounting Statements in line with 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. We performed the audit in line with the Federal Standards of Auditing Activity and International Auditing Standards. Such Standards require compliance with applicable ethical principles, as well as planning and carrying out the audit in a manner sufficient for obtaining reasonable assurance that the Financial (Accounting) Statements are free of significant falsification.

The audit included carrying out auditing procedures directed to obtaining auditing evidence supporting figures given in the Accounting Statements and disclosure therein information. Selection of auditing procedures is a matter of our judgement, which is based on the risk assessment of material misstatements resulting from unfair act or mistakes. In the process of such risk assessment we reviewed the internal control system, which ensures making out and reliability of said Accounting Statements in order to select appropriate auditing procedures, but not with the purpose to express opinion about the effectiveness of the internal control system. The audit also included estimation of appropriateness of the accounting policy used and relevance of estimated figures, obtained by the Company, as well as estimation of the Accounting Statements presentation in general.

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, 2010, outcomes of its financial and economic activities and cash flow movement for 2010, in line with the Russian Federation rules of making out the Accounting Statements.

February 28, 2011

Chief Manager of
ZAO Pricewaterhouse Coopers Audit



S.A. Blokhin



FINDINGS

of Auditing Committee Summarizing Results of Financial and Economic Activity of OAO Nizhnekamskneftekhim in 2010

Kazan

February 28, 2011

The Auditing Committee of OAO Nizhnekamskneftekhim was elected at the Annual General Shareholders' Meeting on April 15, 2010, based on Article 85 of the Federal Law "About Joint Stock Companies" and Statute of OAO Nizhnekamskneftekhim.

During check-out procedure, the Committee reviewed the Annual Report and Annual Accounting Statements of OAO Nizhnekamskneftekhim for 2010.

In the course of such audit, it was recognized, that:

1. In 2010, OAO Nizhnekamskneftekhim'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 2010 was approved by the General Director of OAO Nizhnekamskneftekhim by Order № 506 dated 30.12.2009.

2. Sales revenue in 2010 amounts to 94,407,096 thou. rubles profit on sales – 12,300,894 thou. rubles pretax earnings – 9,361,447 thou. rubles net income 7,174,393 thou. rubles.

3. The Company's balance sheet assets as of 31.12.2010 equaled to 58,892,890 thou. rubles including the following:

- Non-current assets amount to 40,858,304 thou. rubles among them 30,772,843 thou. rubles fall within fixed assets – 75.3% of the Company's total non-current assets;
- Working assets amount to 18,034,586 thou. rubles among them: 6,560,154 thou. rubles fall within inventories • 36.4% of the total working assets, 6,410,080 thou. rubles fall within receivables – 35.5% of the total working assets;
- Capital and Reserves amount to 35,920,783 thou. rubles;
- Long-term liabilities amount to 9,007,424 thou. rubles among them 7,795,358 thou. rubles (86.5%) fall within loans and borrowings;
- Short-term liabilities amount to 13,964,683 thou. rubles including 5,051,058 thou. rubles (36.2%), which fall within short-term loans, and 8,783,841 thou. rubles (62.9%), which fall within payables.

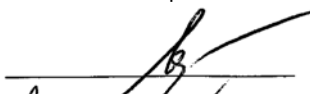
No evidence of wages late payment was revealed, current wage arrears as of 31.12.2010 was equal to 468,494 thou. rubles.

4. Net asset value of OAO Nizhnekamskneftekhim as of 31.12.2010 amounted to 36,047,289 thou. rubles.

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. The accounting is in compliance with the Russian Federation Legislation. The Company keeps to the term of making Statements.

Based on audit and analysis of OAO Nizhnekamskneftekhim's activity, the Auditing Committee has sufficient ground to confirm reliability of the data, contained in the Annual Report and Annual Accounting Statements of OAO Nizhnekamskneftekhim for 2010.

Chairman of Auditing Committee:

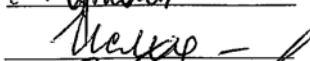


O.V. Ignatovskaya

Members of Auditing Committee:



I.V. Larionov



A.K. Imagilova



R.R. Shamgunov



A.I. Galeev



234.7 million rubles

In 2010 OAO Nizhnekamskneftekhim implemented 30 activities within the Perspective Ecological Program for 2007-2015. Costs for their execution amounted to 234.7 mln. rubles

07

social responsibility

- ▶ Environmental safety
- ▶ Industrial and work safety
- ▶ Personnel
- ▶ Social policy

social responsibility

Environmental safety

The work on the environmental management at OAO Nizhnekamskneftekhim was performed in accordance with the declared ecological policy whose primary objective is the increase of ecological efficiency.

Environment management system has been functioning in compliance with the international standard ISO 14001:2004. The practical work was performed in line with the long-term ecological program intended for the period from 2007 through 2015.

OAO Nizhnekamskneftekhim has a series of the necessary environmental facilities and their book value in 2010 was over 2.5 billion rubles and the operating costs amounted to RUR 2.2 billion rubles.

