ANNUAL REPORT

2014

KAZAN OPEN JOINT STOCK COMPANY
«ORGANICHESKY SINTEZ»
OJSC Kazanorgsintez is Russia’s largest chemical company, of strategic importance for the economy of Tatarstan and Russia. Its effective work and the achieved results greatly influence the development of economy and social sphere of the Republic of Tatarstan, as well as the standard of living of more than 8,000 OJSC Kazanorgsintez’s employees and their families.

Under the challenging crisis situation and an extremely high level of competition in the chemical products market OJSC Kazanorgsintez completed the reporting year with good financial and economic results: revenue increased by 18.2% - up to 54.5 billion rubles, net profit increased by 2.9 times and made 6.1 billion rubles. Basic tasks set by shareholders of the Company a year ago were successfully accomplished.

Last year, special attention was paid to the implementation of the “Plan of Key Investment Events for OJSC Kazanorgsintez in 2013-2016 on the Performance Stabilization and Maximum Load of Production Capacities” approved in 2013. As a part of the work in this direction the Company invested more than 2.6 billion rubles in the modernization of the existing production facilities and construction of new ones.

Thus, we started the construction of new TECHNIP Double Cell Cracking Furnace, applied great efforts to improve the power supply reliability, and completed the construction of a storage warehouse for finished products. Steadily increasing financial and economic performance indicators allow OJSC Kazanorgsintez to implement social projects as well, caring for the welfare and social security of its employees and their families.

In 2014, the work aimed to improve the living conditions of employees was a key focus of our social policy. For a complete housing provision of employees OJSC Kazanorgsintez together with JSC TAIF and the State Housing Fund under the President of the Republic of Tatarstan actively participates in the social mortgage program - the construction of 1,600 apartments in a new residential area named Salavat Kupere is carried out.

The year of 2015 will be another test of strength for our Company and for the Russian industry as a whole: we will have to work in the new economic environment, to solve a lot of strategic problems, but no doubt we will tackle all of them.

We can and should fully use the current geopolitical situation for the mobilization of internal resources and strengthening our position in the global market of chemical products.

As the Chairman of the Board of Directors, I would like to assure you that OJSC Kazanorgsintez will continue its sustainable dynamic development to achieve the economic growth of Tatarstan and Russia, to improve the lives of everyone who associates their life with our Company! I sincerely thank the staff of OJSC Kazanorgsintez, the Board of Directors, the government of the Republic of Tatarstan, shareholders and business partners for efficient cooperation, for their trust and support!

The Chairman of the Board of Directors of OJSC Kazanorgsintez
Ruslan A. Shigabutdinov
DEAR SHAREHOLDERS,

The accounting year has turned out to be rather successful for our Company. As a result of highly professional and responsible work of OJSC Kazanorgsintez’s employees our revenue increased by 18.1% in 2014 compared to the indicator of the previous year and amounted to 54.5 billion rubles in monetary terms. Net profit grew from 2.1 up to 6.1 billion rubles. The goals set by the shareholders were achieved.

Ethylene polymers and copolymers, polycarbonate, PE pipes and parts take the main place in the product range being manufactured, making 88% of the total revenue. In 2014, the production volume of ethylene polymers and copolymers amounted to 689.7 thousand tonnes, and those of polycarbonate and PE pipes totaled to 62.2 thousand tonnes and 24.5 thousand tonnes accordingly.

Accomplishment of objectives set by the shareholders allows OJSC Kazanorgsintez to develop and revamp its existing production facilities. During the accounting year, we continued to replace the out of date ethylene production capacities with new and more efficient ones. A new catalyst was successfully tested at the HPDE plant thus enabling to increase the hourly reactor output.

The Polycarbonate Plant is hosting the activities to improve the polycarbonate production technology through replacing the catalyst being used with the new and more selective one.

Under current conditions, the enhancement of the production system efficiency of OJSC Kazanorgsintez represents a continuous process pursuing the increase in the finished product yield, reduction of fuel and power resources consumption rate, as well as decrease in the production energy intensity. Measures promoting industrial safety of the production facilities, environmental and product quality issues are under the management’s special control.

Our Company’s performance depends on both teamwork of our staff and our partner’s activities including those of customers, suppliers, contractors and creditors. Payments for shipped products and to the contracted were effected in due time. For our part, we observed all contracts conditions for feedstock delivery and rendered services, made our credit payments in accordance with approved schedules, as well as carried out shipments of products within the time limits agreed upon with our customers.

OJSC Kazanorgsintez is one of the core industrial companies of the city of Kazan.

By the end of the year, the Company employs 8,650 people. Throughout the history of its existence OJSC Kazanorgsintez’s managers have been traditionally considerate and careful towards the employees. In 2014, we concluded a new Collective Labor Agreement maintaining all the employees’ existing preferences.

OJSC Kazanorgsintez continues to participate in the Republic’s Social Mortgage Program so as to give the employees the opportunity to improve their housing conditions.

Implementing the strategy of socially responsible business, OJSC Kazanorgsintez makes a significant contribution to the development of social infrastructure of the city. During the reporting year, the Company’s expenses for maintenance of social facilities and welfare payments amounted to more than 1.3 billion rubles.

On behalf of the Executive Directorate and on my personal behalf, please allow me to express my sincere gratitude to our employees for their productive work, our partners for their active cooperation, and our shareholders for their support and confidence. Our joint efforts help us to achieve the set goals.

General Director
of OJSC Kazanorgsintez
Farid G.Minigulov

OUR JOINT EFFORTS HELP US TO ACHIEVE THE SET GOALS
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GENERAL INFORMATION


GEOGRAPHY

The Company is located in Kazan, the capital city of the Republic of Tatarstan.

KEY DATA

OJSC Kazanorgsintez was founded in 1958, and its first products (phenol and acetone) were produced in 1963.

AUDIT

In November 2014, representatives of JSC VNII (Moscow) and TÜV Süd (Germany) conducted a regular IMS recertification audit of OJSC Kazanorgsintez. As the result of the conducted audit it has been established that the Integrated Quality, Occupational Safety and Health, and Environmental Management System conforms to the standard requirements.

4.2 KM²

is the area of a single production site of the Company, having an integrated transport, energy, and telecommunications infrastructure

1.6 MLN TONNES

is volume of production. The products comply with the international quality standards and are exported worldwide.
The Company applies the Integrated Management System for Quality, Health, Occupational Safety, and Environment Protection (ISMKBTiOZE) which complies with the following international and Russian standards:


<table>
<thead>
<tr>
<th>MAIN PERFORMANCE INDICATORS</th>
<th>ASSETS AND EQUITY CAPITAL, as of the end of the year, bln rubles</th>
<th>REVENUE AND NET PROFIT, bln rubles</th>
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<tr>
<td></td>
<td>Assets</td>
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<td></td>
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<td>11.36</td>
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<td></td>
<td>2013  36.82</td>
<td>12.51</td>
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<td>2014  45.42</td>
<td>17.76</td>
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ITEMS
is a whole range of products. At present, the Company produces ethylene, polyethylene, polycarbonate, polyethylene pipes, bisphenol, phenol, acetone, ethylene glycols, ethanolamines, and other organic synthesis products.
MISSION

OUR OBJECTIVE IS TO GAIN RUSSIAN CHEMICALS PRODUCTION MARKET LEADERSHIP, AS WELL AS TO MEET HIGH GLOBAL STANDARDS IN RELATIONS WITH OUR BUSINESS PARTNERS, INVESTORS, EMPLOYEES, CITIZENS, AND ENVIRONMENT.

WE ACHIEVE AND WILL PERSIST IN ACHIEVING THE TARGETS WHICH HAVE BEEN SET BY OUR SHAREHOLDERS RELYING ON OUR EXPERTISE AND INTRODUCING THE NEW TECHNOLOGIES.

STRATEGY

1. TO INCREASE PRODUCTION CAPACITIES FOR THE CURRENT PRODUCT LINE AND THE PRODUCTION OF NEW ONES;

2. TO INCREASE THE OUTPUT OF HIGH VALUE-ADDED PRODUCTS;

5. TO DIVERSIFY FUNDING SOURCES;

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

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

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

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

3. TO ENHANCE EFFICIENCY THROUGH OPTIMISING THE BALANCE BETWEEN THE INTERNAL AND EXPORT SALES;

4. TO ENHANCE EFFICIENCY THROUGH THE COST REDUCTION;

7. TO DIVERSIFY THE RAW MATERIALS BASE.
MAIN RISK FACTORS

DIFFERENT KINDS OF RISKS CAN HAVE NEGATIVE INFLUENCE ON OJSC KAZANORGSIINTEZ’ S ACTIVITY

COUNTRY AND REGIONAL RISKS

OJSC Kazanorgsintez is registered as a tax bearer in Moscow and carries out its primary activity in Kazan which leads to dependence of its financial results on socio-economic and political situation both in the Russian Federation and in the region.

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

The risks associated with socio-economic and political processes in the Russian Federation are beyond the Company’s control.

FACTORS CONTRIBUTING TO RESOLVING ISSUES OF RAW MATERIALS PROVISION TO OJSC KAZANORGSIINTEZ INCLUDE TIGHT AND MUTUALLY BENEFICIAL COOPERATION WITH JCS GAZPROM ENTITIES AND ENTERPRISES REPRESENTING THE GAS AND PETROCHEMICAL SECTOR OF THE REPUBLIC OF TATARSTAN

The risks associated with geographical and climatic features of the region in which the primary activity is carried out, are insignificant, since the location of OJSC Kazanorgsintez is not characterized by the higher risk of acts of nature, and the presence of traffic intersections and routes of communication provides better accessibility of the Company for suppliers and consumers.

Convenient access ways allow uninterrupted shipment of products by trucks and railway directly from the warehouses of OJSC Kazanorgsintez.
High quality OJSC Kazanorgsintez’s products allow setting the prices of the world market without any reduction of the sales volume over many years.

When determining the price level production costs and market conditions are taken into account. However, the Company has limited ability to control own products’ prices which are largely dependent on the world market conditions, as well as on the supply-and-demand balance in some regions of Russia.

Due to the entrance of the Russian Federation into the World Trade Organization our Company conducts its business in a highly competitive environment.

**POSSIBLE CHANGES IN THE COMPANY’S PRODUCTS PRICE IN THE DOMESTIC MARKET**

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

Factors contributing to resolving issues of raw materials provision to OJSC Kazanorgsintez include tight and mutually beneficial cooperation with JSC Gazprom entities and enterprises representing the gas and petrochemical sector of the Republic of Tatarstan; and policies performed by the leaders of Tatarstan pursuing a strong state support rendered to the republic’s entire gas and petrochemical sector.

**TAKEN MEASURES**

Maintaining the high quality of the processes and products (Integrated Quality, Occupational Safety and Health, and Environmental Management System corresponding to international and Russian standards);

Reduction of production cost through expenses management (implementation of Resource Efficiency Program, raw materials purchase using electronic trade system, maximum loading of production facilities etc.);

Increasing of sales efficiency (increasing of electronic trade system sales, search for new Russian and foreign purchasers and diversification of product range).