By the results of monitoring of environmental conditions conducted by the accredited laboratories of OAO Nizhnekamskneftekhim there were no emergencies revealed associated with contamination of the environment.

From the results of analyses performed in the area of the wastewater outlet, basically there is no impact of the biologically treated sewage water on the quality of water of Kama river.

In 2010 30 actions were implemented under the long-term ecological program for 2007-2015 and environmental action plan, whose costs of the implementation amounted to 234.7 million rubles.

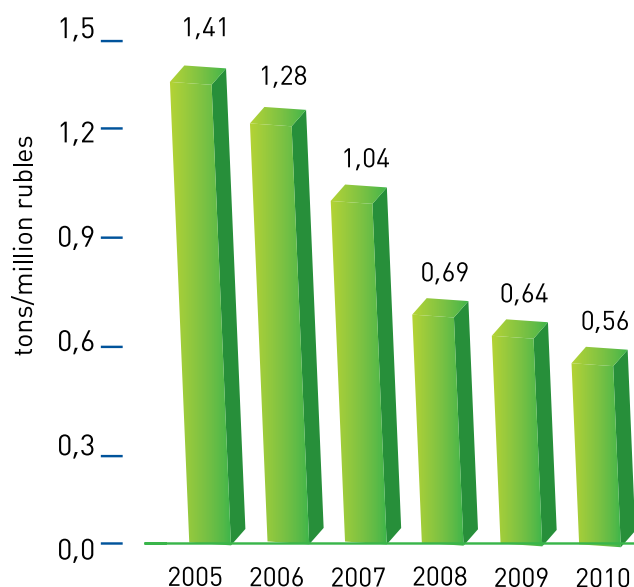
From 2007 to 2010, 128 operations were performed within the long-term ecological program and the costs amounted to 1.494 billion rubles.

During the period from 2005 to 2010, there was a reduction of specific consumption of water for domestic needs by 2%, cooling water by 13.2%, elec-

tric power by 17%, heat energy by 29.3% and fuel by 7%. The specific atmospheric emissions were cut by 60%, specific discharge of waste water by 25.2%, the specific formation of unutilized production wastes by 23.5%, and the efficiency of land use has increased by 20.4%.

On several occasions, positive results of environmental activity of OAO Nizhnekamskneftekhim gained recognition both on the republican and the federal levels. In 2010, the Company was granted the winner's diploma of "Ecoleader" Republican Award in the category "For effective environmental management" and it became the absolute winner of the national ecology prize "EcoWorld" and reconfirmed the title «Leader of environmental activity in Russia-2010».

Pollutant emissions to atmosphere





Protection of ambient air

Gross pollutant emissions into the atmosphere in 2010 amount to 26.3 thousand tons. Gross emissions decreased by 0.15 thousand tons compared to the same period of 2009. The reduction was due to modernization of equipment, use of flare vent gases as the fuel and optimization of technological processes.

Sound water use

In order to improve the quality of wastewater discharged to Kama river after the biological treatment plants a certain scope of work was continued in 2010 for modernization of the facilities of biological treatment plants:

Two aerotanks 16/5-6 were repaired and sludge scraper on the preliminary settling tank 09/2 and five drum screens were replaced on the final treatment station.

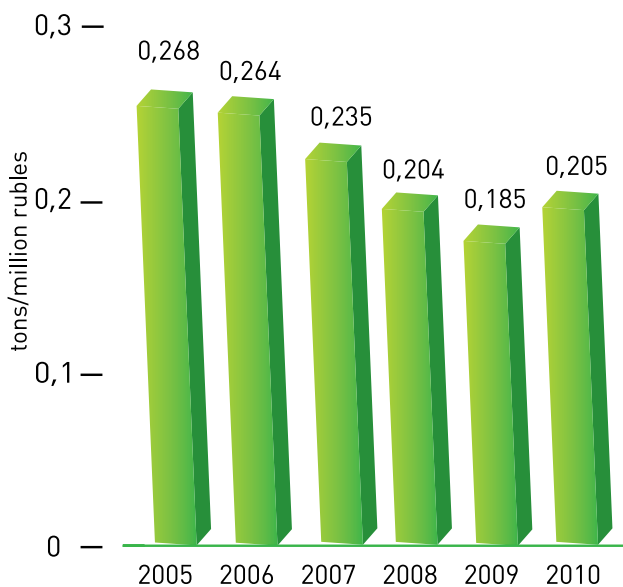
As a consequence, in 2010 the contents of suspended matters, oil products, ammonium ions, nitrites and