OJSC Kazanorgsintez exports a part of its products. The policy for export contracts involves conclusion of contracts for a period of up to 1 year.

Prices for the products are set according to the conditions of supply in each country. The prices may fluctuate under the influence of factors outside the control of OJSC Kazanorgsintez.

**EFFECT OF THE WORLD MARKET ENVIRONMENT ON EXPORTED GOODS**

The long-term program of energy-saving and energy efficiency till 2020 was approved at OJSC Kazanorgsintez.

The Program’s objective is increasing the production efficiency through fuel and energy resources utilization efficiency and reduction of energy intensity of the products.
OJSC KAZANORGSINTEZ’S CREDIT PORTFOLIO AS OF THE END OF 2014 HAS A FIXED INTEREST RATE

FINANCIAL RISKS

INFLATION IN RUSSIA
An increase in inflation results in devaluation of national currency and price growth. Increasing rates of price growth may lead to increasing costs of the Company (due to increased prices of the energy, raw materials, and inventories), the borrowing costs and cause a drop in profitability.

TAKEN MEASURES
In case of a significant exceeding of actual inflation over the Russian government forecasts, the Company’s management plans to take measures to control rising costs, lower accounts receivable and reduce its average turnaround time.

CHANGES IN INTEREST RATES
As a major borrower, OJSC Kazanorgsintez is exposed to risks associated with changes in interest rates of the financial liabilities. The Company has long-term loans and credits in rubles and foreign currencies. Major instability in financial markets leads to an increase in interest rates which in its turn may lead to higher debt service costs. Rise of the credit value may adversely affect the Company’s solvency and liquidity indices.

TAKEN MEASURES
OJSC Kazanorgsintez’s credit portfolio as of the end of 2014 has a fixed interest rate.

LIQUIDITY
The inability to settle its liabilities as they fall due.

TAKEN MEASURES
The Company manages liquidity risk by using a combination of debt financing and own funds utilization providing balanced structure of assets and liabilities by terms.

CREDIT
The inability of the buyer to fulfill obligations to OJSC Kazanorgsintez in time that will cause financial losses.

TAKEN MEASURES
In order to minimize financial loss from defaults the Company applies a policy of contracting only with creditworthy counterparties. The solvency of counterparties is analyzed based on the available financial information and their trading histories. Deals with new clients are made on terms of advanced payments.

CHANGES IN CURRENCY EXCHANGE RATES
Main costs of OJSC Kazanorgsintez are estimated in rubles, while revenues from the export sales in ruble equivalent increase with an increase in exchange rate and, conversely, decrease with reducing the rate. The share of export revenues as of the end of 2014 was 16.5%. Delivery terms are mainly advanced payment. OJSC Kazanorgsintez has borrowings in foreign currencies. National currency rate drop may increase the debt burden of the Company, which may lead to reduction of profits.

LEGAL RISKS

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

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

JUDICIARY PRACTICE CHANGE
The risks associated with OJSC Kazanorgsintez’s activity and capable to affect the results of the current disputes of OJSC Kazanorgsintez with the third parties are insignificant. OJSC Kazanorgsintez strives to resolve problems with contractors in pretrial order.
RISKS ASSOCIATED WITH THE ACTIVITY OF OJSC KAZANORGSINTEZ

PRODUCTION PROCESS

Production activity of OJSC Kazanorgsintez is associated with potential influences of unfavorable factors, including equipment failure, unscheduled repairs and, consequently, production figures below expected levels.

TAKEN MEASURES

Introduction of an automated process control system. Regular preventive and current maintenances and major overhauls of production facilities are performed timely and to full extent.

ENVIRONMENTAL PROTECTION

Production activity of the Company is associated with potential danger of adverse effects on the environment.

TAKEN MEASURES

Monitoring of the chemical composition of air emissions and wastewater discharges, and carrying out the planned conservation measures aimed at preventing the harmful effects of the production facilities on the environment.

LICENSE VALIDITY

In order to be authorized to perform activities in the field of production and use of natural resources, OJSC Kazanorgsintez obtains appropriate licenses. Most of them provide for a possibility of the license revocation in case of a failure to comply with requirements of licensing agreements. There are also risks associated with an absence of an opportunity to extend the validity of licenses for OJSC Kazanorgsintez. In order to execute their licensable activities after the termination of a license, OJSC Kazanorgsintez shall conduct a procedure of obtaining licenses for a new term.

TAKEN MEASURES

In view of preventing licenses revocation, OJSC Kazanorgsintez fulfills all the requirements of licensing agreements. Nevertheless, failure to extend the validity of licenses or revocation of thereof might exert a significant negative influence on activities of OJSC Kazanorgsintez.

IN CASE OF OCCURRENCE OF ONE OR SEVERAL RISKS LISTED ABOVE, OJSC KAZANORGSINTEZ WILL TAKE ALL POSSIBLE MEASURES FOR REDUCTION OF NEGATIVE CHANGES

INSURANCE RISKS

Insurance industry in the Russian Federation is at its formation state, and various forms of insurance protection generally accepted in more economically developed countries, are not yet widely applied in the Russian Federation on comparable conditions, including coverage at business activity stop.

TAKEN MEASURES

OJSC Kazanorgsintez has main working production facilities and equipment insured, including nonlife insurance due to explosion and environmental effect of the accident at the Company’s production facilities and/or connected with the Company’s activity. However, OJSC Kazanorgsintez does not have the coverage of financial risks in case of production activity stop and profit loss. If an emergency takes place at the production facilities of the Company due to which the Company will not be able to produce goods, it can adversely affect the Company’s financial results.

1 More detailed information on the risk management system of OJSC Kazanorgsintez can be found in the Sustainable Development Report of the Company for 2014 in the “Strategy development” section, as well as in Annex 3 to the Sustainable Development Report named “Risk Map”. 
KEY EVENTS OF THE YEAR

1. COMPANY PROFILE Kazanorgsintez

- Cross-country skiing competitions held among OJSC Kazanorgsintez’s employees.

2. JANUARY
- Children Recreation Center “Solnechny” hosted the XXXII open All-Russian mass ski race “Russian Ski Track 2014”. Representatives of Tatarstan Presidential Administration and other State Authorities took part in the event along with Kazan citizens. More than 70 employees of OJSC Kazanorgsintez participated in the competition, of them more than 30 people are veterans of the Company.
- OJSC Kazanorgsintez’s employees met with the head of local administration of Novo-Savonovsky and Aviastroitelny districts of Kazan, Mr. Timur Alibaev.
- The first issue of corporate news program flash-TV “News of Orgsintez”, telling about the Company’s and employees’ life.

3. FEBRUARY
- 50-years anniversary celebrations at Repair and Construction Workshop of the Plant for Preparation and Execution of Major Overhauls.

4. MARCH
- Ice fishing competitions among the OJSC Kazanorgsintez’ employees held on Mesha River (Laishevsky district, Republic of Tatarstan).
- Swimming competitions among 150 young sportsmen took place in “Orgsintez” Swimming Pool. For the first time the competitions were held in accordance with Uniform All-Russian sport classification approved for the years 2014-2017.

5. APRIL
- Annual General Meeting of OJSC Kazanorgsintez Shareholders summarized the activities of the year 2013 and elected the members of the Board of Directors and Audit Commission.

6. MAY
- A decision on allocation of 1,600 flats to the Company’s employees on favorable terms till 2016 was made and an agreement with State Housing Fund under the president of the Republic of Tatarstan was signed.
- Ceremonial event on the occasion of the professional holiday – Chemists’ Day – took place at the territory of the Children Recreation Center “Solnechny”. 

7. OJSC Kazanorgsintez held a meeting on the results of the year 2013 and the main areas of activity in regard of Health and Safety, Industrial and Fire Safety, Accident Prevention in 2014. Representatives of Controlling Authorities like Rostekhnadzor’s Privolzhsky Office, Moscow district Prosecutor’s Office, Representatives of Ministry of Labor and Social Security of RT, the Ministry of the Emergency Situations of RT took part in the meeting.
The Second Republican Amateur Talent Contest “Say ‘Yes’ to Occupational Safety” was held in the concert hall of Trade Union’s Sanatorium “Livadia”. The team of OJSC Kazanorgsintez was awarded with a Diploma in “Torpedo-like Humor Synthesis” category.

Water-polo team Sintez headed by the chief coach Irek Zininurov won silver medals again in the Russian Water-Polo Championship 2014. Over the period of 30 years OJSC Kazanorgsintez has remained to be an irreplaceable and the only founder and sponsor of water-polo team Sintez.

Ceremonial celebrations of the 45-th anniversary of one of the culture centers of the city, Chemists’ Culture Center.

JUNE

- Signing of an Order on putting into effect the Regulations on housing provision of OJSC Kazanorgsintez’s employees within the frames of the House Building Program.

- Special tactical training exercises with participation of high alert Republic’s radiation and chemical defense crew No. 1 were held at the territory of OJSC Kazanorgsintez pursuant to the order of Ildar Khalikov, the Civil Defense Director, Prime-Minister of the Republic of Tatarstan.

- Traditionally OJSC Kazanorgsintez took an active part in national holiday Sabantuy held in the park area of Lebyazhye Lake in Moscow district. The site was decorated by the Company’s employees, performances of the masters of stage and different sports events were prepared.

JULY

- One of the main Company’s social public facilities, Children Recreation Center “Solnechny”, celebrated its 50-th anniversary. The camping children were visited by numerous guests offering gifts and greetings.

AUGUST

- The first OJSC Kazanorgsintez’s Sustainable Development Report was listed in National Register of Corporate Non-financial Reports established by Russian Union of Industrialists and Entrepreneurs (RSPP).

- OJSC Kazanorgsintez together with Kirovsky and Moskovsky district administration office took an active part in organization of a sport event for children and their parents devoted to the Sportsman Day. Commemorative prizes - sports equipment and school supplies – were presented to the children upon completion of the competitions.

- OJSC Kazanorgsintez together with Kirovsky and Moskovsky district administration office held a Charity Event entitled “Help Prep for School”. A holiday concert was arranged for several dozens of to-be first grade pupils from large and needy families; school backpacks filled with everything required for the school were presented to the future pupils.
IN SEPTEMBER OJSC KAZANORGSIINTEZ ADOPTED THE SUSTAINABLE DEVELOPMENT STRATEGY

AUGUST

- The President of the Republic of Tatarstan, Rustam Minnikhanov in the course of his visit to OJSC Kazanorgsintez has had a tour of the production sites and met the employees of the Company.

- In anticipation of the Republic Day and the City Day, the food-service division of OJSC Kazanorgsintez carried out traditional “Tatar Quisine Day”.

- OJSC Kazanorgsintez joined the Russian Business Social Charter and obtained the Certificate of Registration of its members. This underlines the social responsibility of the Company and management’s attempts to improve the corporate culture.

SEPTEMBER

- OJSC Kazanorgsintez adopted the Sustainable Development Strategy.

- OJSC Kazanorgsintez took part in the Tatarstan Oil-and-Gas Forum along with 216 Russian and foreign companies from 14 countries. As part of the event OJSC Kazanorgsintez was awarded the 1st degree diploma of competition “The best exhibit, the best design and the best technical solution” in the category “Products with new or improved characteristics” for the development and production of import substituting product - polycarbonate brand PC-007UL.

- The 20th Anniversary Sports Festival organized by the Tatarstan Association under the Russian Trade Union of Chemical Industry Enterprises was held. OJSC Kazanorgsintez was represented by 36 athletes from different structural divisions of the Company. OJSC Kazanorgsintez was ranked the 2nd in the overall team standings.

- OJSC Kazanorgsintez together with Kazan administration office participated in organization of “literature courtyards” in Batyrshina and Gorosovetskaya streets. Within the events the neighborhood residents were able to subscribe to a library or to join a book crossing; games and contests were organized for the younger book-readers. The event was also attended by famous Kazan poets who delivered their speeches.

OCTOBER

- OJSC Kazanorgsintez acted as an organizer of mass cultural event for the pupils of one of the largest schools of Kirovsky district in Kazan No. 70. Entertainment troupes of the city took the floor on the stage; kids were amused by animators; sport competitions were held. Now school No. 70 has its own ultramodern sports ground built under the Republic’s program and consisted of mini-football field with artificial turf, basketball playground and gymnastic and play equipment.

- OJSC Kazanorgsintez’s Primary Trade Union Organization’s called “Family Happiness Festival” became a winner of the grants competition held by the Executive Board of the Trade Unions Federation of the Republic of Tatarstan pursuing popularization of the trade union movement and implementation of new effective forms of activity.

- Sustainable Development section was launched at the corporate web-site of OJSC Kazanorgsintez at www.kazanorgsintez.ru.
OJSC Kazanorgsintez was awarded the first prize on the regional stage (in Republic of Tatarstan) of All-Russian Contest of Implemented Projects in the field of Energy Saving and Energy Efficiency Improvement under ENES. The title of the project: "Energy Efficiency of Steam Condensate Collection, Cooling and Utilization Station Project Implementation".

The Company took part in planting the trees within the frameworks of "Green Record" project and reconstruction activities of the "Pine wood" park located by the Chemists’ Culture Center. OJSC Kazanorgsintez annually takes an active part in such event. The Head of Kirovsky and Moskovsky district of Kazan, Damir Fattakhov and General Director of OJSC Kazanorgsintez, Farid Minigulov made their contribution by planting the beautiful green pines.

The largest Russian PE producer OJSC Kazanorgsintez and the leader in global chemical industry BASF concern signed a long-term strategic cooperation agreement. According to the terms of the agreement, the BASF concern shall supply to OJSC Kazanorgsintez anti-oxidants and stabilizers for polyethylene and polycarbonate and shall provide technical assist in high density polyethylene production.

Based on the annual corporate transparency studies of the major Russian companies in 2014 held by the Russian Regional Integrated Reporting Network OJSC Kazanorgsintez was ranked among the leading group and took the 55th place in summarized rating among 721 companies.

Anti-corruption Policy was implemented at OJSC Kazanorgsintez. This is the regulatory document of the Company, the main purpose of which is to create a unified approach to the work on prevention and fight against corruption.

IN NOVEMBER, THE LARGEST RUSSIAN PE PRODUCER OJSC KAZANORGSINTEZ AND THE LEADER IN GLOBAL CHEMICAL INDUSTRY BASF CONCERN SIGNED A LONG-TERM STRATEGIC COOPERATION AGREEMENT

Learn more about the summarized rating in the analytical report at: www.ir.org.ru/en/mass-media/novosti/119-research-2014-results
ECONOMY REVIEW OF RUSSIA AND THE REPUBLIC OF TATARSTAN

FINANCIAL RATINGS OF RF

DECEMBER 23, 2014

Credit Rating Agency Standard&Poor’s listed the long-term and short-term sovereign credit ratings of the Russian Federation in foreign currency liability (BBB-/A-3) and sovereign credit ratings in local currency liability (BBB/A-2) in the CreditWatch list (“Ratings under Review”) with negative outlook; that was due to the Rating Agency opinion of rapid deterioration of Russian monetary policy flexibility and the influence of deteriorating economic situation on the financial system of the country*. 

FINANCIAL RATINGS OF RT

JANUARY 9, 2015

BBB– RATING LEVEL

Fitch Ratings Agency derated the Russian long-term issuer default rating (IDR) in foreign and local currency from BBB down to BBB-. Priority unsecured bonds ratings of the Russian Federation in foreign and local currency are also decreased from BBB to BBB-. IDR outlook is “Negative”. Country ceiling rating is downgraded from BBB to BBB-. Short-term IDR in foreign currency is confirmed to be F3**.

JANUARY 26, 2015

Standard&Poor’s Agency downgraded the long-term and short-term sovereign credit ratings of the Russian Federation in foreign currency liability from BBB-/A-3 to BB+/D. Russian rating in local currency liability were derated from BBB/A-2 to BBB-/A-3. Long-term rating outlook was “Negative”.

KEY INDICATORS OF THE ECONOMIC DEVELOPMENT

in % to the previous year

<table>
<thead>
<tr>
<th>Russian Federation</th>
<th>Republic of Tatarstan</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td></td>
</tr>
</tbody>
</table>

Consumer price index compared to December of the previous year

<table>
<thead>
<tr>
<th>Index of industrial production</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

Capital investment

<table>
<thead>
<tr>
<th>Monthly average payable salary</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

Export of goods

<table>
<thead>
<tr>
<th>Import of goods</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

Reference info*****


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

* Data source: www.standardandpoors.com/prot/ratings/articles/ru/ru?articleType=HTML&assetID=1245379252733


*** Data source: www.raexpert.ru/database/regions/tatar/

**** Data source: www.minfin.tatarstan.ru/rus/reiting.html

The Republic of Tatarstan ranks as one of the most investment attractive Russian regions due to the favourable regulatory environment for investors, stable political situation, and sustainable economic development.

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>104.5</td>
<td>104.3</td>
<td>105.7</td>
<td>103.4</td>
<td>105.5</td>
</tr>
<tr>
<td>GDP in % to previous year</td>
<td>104.8</td>
<td>104.7</td>
<td>105.9</td>
<td>103.6</td>
<td>105.6</td>
</tr>
<tr>
<td>Consumer price index compared to December of the previous year</td>
<td>106.1</td>
<td>105.9</td>
<td>106.6</td>
<td>106.5</td>
<td>106.4</td>
</tr>
<tr>
<td>Index of industrial production</td>
<td>104.7</td>
<td>106.4</td>
<td>107.1</td>
<td>100.4</td>
<td>101.7</td>
</tr>
<tr>
<td>Capital investment</td>
<td>106.0</td>
<td>113.6</td>
<td>112.4</td>
<td>112.3</td>
<td>109.4</td>
</tr>
<tr>
<td>Index of industrial production</td>
<td>111.5</td>
<td>111.5</td>
<td>111.5</td>
<td>111.5</td>
<td>111.5</td>
</tr>
<tr>
<td>GDP in % to previous year</td>
<td>112.4</td>
<td>112.4</td>
<td>112.4</td>
<td>112.4</td>
<td>112.4</td>
</tr>
<tr>
<td>Monthly average payable salary</td>
<td>102.4</td>
<td>102.4</td>
<td>102.4</td>
<td>102.4</td>
<td>102.4</td>
</tr>
<tr>
<td>Exchange rate as of December 31, RUB/$</td>
<td>30.48</td>
<td>32.20</td>
<td>30.37</td>
<td>32.73</td>
<td>56.25</td>
</tr>
<tr>
<td>Exchange rate as of December 31, RUB/€</td>
<td>40.33</td>
<td>41.67</td>
<td>40.23</td>
<td>44.97</td>
<td>68.34</td>
</tr>
<tr>
<td>Average Urals oil price, $/barrel</td>
<td>78.2</td>
<td>109.3</td>
<td>110.5</td>
<td>107.9</td>
<td>97.6</td>
</tr>
</tbody>
</table>
PRIORITY PRODUCTION ACTIVITIES
PRODUCTION AND PRODUCTION COST

MAIN INDICATORS AND THEIR CHANGE COMPARED TO THE LAST PERIOD

THOUSAND TONNES

1,800

of organic synthesis products — is a total confirmed production capacity of the Company in 2014. The decrease in the production capacity compared to the year of 2013 was insignificant.

86.4%

production capacity utilization index

The decrease in the production capacity was caused by shut-down of textileauxiliary compounds and modifiers production unit at Organic Products and Industrial Gases Plant.

Compared to the previous year the index decreased by 1.3%. The main reason of such decrease was a decline in production due to reduction of Ethane feed supplies.

THE CHANGE IN COMMERCIAL OUTPUT STRUCTURE IN VALUE TERMS, MLN RUBLES

The structure of commercial output in 2014 relative to the previous year changed insignificantly.

<table>
<thead>
<tr>
<th>Ethylene polymers and copolymers</th>
<th>Poly-carbonate</th>
<th>Other</th>
<th>Polyethylene pipes</th>
</tr>
</thead>
<tbody>
<tr>
<td>74.9%</td>
<td>11.2%</td>
<td>10.9%</td>
<td>46,295.2</td>
</tr>
<tr>
<td>74.7%</td>
<td>10.3%</td>
<td>11.8%</td>
<td></td>
</tr>
</tbody>
</table>

(+16.9%)

(7,806.4 mln. rubles)

54,101.6

Volume index has made 99%
The main reason for growth is basic feedstock expenses which increased by 1,820 mln rubles or by 8.9% in 2014. The share of expenses for the basic feedstock out of the total amount of raw material expenses as of 2014 made 84.5% (in 2013 – 82.5%). The increase was only attributable to the prices increase.

The expenses for auxiliary materials decreased compared to the previous year.

---

COSTS OF PRODUCTION AND THE CHANGE COMPARED TO THE LAST PERIOD

<table>
<thead>
<tr>
<th>MLN RUBLES</th>
<th>+5.7%</th>
</tr>
</thead>
<tbody>
<tr>
<td>42,389</td>
<td></td>
</tr>
</tbody>
</table>

Costs of production in the reporting year increased compared to the previous year by 2,288 mln rubles (in 2013 – 40,101 mln rubles)

The increase is due to an increase in raw material costs, energy, higher tariff rates and premiums, the cost of spare parts and materials for repairs.