chromium were reduced in the treated waste water discharged to Kama river

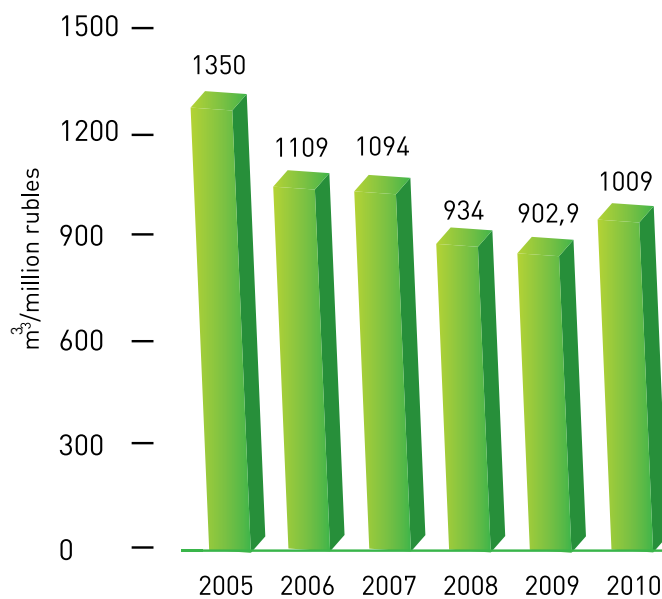
To ensure a reliable operation of the biological treatment plants and prevent the emergency pollution of Kama river, the sludge is removed from the sludge tanks 352-6 annually. 17.5 thousand cubic meters of sludge was removed to the disposal burial grounds in 2010.

Due to low-water conditions persisting in the Volga-Kama area and an unfavorable forecast for hydrological and water utilization situation in the Republic of Tatarstan, the active work on reconstruction of water intake was begun in the village "Krasnyi Klyuch" in September to ensure uninterrupted water supply to the industrial area and to Nizhnekamsk. OAO Sibgiprokommunvodokanal is in charge of elaboration of this design. It is planned to make the aquatic area deeper and to install a system for pumping of water into the suction chambers of the water intake. Estimated cost is \$ 132.9 million.

Formation of unusable waste



Discharge of waste water to the water basin





In 2010 siphon water discharge was arranged from buffer pond #2 on Tungucha river and preliminary construction works have been performed to provide for accident-free removal of sludge from the buffer pond. After completion of these activities there will be no accidental discharge of sludge to Tungucha river.

Repair and renewal operations are conducted regularly on the sewerage facilities. 924 running meters of pipelines were replaced in 2010, and also 20 valves were replaced. Repair work was carried out on the cooling towers, job numbers 792/4, B-4A2, B- 8/1, B-9/2 A1.

To avoid pollution of soil and ground water, collection of rainfall discharge was arranged on the outdoor unit at the divinyl & HC feed plant.

Use of land resources

In 2010 the work was continued for detoxification and rehabilitation of the closed landfill for burial of industrial wastes: specialized firm OOO "Clean world" was engaged for collection and subsequent disposal of oil sludge from "lakes" in the amount of 1731.5 cubic meters (expenses were 4.5 million rubles). 13 thousand tons of soil was brought in 2010 for rehabilitation of the landfill (expenses were 15 million rubles). Works were performed on clearing of the forest land "Korabelnaya roshcha", 132 hectares in area, and planting of trees in the Company's territories. As part of landscaping and site finishing of the territories, 549.2 thousand flower seeds were planted and perennial grasses were sown on 13 hectare lawns and 464 trees and shrubs were planted.

Industrial and work safety

Industrial safety

76 hazardous industrial facilities of OAO Nizhnekamskneftekhim are registered in the state register. Currently all hazardous industrial facilities of the Company have been insured. These activities are constantly conducted with hazard criteria and number of features of hazardous industrial facilities identification taken into account. At OAO Nizhnekamskneftekhim work on consolidating skills at emergency response drill and in the process of alarm for instruction is permanently carried out. According to emergency localization and control plan made in 2010, 986 alarms for instruction and 3525 emergency response drills were exercised. With a view to ensure compliance of facilities with the prerequisites, schedules and plans on bringing up hazardous installations to industrial security specifications were worked out in the Company. Last year 27 pump items were replaced and 32 pumps were brought up to the codes of pump equipment. In this respect action list to fulfill this job is compiled. 54 activities were carried out in the integrated companies for 2010 .

Occupational traumatism

In 2010 three reportable injuries occurred. On each accident commissions were set up, investigations made, orders issued with the list of measures on non – admission of similar accidents and deal with retaliation to the persons made disorders.



Preventive maintenance

Per summary work plan of management and technical services of OAO «Nizhnekamskneftekhim» on issues of industrial, environmental safety and energy preparedness of facilities and labor safety in 2010 production control and labor safety divisions together with the specialists of technical departments performed 753 intended inspection of the Company subdivisions covering all kinds of activities being surveyed.

During overhauls at the plants of the Company arrangement of safe performance of repair, gas hazardous and hot works, industrial safety status have been daily checked. In addition permanent control over execution of orders directed to maintaining labor and industrial safety in the Company subdivisions is performed.

Training

One of the training forms is holding seminars on evaluation preparation of top officials and specialists. All together 6 seminars on staff instruction were held by production control department and training centre where 1,270 leaders and specialists were taught. In 2010, 155 members of contract emergency rescue teams were trained and evaluated, more than 1,000 of Company specialists mastered skills of first aid treatment. Under the plan of preparation and skill upgrade 7,833 employees, 870 leading specialists passed training. Per agreements with basic educational municipal institutions 1,450 students and hounds were in externship and passed production practice in subdivisions and workshops of the enterprise. 54 full time students of Nizhnekamsk chemical engineering institute participated in the program «Federal experimental site».

Preventive health care

In order to exclude permit to work in the shops with harmful dangerous substances and harmful factors of systemic disease people and early detection of occupational diseases preliminary regular medical and photofluorographic examinations were carried out. For 2010, 11,446 persons were subjected to periodical examination, coverage was 100%.

For 2010 versus 2009 in terms of 100 job holders decrease of total sickness rate is registered : on a case basis – by 3.16%, disablement in days – by 4.52% Decline of sickness rate is noted in all groups.

In 2010, 629 permits were allocated for sanatorium-resort therapy outside Nizhnekamsk. Health promotion was rendered to 2,068 persons in sanatorium – preventorium «Korabelnaya roscha».

Gas safety

There were no cases of harmful substances MAC excess admitted. Compared to 2009 maintenance group detected 15.6% less drawbacks on gas safety.

Fire safety

In 2010 there were no fires in the Company subdivisions admitted. The team of inspection engineers of FPS together with the specialists of labor safety performed fire-safety check. Compared to 2009 the number of remarks reduced by 9.5%. In general fire fighting status of OAO «Nizhnekamskneftekhim» is found to be reasonable.

Certification for conformity to International standard OHSAS 18001

System approach to the issues of security assurance and staff health maintenance is paramount objective and half the battle of any dynamic company including OAO «Nizhnekamskneftekhim».

To perform certification activity of management security system CQS company was chosen being certification authority of the widest international certification IQnet (Prague, Czech Republic). Annually specialists of IQnet perform supervisory audits of management security system for conformity to regulation of international standard OHSAS 18001. In September 2010 audit company IQnet handed in to stock company Gold system conformity certificate in the field of safety, ecology and quality to internationally accepted job methods.

Management security system covers all organizational aspects of enterprise business regarding the issue of safe work environment at operational location. Among these are maintenance, planning, training and examination of work balance and moral incentives of the staff for positive results of activities on labor and industrial safety.

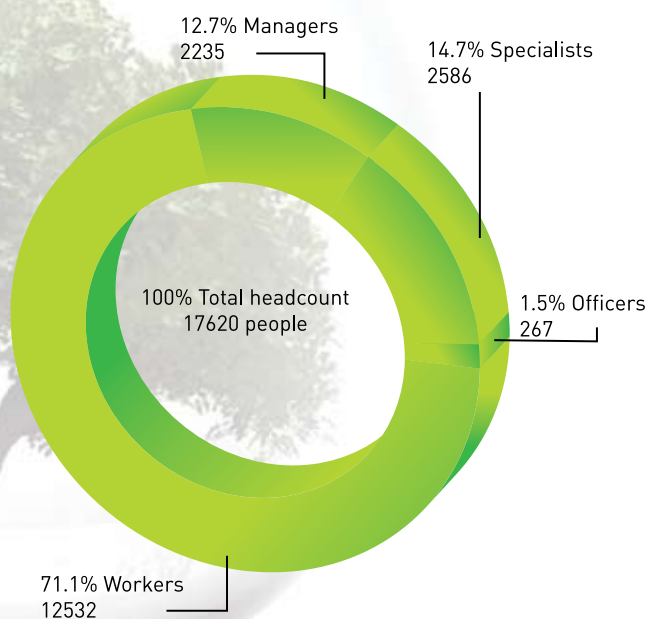
Human Resources

Human resources management in OAO Nizhnekamskneftekhim is based on staff – organization partnership relations principle and focused on formation of integrated corporate environment ensuring dynamic development of the Company which is documented in the Staff Management Policy.

Personnel

As of 31.12.2010 OAO Nizhnekamskneftekhim employed 17,620 people of more than 300 occupations. Personnel grade in 2010.