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>62.2%</td>
</tr>
<tr>
<td>Energy from third parties</td>
<td>11.6%</td>
</tr>
<tr>
<td>Salary and social allowances</td>
<td>10.4%</td>
</tr>
<tr>
<td>Fixed assets depreciation</td>
<td>8.6%</td>
</tr>
<tr>
<td>Other expenses</td>
<td>6.3%</td>
</tr>
<tr>
<td>Production services</td>
<td>0.9%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

So the average salary of the Company’s employees increased from 34.9 thousand rubles in 2013 to 38 thousand rubles in 2014.

Third parties energy costs increased due to an increase of the average tariffs for the main Company's energy resources.

For example, compared to 2013 the tariff for the electric power increased by 5.6% in 2014 and for heat energy by 9.1%.

Expenses for salaries and social allowances increased due to:

- increase in basic pay rates and salaries for workers since 01.01.2014
- increase in rates of premium payable based on monthly results since 01.07.2014

Production services expenses increased due to an increase in the prices of spare parts and materials required for routine turnarounds and current repairs of the equipment.
Mutually beneficial long-term contracts are signed between OJSC Kazanorgsintez and main suppliers.

Ethane supplies to OJSC Kazanorgsintez are performed via ethane pipeline connecting Orenburg Gas Processing Plant (supplier JSC Gazprom) and Minnibaevsk Gas Processing Plant (supplier JSC Tatneft).

- Ethane LHG*: Is an alternative to ethane raw material. The main need for this kind of raw material is satisfied by the major suppliers (refineries in Russia) under long-term contracts and at a price determined by the price formula. The rest of the volumes are consumed at the electronic trading platform ONLINECONTRACT.

Transportation of ethylene is performed via ethylene pipeline connecting five industrial companies - OJSC Kazanorgsintez, PJSC Nizhnekamskneftekhim, JSC Ufaorgsintez, JSC Sterlitamak Petrochemical Plant and JSC Gazprom Neftekhim Salavat. Thanks to that any producer can supply ethylene to other one.

OJSC Kazanorgsintez’s needs for ethylene are satisfied by both internal ethylene production and with purchases from outside.

Suppliers are selected on the electronic trading platform ONLINECONTRACT.

BISPHENOL A PLANT
Raw material is supplied from refineries and coke chemical companies of Russia.

ETHANOLAMINES AND MODIFIERS PRODUCTION

LDPE AND HDPE PLANTS

SHARE OF EXPENSES FOR BASIC RAW MATERIAL IN TOTAL EXPENSES FOR FEED AND MATERIALS

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>82.5%</td>
</tr>
<tr>
<td>2014</td>
<td>84.5%</td>
</tr>
</tbody>
</table>

RAW MATERIALS PRICES GROWTH RATES COMPARED TO 2013 (IN %)

<table>
<thead>
<tr>
<th>Raw Material</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethane</td>
<td>+10.2%</td>
<td>+2%</td>
</tr>
<tr>
<td>Ethylene</td>
<td>+9.2%</td>
<td></td>
</tr>
<tr>
<td>LHD</td>
<td>-0.6%</td>
<td></td>
</tr>
<tr>
<td>Benzene</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethylene oxide</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPF</td>
<td>+48.5%</td>
<td></td>
</tr>
<tr>
<td>Vinil acetate</td>
<td>+52%</td>
<td></td>
</tr>
</tbody>
</table>

* liquefied hydrocarbon gases
Mutually beneficial long-term contracts are signed between OJSC Kazanorgsintez and main suppliers.

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Raw material is supplied from refineries and coke chemical companies of Russia.

The main supplier is PJSC Nizhnekamskneftekhim, with which OJSC Kazanorgsintez has a long-term contract.

Vinil acetate

+48.5%

PPF

+10.2%

Ethylene

+14.1%

Benzene

–0.6%

LHD

+9.2%

Ethylene

+10.2%

Ethane

+5.2%

MLN RUBLES

(or by 8.9%) basic feedstock expenses increased in 2014. The growth was entirely due to the prices increase.

BY 1,820
PRODUCTION STRUCTURE

OJSC KAZANORG SinTEZ

- ETHYLENE PLANT
  - Ethylene
  - Share of the plant production in the amount of commercial output of OJSC Kazanorgsintez: 0.02%

- HDPE PLANT
  - HDPE
  - HDPE production
  - Share of the plant production in the amount of commercial output of OJSC Kazanorgsintez: 56.8%

- LDPE PLANT
  - LDPE
  - Sevilen production
  - LDPE production
  - Share of the plant production in the amount of commercial output of OJSC Kazanorgsintez: 21.2%

- BISPHENOL A PLANT
  - Phenol and acetone
  - Phenol and acetone production
  - Bisphenol A production
  - Share of the plant production in the amount of commercial output of OJSC Kazanorgsintez: 6.3%

- POLYCARBONATE PRODUCTION PLANT
  - Production of organic products
  - Production of industrial gases

- ORGANIC PRODUCTS AND INDUSTRIAL GASES PLANT
  - Maintenance and overhaul plant
  - Auxiliary units

- MAINTENANCE AND OVERHAUL PLANT
  - Propylene
  - Bisphenol A

- AUXILIARY UNITS

- PRODUCTION STRUCTURE
8,258

EMPLOYEES
is the average number of the Company’s staff

8,258

ORGANIC PRODUCTS AND INDUSTRIAL GASES PLANT

Production of organic products

3.9%

Production of industrial gases
Industrial gases (nitrogen, oxygen, cold, plant air) are consumed by all plants

POLICARBONATE PRODUCTION PLANT

Bisphenol A

11.6%

MAINTENANCE AND OVERHAUL PLANT

Maintenance units:

AUXILIARY UNITS

Industrial gases (nitrogen, oxygen, cold, plant air) are consumed by all plants
EHTYLENE PLANT

ETHYLENE PLANT CONSISTS OF THREE PRODUCTION LINES AND IS THE FIRST PLANT IN OJSC KAZANORGSIITEZ’S PROCESS CHAIN

THE RETROFIT OF THE EXISTING FACILITIES OF THE PLANT IS CONSTANTLY PERFORMED IN ORDER TO ENSURE STABLE OPERATION OF EQUIPMENT

ETHANE FRACTION
supplied by pipeline from Orenburg helium plant and Minnibaev gas processing plant

PROPANE-BUTANE FRACTION

Average staff number
814 EMPLOYEES
LDPE PLANT

LDPE PLANT CONSISTS OF THREE PRODUCTION LINES. THE FIRST LINE IS THE PRODUCTION OF SEVILEN, TWO OTHERS (SECOND AND THIRD) ARE THE PRODUCTION OF LOW DENSITY POLYETHYLENE

SEVILEN PRODUCTION
Similar to polyethylene production method

1 line

ETHYLENE
Primary raw-material

LOW DENSITY POLYETHYLENE PRODUCTION

The only manufacturer in CIS of electrically conductive compositions of polyethylene for production of special cables and pipes for explosive substances transportation in mining industry

2-3 lines

+ Vinyl acetate

Density
Elasticity
Clarity
Adhesion

Hardness
Heat resistance
Crystallinity (tensile stress at break)

EMPLOYEES

LDPE plant average staff number (after additional staffing of 503-505 workshop incorporated to LDPE plant in December, 2012 the number of employees was increased by 12 people).

776
Different base grades of natural low density polyethylene (LDPE), different compositions based on low density polyethylene for production of molded, blown, extrusion and film products.

Exceeds polyethylene in respect of clarity and elasticity under low temperatures, has lower adhesion to different materials.

SEVILEN

Footwear industry
Production of films, sheets, hoses
Production of penopolisevilen

Production of hot-melt adhesive
External insulation and rust prevention of steel pipes
As an insulation and external covering of cable in electrical engineering

Construction

Insulation
Production of films for food, and technical applications

Primary raw-material

Different base grades of natural low density polyethylene (LDPE), different compositions based on low density polyethylene for production of molded, blown, extrusion and film products.
OUTPUT IN 2014 WAS MAXIMAL THROUGHOUT THE HISTORY OF THE PLANT. THE MAIN REASONS OF THE OUTPUT INCREASE:

- INCREASE IN DEMAND FOR PRODUCTS;
- INTRODUCTION OF A CAMPAIGN FOR INCREASE OF REACTOR C PRODUCTION RATE (APPLICATION OF NEW ACCLAIM K-110 CATALYST PRODUCED BY UNIVATION TECHNOLOGIES).
PERFORMED BY ETHYLENE COPOlyMERIZATION WITH UNIPOL GAS-PHASE METHOD WITH USE OF CATALYSTS

WIDELY USED IN FOLLOWING SYSTEMS:

- Production of polyethylene pipes is performed by extrusion method, connection pieces are manufactured by injection molding, molding and winding.

- Different grades of high density polyethylene, medium density polyethylene and linear low density polyethylene, bimodal high density polyethylene (including pipe grades of polyethylene).

- Polyethylene pipe grades:
  - Gas supply:
  - Water supply:
  - Sewerage systems:
  - Industrial pipelines systems:

- Polyethylene pipes of different diameters, connecting pieces for them (fittings).
BISPHENOL A PLANT

BISPHENOL A (BPA) PLANT CONSISTS OF TWO SEPARATE MANUFACTURING UNITS: PHENOL AND ACETONE PRODUCTION UNIT AND BISPHENOL A PRODUCTION UNIT

- **BENZENE**
- **PROPYLENE**

**PHENOL AND ACETONE PRODUCTION**
Primary raw material

**BISPHENOL A PRODUCTION**
Condensation of phenol and acetone over catalyst — cation-exchange resin. Bisphenol A produced by this process has high purity

**EMployees**
Average staff number

513
SHIPMENT TO CUSTOMERS

Used in industry for production of the following products:

- Caprolactam (intermediate product for fibers production);
- Chemical photoproducts;
- Herbicides, chemical crop protection agents;
- Synthetic resins;
- Aniline paint materials;
- Medicines;
- In purification processes of petroleum oils and in production of oil additives.

SHIPMENT TO CUSTOMERS

- Paints and varnishes, solvents and paint removers;
- Used in production of acetic anhydride and acetone cyanohydrine.

SHIPMENT TO CUSTOMERS

- Production of polysulfonic, polyarilate, special phenol-aldehyde, polyester imid, unsaturated polyester resins, bromated fire retarders and stabilizers for different polymers;
- Production of epoxy resins, used for paints and varnishes and powder coatings, glues, items for electronic boards.

TO POLYCARBONATE PRODUCTION

- Condensation of phenol and acetone over catalyst — cation-exchange resin. Bisphenol A produced by this process has high purity.
- Phenol and acetone.
POLYCARBONATE PLANT

INDUSTRIAL PROCESS OF POLYCARBONATE PRODUCTION IS INTERESTERIFICATION OF DIPHENYL CARBONATE BY BISPHENOL A (NONPHOSGENE METHOD), DESIGNED BY ASAHI KASEI CHEMICALS CORPORATION. NON-PHOSGENE MANUFACTURING PROCESS IS SAFER WITH REGARD TO OPERATION AND ENVIRONMENTAL SAFETY.
Have thermal stability, high impact resistance and chemical inertness fit for production of precision parts.