Кадровый состав



Personnel



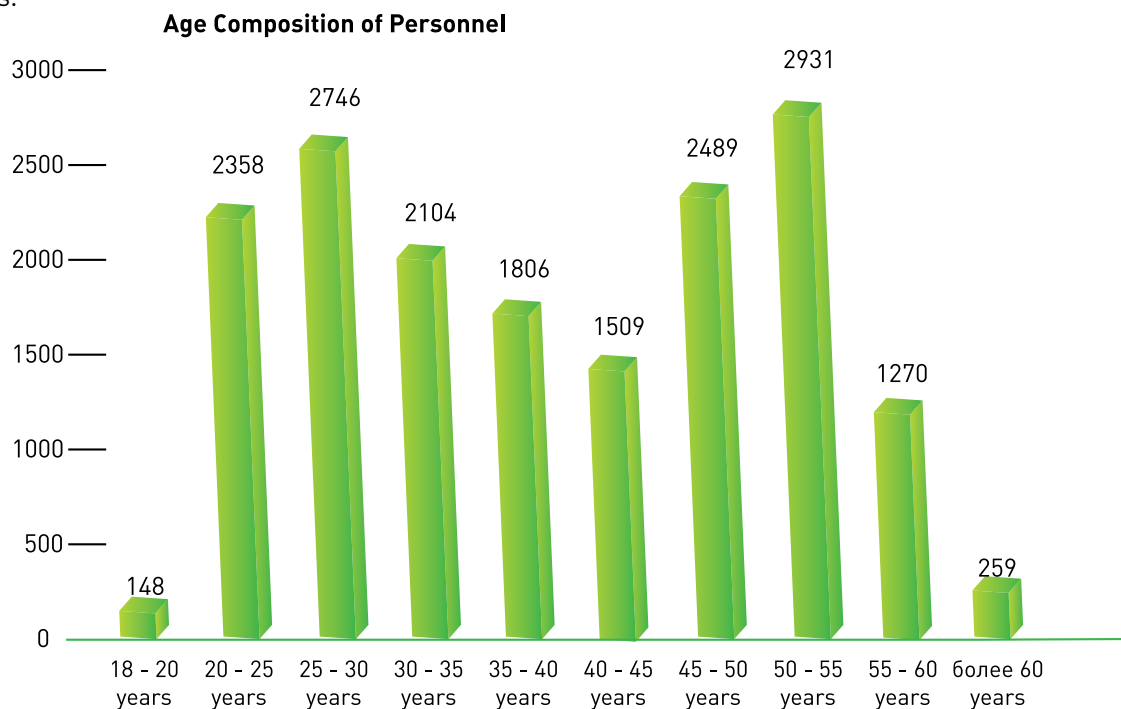
Personnel structure by Level of Education

In 2010 tendency of growth of intellectual level of workers is preserved: the number of people having higher education at OAO Nizhnekamskneftekhim is 5,188 people which is 29.4 % of the total headcount.

Personnel category	Total	Science degree		Education				
		Doctor of science	Candidate of Science	Higher	Secondary vocational	Basic vocational	General secondary	Basic general (postprimary)
Managers	2,235	4	28	1,749	416	44	25	1
Specialists	2,586	0	9	2,149	374	28	34	1
Officers	267	0	0	112	62	52	40	1
Workers	12,532	0	0	1,178	2,987	5,801	2,342	224
All categories	17,620	4	37	5,188	3,839	5,925	2,441	227

Age Composition of Personnel

For 10 years average age of personnel in OAO Nizhnekamskneftekhim remains at 40 years level due to replacement of retired employees by graduates. Average age of personnel in 2010 was 38.8 years, managers – 42.8 years, specialists – 37.7 years, workers – 38.4 years.



Staff Turnover

In order to find the reasons of job quitting each person is interviewed individually. These reasons are studied and analyzed. In 2010 the number of resigned personnel was 1,438 people, among them 608 people quitted their jobs voluntarily and 112 people left for military service.

Of all employees dismissed owing to staff turnover 81.9% are men, 18.1% – women. Growth of staff turnover rate was facilitated by Nizhnekamskneftekhim personnel leaving for OAO TANEKO within the framework of Corporate Partnership Agreement between petrochemical and refining companies of RT dated of 15.11.2007.

Indices	2010
Staff turnover, total (%)	3.79
Including:	
- workers	4.15
- specialists	3.08
- managers	2.62

Personnel Recruitment System

In order to reduce risks of staff management, the Company elaborated a system of personnel recruitment which includes vocational guidance in educational institutions of the city, training of personnel in basic educational institutions, employment of volunteers, and employment by virtue of assignment from the municipal center of employment. In 2010, the number of recruited personnel made 1,422 people, including young people under 30 years old – 1144, after military service – 232.

The main source of the Company replenishment with young specialists and workers is basic educational institutions:

- ▶ Kazan State Technological University;
- ▶ Nizhnekamsk Chemical and Technology Institute;
- ▶ Nizhnekamsk Petrochemical College;
- ▶ Vocational Lycee PL-44;
- ▶ Nizhnekamsk Technology College.

Selection of Personnel

Personnel is carefully selected, and correspondence of candidate's objective characteristics with company's requirements is checked, including psychodiagnostic testing of already employed and new workers coming to the production areas associated with operation of hazardous production facilities. In the process of testing psychological immunity against professional hazards is checked, i.e. ability to avoid triggering those hazards and in case of emergency situation – to take fast actions. 1,041 people were tested in 2010.





Data on Employment of Graduates

In 2010, 386 graduates were employed. 1,450 students had in-plant training at OAO Nizhnekamskneftekhim. The profession of petrochemist has become prestigious in the city. The competition at basic educational institutions of the city is at high level.

In order to reduce social risk connected with provision of personnel in quantity and quality required for production, since 2001 the essentially new form of engineers training has been put in place at the Company. There is an agreement with Nizhnekamsk Chemical and Technology Institute (NKTi) on creation of the Federal experimental platform on the basis of OAO Nizhnekamskneftekhim, about one-year training of the 5-th year students at the working places. According to this agreement annually about 50 NKTi students have vocational training for various specialities. Upon successful completion of training graduates gain a guaranteed workplace at one of OAO Nizhnekamskneftekhim's plants.