During 2014 activities were focused on quality improvement of goods produced, increase of brand assortment and meeting the requirements of final customers were performed.

**ETHYLENEGLYCOL**
(by-product)

**POLYCARBONATES**

- Automobile industry
- Electronic and electrical industry
- Industrial and civil construction
- Instrument making and aircraft construction
- Domestic and medical appliances
- Glazing and production of multilayer glasses

**SHIPMENT TO CUSTOMERS**
ORGANIC PRODUCTS AND INDUSTRIAL GASES PLANT

Nitrogen, oxygen and argon are produced from atmospheric air with a method of low temperature rectification.

**INDUSTRIAL GASES PRODUCTION**

- Liquified hydrocarbons raw material workshop
- Hydrocarbon raw material workshop and flares
  - Ensure timely continuous receipt and delivery of supplied raw material to plants of the Company.
- Workshop for neutralization and purification of industrial waste waters
- Workshop for processing and disposal of liquid and gaseous wastes
  - Mechanical and biological treatment of industrial, storm and residential wastewaters
- Raw material and finished products’ shop

**ORGANIC PRODUCTS PRODUCTION**

Ethanolamines
- Are used in gas and petroleum industry and in production of perfumes
Butyl cellosolve
- Used in perfumery, paint and varnish industry
Textile processing chemicals
- Used in production of woolen, cotton, silk and artificial fibers.
Petroleum de-emulsifiers, corrosion inhibitors and paraffin deposits
- Used by oil-production plants
Cooling liquids
- Designed to use in cooling systems of heat-exchangers and internal combustion engines
Gaseous nitrogen
- Designed for making of inert atmosphere when producing, storage and transportation of easily oxidizable products, under high temperature processes for metal working, for long storage of metal vessels
Liquid nitrogen
- Used as a coolant and also (after gasification) for the same purposes as gaseous nitrogen
Industrial, gaseous and liquid oxygen
- Used for flame machining of metals, intensification of chemical and metallurgical processes
Argon (gaseous and liquid)
- Designed for using as a protective atmosphere when welding, cutting and heating of metals and alloys based on them and when metal purification in metallurgy.
Dried compressed air
- Used for supply to instruments
Cold
- Used in manufacturing processes for the purpose of intensification of production, gain in yield and increase of a product quality.
Oxygen
- Used in food industry and medicine

**EMPLOYEES**

978

Average staff number
**ORGANIC PRODUCTS**

- **Ethanolamines**
  - Used in gas and petroleum industry and in production of perfumes
- **Butyl cellosolve**
  - Used in perfumery, paint and varnish industry

**INDUSTRIAL GASES**

- **Gaseous nitrogen**
  - Designed for making of inert atmosphere when producing, storage and transportation of easily oxidizable products, under high temperature processes for metal working, for long storage of metal vessels
- **Liquid nitrogen**
  - Used as a coolant and also (after gasification) for the same purposes as gaseous nitrogen
- **Argon**
  - Designed for using as a protective atmosphere when welding, cutting and heating of metals and alloys based on them and when metal purification in metallurgy.
- **Cold**
  - Used in manufacturing processes for the purpose of intensification of production, gain in yield and increase of a product quality.
- **Industrial, gaseous and liquid oxygen**
  - Used for flame machining of metals, intensification of chemical and metallurgical processes
- **Dried compressed air**
  - Used for supply to instruments

**COMMERCIAL PRODUCTS**

- **Shipments to customers**
  - Industrial, gaseous and liquid oxygen, liquid nitrogen, liquid argon

**INDUSTRIAL PRODUCTS PRODUCTION**

- **Ethylene oxide**
  - ~90% of products manufactured by the plant is consumed by other plants and manufacturing units of the Company

**AUXILIARY WORKSHOPS**

- Liquified hydrocarbons raw material workshop
- Hydrocarbon raw material workshop and flares
- Workshop for neutralization and purification of industrial waste waters
- Raw material and finished products’ shop
- Workshop for processing and disposal of liquid and gaseous wastes
- Mechanical and biological treatment of industrial, storm and residential wastewaters
MAINTENANCE AND OVERHAUL PLANT

MAINTENANCE AND OVERHAUL PLANT PREPARES AND PERFORMES SHUTDOWN AND CURRENT REPAIRS OF INDUSTRIAL EQUIPMENT IN ALL UNITS OF THE COMPANY

The plant is equipped with modern and unique lifting cranes and other facilities. This ensures prompt execution of works.

Maintenance and overhaul plant includes:

- Workshop for metal structures and pipes
  Allows preparing shutdown maintenances and fabricating in advance all necessary pipe stocks and metal structures. This reduces assembly terms during overhaul.
- Construction and repair workshop;
- Pipelines maintenance section;
- Equipment maintenance section;
- Building structures maintenance section
- Dynamic equipment maintenance section
- Underground conduit and sewerage maintenance section
- Mechanical section
- Transport section
- Load lifting mechanism section
- Assembly and process section

The plant also includes the following units:

- Production preparation bureau
  Certified skilled employees for development of projects and flow sheets using load lifting machines, design documentation of metal structures and detail metal structures
- Nondestructive testing laboratory
  Certified laboratory performing quality control of welds and monitoring of dynamic equipment vibration.

Structure of the Company repair stock, %

<table>
<thead>
<tr>
<th>Year</th>
<th>MOP plant</th>
<th>Maintenance services of the main plants and maintenance shops</th>
<th>External contracting companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>21.4</td>
<td>23.1</td>
<td>55.5</td>
</tr>
<tr>
<td>2013</td>
<td>23.9</td>
<td>26</td>
<td>50.1</td>
</tr>
</tbody>
</table>

EMPLOYEES

471

Average staff number
AUXILIARY PLANTS

AUXILIARY UNITS OF THE COMPANY PROVIDE MANUFACTURING PROCESS OF THE MAIN PRODUCTION FACILITIES

AUXILIARY UNITS

- Repair of equipment
- Storage facilities
- Provision with material and power resources
- Motor and railway transport
- Products quality analysis and environmental monitoring
- Processing of polymer wastes
- Repair of MOP plant
- Construction and repair workshop;
- Pipelines maintenance section;
- Equipment maintenance section;
- Building structures maintenance section;
- Dynamic equipment maintenance section;
- Underground conduit and sewerage maintenance section;
- Mechanical section;
- Transport section;
- Load lifting mechanism section;
- Assembly and process section;

Allows preparing shutdown maintenances and fabricating in advance all necessary pipe stocks and metal structures. This reduces assembly terms during overhaul.

2,849

Employees

Average staff number
TECHNOLOGIES AND BRANDED ASSORTMENT DEVELOPMENT

ETHYLENE PLANT

SHOP 0771-0776

• Repiping was made for regeneration gas supply lines from bottom to top in dryers K-9 А,Б,В for the purpose of improving the quality of cracked gas drying.

• Control system of furnaces П-15,6 was transferred to a higher level to improve the reliability of ethane cracking process control.

• Liquefied flare gas flash drums - Heat exchangers T-590 А,В were replaced by new heat exchangers T-590 А,В,С,Д in order to enhance occupational safety, with the heat exchanges design and cold liquid effluents and steam supply circuit modified to avoid pipe bundle defrosting.

• Filters ФС-11 и ФС-12 were installed in the hydrogen supply line from the PSA Unit to the hydrogenation unit in order to prevent mechanical particles from entering pipelines, valves and instruments.

• In order to stabilize the process mode, bypass lines were implemented for Elliot cracked gas compressor B-521С on coolers Т-521, Т-522 and Т-523 with the aim to stabilize temperature conditions of II, III, IV stage suction accordingly.

LDPE PLANT

PROCESS LINE 2

SHOP 2002-2004

• Brazed plate heat exchanger CPL30-V-130 PLS was installed in process line No. 2 parallel to the existing cooling equipment pos. 342 E-1 in order to stabilize temperature conditions of suction and discharge of booster compressor pos. 342 C-1, 2nd stage.

• Return gas cooler pos. 341 E-7/2 and 343 E-7/1 was replaced by a cooler of higher capacity for the purpose of stabilizing temperature conditions.

• Additional thermal oil pumps Р-13а pos. 341 and 343 were installed to ensure smooth operation of extruders Э-1 pos. 341 and 343.

SHOP 2005

• Mechanical scales under hoppers pos. 60V9/1,2 of black master batch unit were replaced by electronic strain gauge balance (weighers) Tenzo-M in order to improve weighing accuracy and quality of finished products accounting.

• In order to upgrade the outdated equipment, blower pos. 50B2/7 was replaced by blower Series HR-32 to ensure polyethylene recirculation in compressed-air mixer pos. 50V2/6 in process line No. 4.

• In order to improve the accuracy of polyethylene amount control, level transmitters Vegapuls (radar level gauges) were installed on product hoppers pos. 50V4/2 – Europack А, pos. 50V4/4 – Europack B, and on hoppers for off-grade polyethylene pos. 60V3/1 and 60V3/2.

PROCESS LINE 3

SHOP 93-96

Outdated equipment was replaced by equipment with similar performance characteristics:

• Condensate pump pos. P5/1.13R replaced by new Multittec pumps;

• MIAG fan for air exhaust from analyzer hoppers pos. G7/1.1.6.1 replaced by new WELT fan;

• Electric motors of oxygen compressor pos. C3/3.1A replaced by new Siemens electric motor.

SHOP 97-99

Due to complete wear and tear, rotary valve pos. U 7/1.7.8-13 MIAG (Germany) Model MIAG -26699 installed on batching hopper X2 (pos. M7/1.7.15.1-2) was replaced by Coperion (Germany) rotary valve Model ZVB 480.1-70A with similar performance characteristics.

SHOP 2002-2004
A CONTINUOUS PROCESS FOR THE UPDATING AND IMPROVEMENT OF EQUIPMENT IS BEING CONDUCTED TO IMPROVE SAFETY AND EFFICIENCY OF THE PRODUCTION PROCESS AND EXPANSION OF BRANDED ASSORTMENT

HDPE PLANT

SHOP 157

- Early in 2014, Bagging System HAVER FFS 2000 with a capacity of 2000 bags/h manufactured by HAVER&BOECKER was put into operation in order to eliminate disbalance of capacities of reactor unit of HDPE production and capacities of its bagging and packaging facilities.
- MOLLERS bag palletizing and stretch wrapping line was put into operation in February 2014. This measure provided for the improvement of PE packaging, reduction of PE spillage during transportation and improvement of loading operation efficiency.

POLYCARBONATE PLANT

DPC AND PC SYNTHESIS SHOP

- The scheme for pumping of phenol-containing liquid from tank pos. D-0839 into tank pos. PH-085 and tank pos. D-271 of the DPC section was installed and put into operation. This scheme provided for additional amount of recycled phenol for DPC synthesis.
- With a view to the upcoming DPC synthesis catalyst change from PbO to Ti, pumps pos. Р-225A/B were replaced by LEWE diaphragm pumps with a higher capacity.
- The automatic loading rack was erected and put into operation to load phenol-containing liquid fraction and anisole into consumer tank trucks. This measure resulted in the reduction of emission of pollutants into the atmosphere as well as the elimination of product spillage on the site.

BISPHENOL-A PLANT

SHOP 0403-0406

In order to stabilize the process of the crude acetone extraction unit as well as to reduce loss of phenol in distillate, the process flow scheme of reflux supply to columns pos. 21.1 and 2 was changed (from gravity type to forced type), with column pos. 21.2 replaced and tank pos. 26 and pumps pos. 27.1 and 2 installed.

SHOP 0402-0409

Outdated equipment was replaced:
- Pumps pos. 23.4, 27.1, 33.2, 71.1 and 79.2 located in building 0402, replaced by Froitech pumps, Type RN. Settlers pos. 17.2 and 22.2 with a capacity of 50 m³ replaced by settlers with a capacity of 100 m³.
- Collecting tanks pos. 16.2 and 26.1 located in building 0409, replaced by new ones with similar performance characteristics.

EC AND DMC SYNTHESIS SHOP

- Water flow meters installed in the granulation unit downstream pumps PP-652 A/B and PP-662 A/B and providing for local reading and display of reading on the control work station were replaced, as well as water flow meters providing for local reading were installed in the granulation unit downstream pumps PP-653 A/B and PP-663 A/B. These activities provided for the reduction of the number of unscheduled equipment shutdowns of the granulation unit and increase in the product output due to the reduction of off-spec polycarbonate.
**BRANDED ASSORTMENT DIVERSIFICATION**

**POLYCARBONATE PLANT**

**DPC AND PC SYNTHESIS SHOP**

Consumer properties of existing polycarbonate grades were improved in terms of color indices (Index L1).

**ORGANIC PRODUCTS AND INDUSTRIAL GASES PLANT**

**SHOP 41-42-51-52**

Implementation of production of Laprol-2004 demulsifier component.

**RAW MATERIALS DIVERSIFICATION**

**ETHYLENE PLANT**

**SHOP 2021–2045**


**SHOP 0771–0776**

Use of Petroflo 20Y3449 inhibitors to efficiently remove polymer deposits in piping of turbine compressor B-3 in shop 0771 – 0776.

**ORGANIC PRODUCTS AND INDUSTRIAL GASES PLANT**

**INDUSTRIAL WASTEWATERS NEUTRALIZATION AND TREATMENT SHOP**

Use of carbon dioxide alongside with sulphuric acid to neutralize production waste waters ensuring the reduction of secondary pollution of treated waste water by sulphates by 53% as well as the reduction of amount of storage and consumption of hazardous substance i.e. sulphuric acid

**HDPE PLANT**

**SHOP 157**

Viton Free Flow Z200 processing additive manufactured by DuPont Science and Technologies LLC was included into stabilization packages of Grade 285D as an alternative to Dynamar 5922 and 5911 processing additive that resulted in the improvement of processing properties of the product when used by consumers.

**SHOP 152**

Implementation of a new high efficiency ACCLAIM K-110 catalyst during the production of base HDPE Grades 293 and 273. If compared with UCAT G-300 catalyst being used, ACCLAIM K-110 catalyst ensures the improvement of the polymerization capacity of reactor C.
LDPE PLANT

SHOP 2002-2004

In order to diversify raw material assortment being used production tests were performed for Luperox 270, Luperox DI and Luperox P polymerization initiators (France) during polyethylene production process. The obtained positive results ensured the use of Luperox polymerization initiators as an alternative to Trigonox polymerization initiators (Switzerland).

SHOP 503-505

• Production tests were performed and positive results were obtained to use recycled hydroquinone vinyl acetate produced by CFS Europe S.p.A (Italy) during the rectification.

• Vinyl acetate produced by Sinopec Sichuan vinylon works (China) are being tested for the purpose of its further application when producing sevilen of various grades.

POLYCARBONATE PLANT

EC AND DMC SYNTHESIS SHOP

• Performance of the activities which ensured the use of heat carrier Neo-SKOIL290 as an alternative to high-temperature organic heat carrier HO-1 in cooler E-815 to remove heat generated by ethylene carbonate synthesis reaction.

• Use of analogue Gangard 7110 and Spectrus NX reactant complex instead of Dianodic DN 2318, Dianodic DN 2240 and Spectrus NX 1103 reactants in the water chemical treatment system installed in the recycling water supply unit of Polycarbonate and Bisphenol-A Plants.

DPC AND PC SYNTHESIS SHOP

The following activities provide for the diversification of supplier base and reduction of the Company’s costs:

• Use of Pentaerythritol Tetrastearate S anti-adhesive additive as an analogue to AD-3 additive.

• Use of OSTAPLAST VIOLET B pigment and Oraset Violet 580 pigment as an analogue to AD-9 additive.

• Use of SongSorb 2340 FF AD-6 additive as a UV-stabilizer when producing light-resistant polycarbonate grades.

FOR MORE EFFICIENT USE OF FEEDSTOCK ACTIVITIES AND RESEARCHES AIMED AT ENHANCING THE POSSIBILITIES OF ITS APPLICATION ARE CONDUCTED
2. PRIORITY PRODUCTION ACTIVITIES

Kazanorgsintez

THE LONG-TERM PROGRAM ON ENERGY-SAVING AND ENERGY EFFICIENCY IN 2011-2015 WITH THE OUTLOOK TILL 2020

was developed and approved by the Decree of the General Director of the Company so as to implement Federal Law No. 261-FZ Concerning Energy Conservation and Energy Efficiency Improvement and Introduction of Amendments to Certain Legislative Acts of the Russian Federation dd. 23.11.2009. This Program is a constituent part of State Program “Energy-Saving and Energy Efficiency Improvement in the Republic of Tatarstan in 2014-2020”.

In 2014, energy-saving measures were taken within the framework of the Program — implementation of advanced technologies, materials, and equipment ensuring the development of the technological potential of energy conservation.

PROGRAM OBJECTIVE
To enhance the material, financial, labour, and administrative-management resources efficiency.

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

PROGRAM PERSPECTIVES ARE AS FOLLOWS:
• To reduce the energy intensity of manufactured products;
• To reduce heat and electric energy specific consumption;
• To implement advanced energy-saving technologies, materials, and equipment;
• To reduce the loss of heat and electric energy while being used and transported;
• To replace existing incandescent lamps and mercury-vapour lamps by modern energy-saving lamps;
• To use a frequency controlled drive;
• To reconstruct CDSS (central distribution substations), water circulating systems, steam and heat supply systems so as to improve the energy supply reliability;
• To conduct an energy audit and apply the obtained results to enhance energy resources efficiency.

ECONOMIC BENEFITS DUE TO MEASURES IMPLEMENTED UNDER THE PROGRAM, MILLION RUBLLES

<table>
<thead>
<tr>
<th>Year</th>
<th>Water</th>
<th>Electric</th>
<th>Heat</th>
<th>Other resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>97.9</td>
<td>18.5</td>
<td>9.3</td>
<td>127</td>
</tr>
<tr>
<td>2013</td>
<td>125.1</td>
<td>26.4</td>
<td>21.2</td>
<td>185.5</td>
</tr>
<tr>
<td>2014</td>
<td>84.2</td>
<td>51.8</td>
<td>34.2</td>
<td>186.9</td>
</tr>
</tbody>
</table>

500 MILLION RUBLLES
economic benefit within the Program’s 3-year from 2012 to 2014
ENERGY INTENSITY OF COMMODITY OUTPUT

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

-1.4%

Electric intensity index decreased compared to 2013.

+5.6%

Heat intensity index increased compared to 2013.

THE IMPLEMENTATION OF THE ENERGY AND RESOURCE EFFICIENT MEASURES MINIMIZING THE ENERGY CONSUMPTION PER EACH PRODUCT AND PROVIDING THE MOST USE OF THE SECONDARY AND RENEWABLE RESOURCES IS CONSIDERED TO BE ONE OF THE PRIORITIES OF OJSC KAZANORGSIINTEZ
### INFORMATION ABOUT ENERGY CONSUMPTION

OJSC Kazanorgsintez is the industrial enterprise featuring rather high energy consumption.

<table>
<thead>
<tr>
<th>Energy Resource</th>
<th>2013</th>
<th>2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric energy, kWh</td>
<td>1,681,766</td>
<td>1,641,241</td>
<td>-2.4%</td>
</tr>
<tr>
<td>Cost of electric energy</td>
<td>3,337</td>
<td>3,439</td>
<td>+3.6%</td>
</tr>
<tr>
<td>Heat energy, Gcal</td>
<td>3,472.7</td>
<td>3,516.3</td>
<td>+1.3%</td>
</tr>
<tr>
<td>Cost of heat energy, rub./Gcal</td>
<td>1,165.7</td>
<td>1,104.4</td>
<td>-5.3%</td>
</tr>
<tr>
<td>Flammable natural gas, m³</td>
<td>68,753</td>
<td>58,900</td>
<td>-11.6%</td>
</tr>
<tr>
<td>Diesel fuel, t</td>
<td>9,973</td>
<td>9,380</td>
<td>-6.1%</td>
</tr>
<tr>
<td>Motor gasoline, t</td>
<td>782</td>
<td>730</td>
<td>-7.1%</td>
</tr>
</tbody>
</table>

Starting from 1 July 2012 OJSC Kazanorgsintez purchases electricity and power for production needs from the wholesale market.

The legal basis for the operation of the wholesale market of electric energy and power (hereinafter referred to as the “WEM”) is stipulated by Federal Law No. 35-FZ as well as by the Wholesale Market Regulations specified by the Decree of the Government of the Russian Federation No. 1172 dd. 27 December 2010.

OJSC Kazanorgsintez is heat supplied by the following sources:

- Internal steam generation of 13 and 30 at in recovery boilers, transfer line exchangers and contact reactors operated by process shops.
- Kazan combined heat and power plant No.3, a branch of OJSC TGK-16, which provides the Company with heat energy in the form of steam of 13 at, 30 at and 45 at, and heating water.

1 Information about the Company’s outside energy resources used is represented in physical and monetary terms in accordance with the Bank of Russia on December 30, 2014 № 454-P “On information disclosure by Securities Issuers”
OJSC KAZANORGSINTEZ TAKES AN ACTIVE PART IN ACTIVITIES REGARDING ENERGY SAVING AND ENERGY EFFICIENCY IMPROVEMENT

PARTICIPATION IN ACTIVITIES REGARDING RESOURCES EFFICIENCY IN 2014

OJSC Kazanorgsintez is engaged in an active dialogue with the state authorities regarding the energy efficiency improvement. In 2014 a session of the Government of the Republic of Tatarstan “Concerning the results of the Implementation of the Republic’s Program on Energy Conservation and Energy Efficiency Improvement in 2013 and tasks for 2014” was held under the chairmanship of Tatarstan President Rustam N. Minnikhanov. Within the framework of this session the official summing-up and ceremonial awards presentation ceremony took place. The awards were given based on the results of the Republic’s review contest in the implementation in 2013 of the Republic’s program on energy conservation and energy efficiency improvement “Award Winner-2013” among enterprises and organizations of the Republic of Tatarstan.