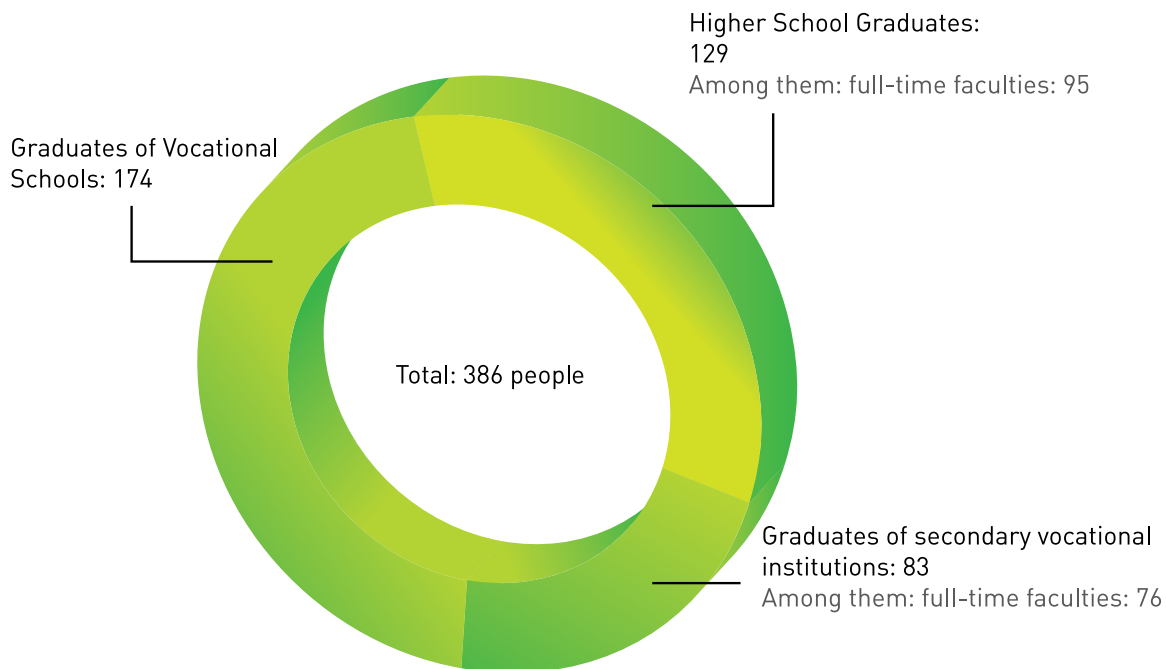
Personnel Training

One of the most important social programs of staff development is vocational training, refresher training and advanced training of workers, managers and specialists of all structural levels of the Company.

For organization of vocational training, an educational center was established at OAO Nizhnekamskneftekhim for staff training, which has the license of the RF Ministry of Education to carry out training and refresher training on 100 occupations. In terms of equipment OAO Nizhnekamskneftekhim's educational center is one of the best in the Republic of Tatarstan.

Costs for staff training in 2010 amounted to 18,240 thousand rubles which is 25% more than in 2009. 7,626 employees were trained, among them: 6,756 workers improved their qualification during industrial and technical courses, specialized courses or were retrained and got the second profession; 870 managers and specialists improved their qualification. Based on the results of training, 706 employees improved their categories.

Data on employment of graduates



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Staff Appraisal

Staff appraisal is the most important part of staff policy of the company. OAO Nizhnekamskneftekhim has developed the Company standard for certification of managers and specialists precisely establishing the order for training, certification and implementation of certification results. In 2010, 584 managers and 655 specialists underwent the procedure of certification.

Petrochemists Attitude Survey

In order to improve quality of work with personnel systematic enquiries on different subjects are carried out. Knowledge of attitude of staff, of different social-professional and demographic groups facilitates targeted work with personnel, ensures respecting interests and demands of the Company's personnel, working out measures to improve quality of work with personnel. In 2010, 4,089 people participated in different surveys.

Personnel Satisfaction Monitoring

Over 20 years monitoring of personnel satisfaction with different aspects of work has been implemented in the Company. In 2010, 1,784 petrochemists participated in surveys on this subject.

Work with Reserve

In order to increase the effectiveness of work with staff reserve, OAO Nizhnekamskneftekhim has in place the Company Standard "Staff Selection, Deployment and Adaptation. Procedure of Determination and Preparation of Staff Reserve for Substitution of Managers and Specialists". The principle of candidates selection for reserve is based on a combination of an applicant quality and demands placed on him (her) with regard to a new position. The reserve is completed by categories of positions and in view of specificity of production. The list of managerial reserve for 2009-2013 includes 643 employees. The staff reserve list is updated and approved by the General Director on the annual basis. Each worker included in the reserve is conducted an individual work, tested for determination of his (her) administrative and professional potential. Training of reserve is carried out by target directions according to approved programs. In 2010, 99 employees were put forward from the reserve.