The achievements of OJSC Kazanorgsintez in the area of energy conservation and energy efficiency were represented as a ranged exhibition at the 14th International Symposium “Energy and Resource Efficiency and Energy Conservation” and 15th Specialized Exhibition “Energy, Resources Conservation-2014” held on 18-20 March 2014 within the territory of Kazan Fair Exhibition Centre in Kazan. Using the presented exposition, Director General of the Company Farid G. Minigulov reported on the achievements of OJSC Kazanorgsintez in the area of energy and resource conservation in front of the Head of the Republic and guests of the exhibition. The General Director of the Company presented a working model of a station for collection, cooling and utilization of steam condensate which was put into operation in the steam supply shop in 2014.

The working group of the specialists of the Chief Power Engineer Department and steam supply shop made a report at scientific and technical conference “Energy and Resource Efficiency in Energy Resources Production, Transfer and Consumption”.

OJSC Kazanorgsintez became one of the winners of contest “Energy-Efficient Equipment and Technologies” and was given a first place diploma for the station for collection, cooling and utilization of steam condensate. Prime Minister of the Republic of Tatarstan Ildar Sh. Khalkov handed over the award to General Director of the Company Farid G. Minigulov.

Within the framework of the unified exposition of the Republic of Tatarstan in 2014, OJSC Kazanorgsintez participated in the exhibition of the 3rd International Forum “Energy Efficiency and Energy Conservation” ENES 2014 held in Moscow. The Company presented a working model of the station for collection, cooling and utilization of steam condensate and gained a diploma.
QUALITY, ENVIRONMENT AND OCCUPATIONAL HEALTH AND SAFETY

INTERNAL AUDIT

The Management of OJSC Kazanorgsintez acknowledges that the Company’s dynamic development and reaching the level of world top petrochemical companies is contingent on the processes and products quality assurance based on the implementation of innovative technologies and modern equipment.

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


EXTERNAL AUDIT


In the course of the recertification audit of the Integrated Management System the Company demonstrated effective implementation, maintenance and improvement as follows:

- Performance criteria of Quality Management System processes were specified, and the degree of conformity therewith is monitored. The monitoring system applicable at OJSC Kazanorgsintez ensures the verification of fulfillment of obligatory requirements for the products;
- Risks and operation criteria were defined and their control means were specified in the area of Occupational Health and Safety;
- Environmental goals and tasks in the area of the Environmental Management System were defined and the achievement thereof is monitored. Environmental aspects are developed.

INTEGRATED MANAGEMENT SYSTEM FOR QUALITY, OCCUPATIONAL SAFETY AND HEALTH, AND ENVIRONMENT PROTECTION (ISMKBTIOZE) OF OJSC KAZANORGSINTEZ CORRESPONDS TO THE INTERNATIONAL AND RUSSIAN STANDARDS
QUALITY

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

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

The Company continues its activity in achieving the stated goals and implementation of voluntary commitments in the area of quality and environment.

QUALITY ASSURANCE POLICY

In 2014, a new revision of the Quality Assurance Policy was approved at the meeting of the Executive Directorate of OJSC Kazanorgsintez1.

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

- increasing of the competitiveness of OJSC Kazanorgsintez and improving financial and economic indicators for providing the stable profit and further production development for the benefit of consumers, shareholders, and investors;
- manufacturing the products of stable quality, meeting and exceeding the consumers’ expectations through compliance with the agreed requirements;
- strengthening of the leadership of the company in the field of plastics production on the Russian market, through increase of the existing production units’ capacities, and creating new production capacities;
- capturing leading positions on the market in the field of polycarbonates production;
- mastering of new kinds of products through the introduction of innovative energy- and resource-saving technologies;
- renovation of the fixed assets of the Company;
- personnel motivation and stimulation through the creation of the working conditions ensuring the company’s personnel conscious involvement in the quality managing process;
- aiming at the priority of long-term cooperation with consumers, suppliers, investors, and other interested parties;
- constant improvement and enhancing the efficiency of quality management and process quality system.

PARTICIPATION IN COMPETITIONS, AWARDS

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

In 2014 the awards were given to the following products:

- Polycarbonate, grade PC-007URL designed for extrusion of items with improved consumer properties as well as for injection molding was awarded with Diploma of laureate and with “Novelty of the year” title at “100 Best Goods of Russia” contest and with Diploma of laureate at “Best Goods of the Republic of Tatarstan” regional contest;
- Monoethanolamine produced at Organic Products and Technical Gases Plant, was awarded with Diploma at “100 Best Goods of Russia” contest and with First Place Diploma at “Best Goods of the Republic of Tatarstan” regional contest.

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

During the reporting year, the Certification Authorities certified 16 kinds of products and issued Certificates of Conformity in GOST R certification system. Inspection control of 51 kinds of products was performed based on contracts signed with OJSC Kazanorgsintez. Upon the results of the inspection control, the earlier issued certificates of conformity have been confirmed.

99.9%
Volume of products accepted by the Quality Control Department upon initial presentation

96%
The amount of the certified products in the total production output of the Company in 2014 (in 2013 — 95,8%)

51.9 BLN. RUBLES
The amount of certified products produced in 2014

1Minutes No.11 dd. 26 June 2014. Full text of the Quality Assurance Policy is given at the corporate website.
ENVIRONMENT

OJSC Kazanorgsintez uses the precautionary principle and carefully evaluates possible consequences when making certain decisions thus avoiding serious or irreversible damage to environment. The Company’s Management annually prepares and approves the Environment Management Program to provide for sustainable development.

Specific tasks of the Program are environmental progress and increasing of emergency reliability of production, development of environmental facilities, creation of effective monitoring system, improvement of environmental management system, and addressing of certain environmental issues.

The Company’s activity is carried out within the framework of the applicable environmental legislation of the Russian Federation and the Republic of Tatarstan based on the developed and approved permissive environmental documentation1, and in accordance with Environmental Management System, which allows both continuous monitoring and evaluation of the effectiveness of the Company in this area.

ENVIRONMENTAL POLICY2

OJSC Kazanorgsintez as a manufacturer of the organic synthesis products, inorganic products, polymers, plastics and plastic goods realizes that production processes adversely affect the environment, and in this connection, the Company considers the Environmental Management System as one of the most priority field of activity and the basis for successful development of the Company.

ENVIRONMENTAL STRATEGY

Sustainable development of the Company along with dynamic improvement of the environment conditions, maximum efficient use of natural resources, and preservation of the environment for the fully-featured life of future generations by means of minimizing adverse man-made impact on the environment.

ENVIRONMENTAL OBJECTIVES

- To ensure functioning and improvement of the Environmental Management System in accordance with the requirements of the International Standard, enabling to achieve the set goals with optimal costs and high efficiency;
- To reduce environmental pollution by means of the implementation of advanced technologies;
- To meet the requirements of the legislation of the Russian Federation and the Republic of Tatarstan, standards and regulations in the field of natural resources management, environment protection and environmental safety;
- To reduce specific quantity of emissions, effluents and wastes;
- To arrange efficient use of raw materials and power resources and to implement resource-saving technologies;
- To reduce the risk of accidents with ecological consequences through technological equipment reliability improvement, and providing safe and accident-free operation for this equipment;
- To arrange monitoring of primary and secondary processes impact on the environment;
- To increase the Company’s personnel qualification in the field of efficient use of natural resources, environment protection and environmental safety.

ENVIRONMENTAL ACTIVITIES

- The residual cost of industrial nature protection assets as of the end of the reporting year. Main industrial nature protection assets include:
  - Flare units;
  - Liquid wastes thermal neutralization unit;
  - Unit for collection and recycling of hydrocarbon purges with their return to the process;
  - Green plantings;
  - Cycle waters cooling towers;
  - Treatment facilities and other assets.

ACTIVITIES

- Total amount of expenses for environmental measures aimed to prevent harmful environmental impact from production facilities in the reporting year (in 2013 — 142.3 mlr rubles).

1 The list of major documentation regulating the activities of OJSC Kazanorgsintez within the framework of the provision for environmental safety can be found in Section “Environmental Responsibility”, Sustainable Development Report of OJSC Kazanorgsintez in 2014.
2 Minutes No.11 dd. 26 June 2014. Full text of the Environmental Policy is given at the corporate website.
NORMS FOR TOTAL GROSS EMISSION OF HAZARDOUS SUBSTANCES TO ATMOSPHERE, WATER CONSUMPTION LIMITS, POLLUTANTS DISCHARGE TO WATER BASINS, AND WASTE GENERATION LIMITS WERE NOT EXCEEDED IN 2014

CONTAMINANTS

Amount of contaminants generated by production and consumption at OJSC Kazanorgsintez, thousand tonnes

<table>
<thead>
<tr>
<th>Total amount of contaminants</th>
</tr>
</thead>
<tbody>
<tr>
<td>36.4</td>
</tr>
<tr>
<td>-1.1%</td>
</tr>
<tr>
<td>36</td>
</tr>
</tbody>
</table>

Atmospheric emissions

<table>
<thead>
<tr>
<th>Atmospheric emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.6</td>
</tr>
<tr>
<td>+1.9%</td>
</tr>
<tr>
<td>10.8</td>
</tr>
</tbody>
</table>

Solid wastes from production and consumption

<table>
<thead>
<tr>
<th>Solid wastes from production and consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>21.8</td>
</tr>
<tr>
<td>-3.2%</td>
</tr>
<tr>
<td>21.1</td>
</tr>
</tbody>
</table>

Fixed capital investments aimed at environmental protection and efficient use of natural resources (stat. Form No. 18-KS)

Use of effective coke formation inhibitors in Ethylene production shops resulted in the reduction of waste generation thus enabling to solve environmental task of coke wastes reduction.

Contaminants in waste waters

<table>
<thead>
<tr>
<th>Contaminants in waste waters</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.0</td>
</tr>
<tr>
<td>+5%</td>
</tr>
<tr>
<td>4.2</td>
</tr>
</tbody>
</table>
OJSC KAZANORGSINTEZ CONSTANTLY PERFORMS WORKS ON INCREASING THE RECIRCULATION WATER UTILIZATION EFFICIENCY THROUGH INTRODUCTION OF ADVANCED TECHNOLOGIES FOR WATER PREPARATION AND COOLING TOWERS REVAMP

WATER CYCLE

Water consumption in recirculation water system, thousand m³

<table>
<thead>
<tr>
<th>Year</th>
<th>Supplied water</th>
<th>Water consumption in recirculation water system</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>564,498.4</td>
<td>97.2%</td>
</tr>
<tr>
<td>2014</td>
<td>590,359.1</td>
<td></td>
</tr>
</tbody>
</table>

WASTE WATER TREATMENT

Release of pollutants to water bodies is performed based on the following documents:

• Draft Maximum Permissible Level of Substances and Microorganisms Released with Wastewaters to Surface Water Bodies;
• Water Pollutant Discharge Permits;
• Decision on Granting of Water Bodies for Use

All contaminated industrial, storm and domestic effluents of the Company undergo a treatment at treatment facilities of industrial wastewaters neutralization and treatment shop of OJSC Kazanorgsintez where the wastewaters separately pass mechanical treatment and jointly pass biological treatment.