Mentoring

In the Company graduates from educational institutions are paid special attention to. Currently the number of young people under 30 years old makes 29.8 % of the total headcount. Every young worker to take employment for the first time is mentored by an experienced employee having a high level of professional skill for a term of up to 4 months. As a material incentive mentoring is extra paid in the amount of 15 % of a mentor's base rate, and as moral incentives – the announcement of gratitude, a photo on the Honor Board, rewarding with the Certificate of Honor, etc. In 2010, 2.217.9 thousand rubles were allocated for extra payments to mentors of young people.



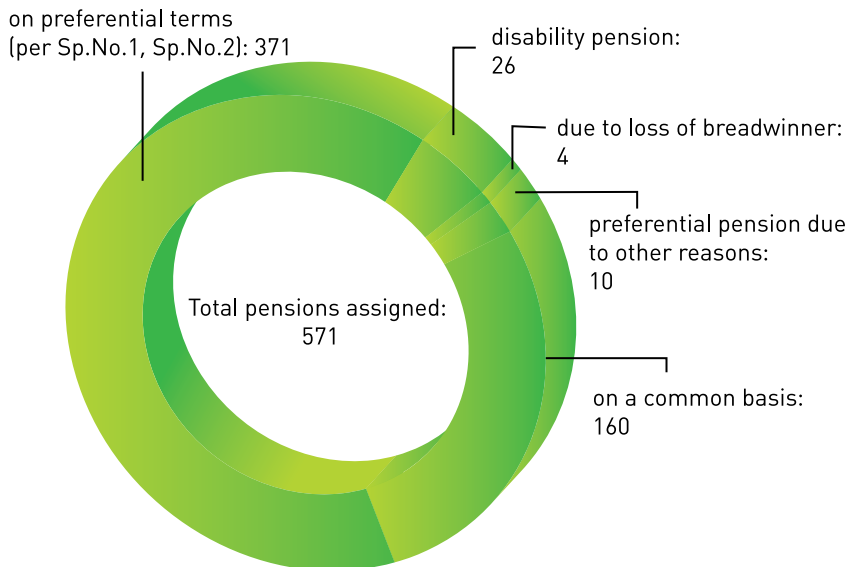



Pension assignment and retirement

For due assignment of all kinds of pensions to OAO Nizhnekamskneftekhim's employees (old age, disability, loss of breadwinner, etc.), specialists of the Human Resources Department carry out a lot of work on preparation of all necessary documents and drawing up preferential inquiries for submission to the Pension Fund. They provide individual data for personnel record-keeping with regard to OAO Nizhnekamskneftekhim's staff to the Pension Fund on the annual basis according to the schedule. In 2010 on request of former employees 576 inquiries were issued for assignment of pension on preferential terms.

Rewarding

In 2010 the Title of Veteran of Labor of OAO Nizhnekamskneftekhim was awarded to 369 employees; 32 employees were placed on the Honor Board of OAO Nizhnekamskneftekhim; 1 employee was recorded in the Book of Honor of OAO Nizhnekamskneftekhim; Grateful Letters of the General Director of OAO Nizhnekamskneftekhim were issued to 5 employees; 875 employees were prized with the Certificate of Honor of OAO Nizhnekamskneftekhim; 270 employees were awarded a citation; 53 employees received state, corporate and municipal awards.





Social policy

Open joint-stock company Nizhnekamskneftekhim is a responsible corporate member of the Group of companies and a diligent participant of the market economy. Combining these two missions, Company voluntary and on its own initiative carries out the active policy focused on fuller satisfaction of the needs of the labor collective proper, former workers and oncoming generation.

This policy promotes creation of the competent collective capable to work efficiently under conditions of severe competition.

Number of workers of the Company as of 31.12.2010 have made 17,620 persons, the average wages – 27,087 rubles in 2010.

Rehabilitation and recreation

In pursuit of preservation and strengthening of physical and psychological health of every worker the Company provides financing for activities directed to health protection of workers.

In order to provide duly and qualitative health services to workers, the management of OAO Nizhnekamskneftekhim has concluded agreements of obligatory and voluntary medical insurance with insurance company ZAO Spaseniye. In 2010, for these purposes were allocated 133.3 million rubles.

The Company maintains sanatorium Karabelnaya Roshcha (Ship grove) for 250 beds and Dubravushka recreation camp.

OAO Nizhnekamskneftekhim finances two recreation camps for children.

Mortgage program

The management of OAO Nizhnekamskneftekhim places high emphasis on solution of the major social problem – provision of the workers with a suitable dwelling.

Being a participant of the Republican program of the social mortgage, the Company has continued financing construction of apartments through the

State available housing of the Republic of Tatarstan. In 2010, the Company allocated 267 million rubles and obtained 6.5 thousand square meters of the living quarters, and 77 families could improve housing conditions.

The Company finances 30 typical hostels for 3.5 thousand young families of workers, this arrangement gives them an opportunity to have a temporary suitable dwelling before they purchase their own apartments.

Care for veterans

Considering socially vulnerable position of the persons receiving the state pension, the Company pursues a policy, focused on social support of non-working pensioners.

The Council of War and Labor Veterans represents in its daily work interests of more than 7 thousand pensioners.

The former workers of OAO Nizhnekamskneftekhim receive monthly surcharges to pensions from the company fund; receive lump sums at retirement for pension, fees on the Victory Day, on the Day of Defenders of Motherland, on the Day of Older Persons, on the Day of the Chemist and on personal anniversaries.

Medical service of veterans is arranged at the expense of the Company thru the non-state pension fund.

For monthly additional payments to the pensioners the Company allocated 54.6 million rubles in 2010.

All pensioners have medical aid from OAO Nizhnekamskneftekhim thru ZAO Spaseniye insurance company at the multi-type central district hospital.

In 2010, the Company allocated 3 million Rubles for medical treatment of non-working pensioners. They also get preferential vouchers for sanatorium-and-spa treatment.

In a year of 65-th anniversary of the Great Victory veterans of war and workers of the rear have enjoyed special care and attention from petrochemists. At the end of March a special party was organized



for them at sanatorium Karabelnaya Roshcha (Ship grove); living alone veterans enjoy additional corporate assistance. Petrochemists actively participated in the Victory Parade and other festivities.

Administration and trade-union committee of the Company allocated more than 10 million Rubles for celebratory actions and honouring of veterans.

Youth policy

The 29.8% of the total number of people working for the Company are young people at the age under 30. Average age of workers at the Company is 38.8.

The youth policy at the Company is focused on creation of jobs for youth; a combination of labor responsibilities of young workers with an opportunity of continuation of education, advanced training and professional development; assistance in providing young workers and their families with housing accommodation.

All young workers are assigned to instructors, this allows them to adapt faster to production process. In 2010, about 400 graduates of the basic educational institutions joined the Company.

In order to involve them in active industrial and public activities and to quickly solve the problems of young families, the Councils for work with young specialists are formed in the plants.

Research and production conferences, contests of young innovators and professional skill contests are annually held at the Company.

In November, on the basis of Nizhnekamsk technological college, a trade-union conference of college kids was held, the topic being: "Manpower reserves of OAO Nizhnekamskneftekhim"; those present were: plant managers, trade-union members, representatives of the town-council for the Youth and Sports Committee, and also core group and teachers of basic educational institutions.

Workers' sports

OAO Nizhnekamskneftekhim, by right is the sportiest collective of Tatarstan: at the republican review-competition in 2010 the Company was awarded a diploma and a cup for the best sport and recreation and mass sports activities among the industrial enterprises.

The Olympic Games for the workers are annually held at the Company, more than 14,5 thousand sportsmen participated in 56 events in 2010. At the same time, 19 regular physical training instructors and 20 voluntary sports helpers organize both shop and factory competitions and tournaments in the plants. In addition, a military technical relay race and tourist meetings are annually conducted for young petrochemists.

For more than ten years, the picked team of the Company is the absolute winner of the Olympic Games for trade union of workers of chemical industries in the Republic of Tatarstan.

Participation in social and economic development of the region

Realizing the social responsibility of business, the Company voluntarily accepts obligations on socially responsible sharing, both in life of local population in the region of activity of the Company and society as a whole.

In August 2010, declared the Year of Teacher, outside meetings of teachers including the Minister of Education of the Russian Federation were arranged in the Republic of Tatarstan with assistance of OAO Nizhnekamskneftekhim; charitable help was rendered to social and educational establishments of Nizhnekamsk.

The Company furnished corporate assistance to 21 educational establishments, including 13 schools, 2 professional vocational schools, petrochemical college.



08

contact information

contact information

Full company name:

OAO Nizhnekamskneftekhim

Location and postal address:

423574, Republic of Tatarstan, Nizhnekamsk, OAO Nizhnekamskneftekhim

Date of Company state registration:

Registered on August 18, 1993 by the Ministry of Finance of the Republic of Tatarstan and entered in the Registry of joint-stock companies established on the territory of the Republic of Tatarstan under No. 388.

Re-registered by interregional inspectorate No. 20 of the Ministry of Taxes and Charges of the Russian Federation for the Republic of Tatarstan on November 5, 2002 and entered in the Unified State Registry of legal entities under the main state registration No. 1021602502316.

Tax-payer identification number:

1651000010

Auditor of Company:

Full company name: ZAO "PricewaterhouseCoopers Audit" – per IFRS & RAS

Independent estimator:

Full company name: OOO Auditing company "Center Audita & Consaltinga", City of Kazan

Registrar:

Full company name: OOO "Euro-Asian Registrar", Kazan Branch (city of Kazan, ul. Vishnevskogo, 6) . License for registry keeping activities, register No. 10 000-1-00332, dated 10.03.2005, granted by the Federal Financial Markets service without limitation of validity. .

Mass media:

List of mass media, publishing, in accordance with Clause 9.19 of OAO Nizhnekamskneftekhim Articles of Incorporation, notifications about shareholders' meetings: Newspapers "Neftekhimik", Hezmattash Avazy", "Nizhnekamskaya Pravda", "Tugan Yak", "Respublika





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