In 2013, the Company finished construction and commissioning of treated storm waters pump station for feeding recirculation water systems 906 and 912.

Currently, a design assignment has been developed for construction of pipelines for feeding recirculation water systems No. 509, 2051, 781, 77 with treated industrial and storm waters that would allow for further decrease in consumption of Volga river water and, as a consequence, the amount of wastewaters discharge.

In industrial wastewaters neutralization and treatment shop neutralizing agent sulfuric acid was replaced with liquid carbon oxide that led to decrease of sulfates and solids residue content in treated wastewaters by 1,140.5 tonnes and by 727.3 tonnes correspondingly.

Waste water discharge thousand m³

<table>
<thead>
<tr>
<th>Year</th>
<th>Discharged to Volga river</th>
<th>Established limit</th>
<th>All effluents passed mechanical and biological treatment.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>11,889.3</td>
<td>14,216.6 m³/year</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>12,068.6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total amount of pollutants discharged with wastewaters to Volga river, kta /year

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>3.98</td>
</tr>
<tr>
<td>2014</td>
<td>4.15</td>
</tr>
</tbody>
</table>
### Monitoring of Compliance with Environmental Legislation

Environmental compliance is monitored by inspection bodies and internal services for environmental protection and production supervision of the Company by means of individual checks and environmental management system audits.


As of the end of the reporting year, the main violations have been eliminated and the others are being remedied. Penalties for the violations in the area of environmental protection were not imposed at OJSC Kazanorgsintez.

#### Payments for Harmful Environmental Impact

Payments for harmful environmental impact in 2014 (in 2013 — 2.6 mln rubles). The main reason of an increase in payments for harmful environmental impact is the increase in the environmental significance factor, and revision and approval of new permitting documents.

#### Number of Checks Conducted in Accordance with the Consolidated Plan Aimed at Production Supervision of Compliance with Environmental Protection Standards

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Checks Conducted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>82</td>
</tr>
<tr>
<td>2013</td>
<td>109</td>
</tr>
<tr>
<td>2014</td>
<td>59</td>
</tr>
<tr>
<td>2014</td>
<td>35</td>
</tr>
</tbody>
</table>

All the violations were eliminated within the set time limits.

#### Environmental Violations Revealed during the Comprehensive Audit of the Integrated Management System for Quality, Health, Occupational Safety, and Environment Protection

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Violations Revealed (and Documented in Acts and Orders)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>277</td>
</tr>
<tr>
<td>2013</td>
<td>82</td>
</tr>
<tr>
<td>2014</td>
<td>35</td>
</tr>
<tr>
<td>2014</td>
<td>59</td>
</tr>
</tbody>
</table>

#### Participation in Environmental Events

In 2014, OJSC Kazanorgsintez traditionally took part in Republic’s ecological contest Eco-leader held among companies of the Republic of Tatarstan to demonstrate its activity in the field of environmental protection, as well as participated in Oil, Gas, Petrochemistry – 2014 Exhibition.

Openness and availability of the results of the Company’s activities in the field of environmental protection as well as the compliance with world environmental standards imposing specific requirements on European largest chemical enterprises are evidenced by the participation of OJSC Kazanorgsintez in exhibitions and conferences dedicated to environmental safety.
OJSC KAZANORGSINTEZ IS INCLUDED IN THE REGISTER OF EMPLOYERS GUARANTEEING THE IMPLEMENTATION OF LABOR AND EMPLOYMENT RIGHTS

OCCUPATIONAL AND INDUSTRIAL SAFETY

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


A recertification audit of the Integrated Management System for Quality, Occupational Safety, Health and Environment Protection was conducted in November 2014 based on the results of which OJSC Kazanorgsintez obtained a certificate of compliance of this System with the international standards as well as of its efficient implementation and improvement.

POLICY ON SAFETY AND HEALTH

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

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

STRATEGY AND OBJECTIVES

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

• Provision of safe work conditions for personnel and trouble-free operation of equipment.

PROCEDURES AND REGULATIONS

Documented procedures for monitoring, prevention and analysis of industrial injuries and accidents were developed and implemented at OJSC Kazanorgsintez. The following local regulatory acts were approved and brought into force:

• STO ISM;

• “Regulation on Production Supervision of Compliance with Industrial Safety requirements at Hazardous Facilities of OJSC Kazanorgsintez”;

• “Regulation on Industrial Safety Management System of OJSC Kazanorgsintez”;

• “Industrial Safety Policy”.

A recertification audit of the Integrated Management System for Quality, Occupational Safety, Health and Environment Protection was conducted in November 2014 based on the results of which OJSC Kazanorgsintez obtained a certificate of compliance of this System with the international standards as well as of its efficient implementation and improvement.

483.3 MLN RUBLES

Costs to ensure occupational safety at OJSC Kazanorgsintez, which increased by 10% compared with the year of 2013

1Adopted at a meeting of the Executive Directorate of JSC “Kazanorgsintez” Protocol №11 dd 26 June 2014.
• Provision of Occupational Health and Safety Management System functioning and increase of its efficiency.

• Resource allocation management taking into account the significance of risks in the area of labor protection and industrial safety.

• Extension of Occupational Health and Safety Management System requirements to activity of outside companies performing works at OJSC Kazanorgsintez objects.

• Giving coverage of occupational health and safety issues at OJSC Kazanorgsintez official website and Sintez newspaper.

• Provision of occupational health and safety for all OJSC Kazanorgsintez employees through prevention of incidents and occupational diseases at workplaces.

• Observance of legislative and other regulatory and legal acts, collective agreements, different documents and requirements that OJSC Kazanorgsintez have undertaken to fulfill.

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

In 2014, Industrial Safety Department of OJSC Kazanorgsintez adhered to selected Comprehensive Program for Industrial Safety Improvement of OJSC Kazanorgsintez Production Facilities for 2012-2015. The Program includes 103 activities.

SAFETY

No accident was reported at OJSC Kazanorgsintez in 2014.

A hazardous facility local warning system was put into testing operation at OJSC Kazanorgsintez. The system is included into the Unified State Emergency Prevention and Response System of the Russian Federation being reasonably a part of the implementation of the Decree of the President of the Russian Federation No.1522 “On Development of the Integrated System of Emergency Public Notification on Risks of Emergency or Emergency Situations” dd. 13.11.2012.

Special tactical training drills to check the interaction of radiation and chemical defense crews at the elimination of the emergencies involving release of harmful chemical substances are annually held within the territory of hazardous production facilities of OJSC Kazanorgsintez.

Special tactical training exercises and training meetings of dispatchers of chemically hazardous facilities of Kazan and the Republic of Tatarstan regarding “Actions to be taken by a radiation and chemical protection team at the elimination of an accident involving release of harmful chemical substances at a chemically hazardous production facility”, were held in May, 2014 in the shop of Organic Products and Industrial Gases Plant of OJSC Kazanorgsintez. Besides the radiation and chemical defense team, permanent and volunteer emergency response teams of the Company as well as the shop personnel participated in the training.

The readiness and actions taken by the Company's emergency response teams and employees were highly appraised in the Order of the Head of Civil Defense, the Prime Minister of the Republic of Tatarstan, No. 26 dd. 17.06.2014 issued following the results of the training.

MEDICAL EXAMINATION

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

PERSONNEL CERTIFICATION

Once in three years all managers and key personnel of the Company undergo performance pre-assessment according to the programs agreed upon with the Volga Region Administration of the Federal Service for Ecological, Technological and Atomic Supervision followed by performance assessment in the Assessment Commission of OJSC Kazanorgsintez. The members of the Company's Assessment Commission are certified in the Central Assessment Commission of the Federal Service for Ecological, Technological and Atomic Supervision. In 2014, the Company's Assessment Commission carried out 840 assessments of the managers and key personnel knowledge in the field of industrial safety and occupational health.

Managers and key personnel of the Company as well as representatives of the occupational safety and health service in the amount of 60 people underwent training and their appropriate knowledge was assessed at the specialized educational institution.

HUMAN RESOURCES MANAGEMENT

THE MAIN OBJECTIVE OF PERSONNEL POLICY
is timely provision of the Company with necessary number of personnel with appropriate qualification.

MAIN PRINCIPLES OF PERSONNEL POLICY
The relations with employees are built being based on the principles of the Company’s personnel policy which in turn is focused on achievement of strategic goals and high production and economic indicators.

Personnel policy of OJSC Kazanorgsintez is centered around the following principles:

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

MAIN AREAS OF PERSONNEL POLICY
• determination of basic requirements to the personnel, taking into account the Company’s development prospects;
• formation of new HR structures and development of personnel management procedures;
• formation of the labour remuneration concept, moral and material personnel incentives, taking into account the planned business strategy;
• finding the ways of personnel attraction, use, preservation and deliverance;
• development of social relations;
• finding the ways of manpower development, study, training, raising the level of their skills, career development;
• improvement of staff morale.

MAIN CORPORATE DOCUMENTS
HR activities are carried out in accordance with approved corporate documents and policies such as:

• Provisions on organization of works on employment to vacancies;
• Provisions on premium remuneration of the employees based on the operating results as of the end of a month;
• Integrated Management System Standard STO ISM 6.2-4.4.2-4.4.2-27-2013 “Human Resources” etc.

JUST LIKE ANY PRODUCTION COMPANY, OJSC KAZANORGSINTEZ IS FOCUSED ON MAXIMIZATION OF PROFIT WHICH PRIMARILY DEPENDS ON THE COMPANY’S MANPOWER

1 The complete list of the corporate documents regulating the Company’s Management relations with the employees is given in Appendix 1, OJSC Kazanorgsintez Sustainable Development Report.
MANAGEMENT OF THE COMPANY CONSIDERS INVESTMENTS INTO EMPLOYEES TRAINING AND EDUCATION TO BE AN ESSENTIAL OF LABOUR EFFICIENCY IMPROVEMENT

PROFESSIONAL EDUCATION

10,484 THOUSAND RUBLES
were spent for training of the personnel in 2014.

4,704 PEOPLE
(57 % of the average listed number of personnel) got professional education in 2014.

63% is the share of the total number of trained employees of the Company undergone internal training.

The necessary educational base including 23 classes for personnel professional education is created.

There are highly skilled pedagogical experts among the employees of the Company who carry out on-job professional training:

• 597 teachers
• 548 instructors

The necessary conditions for combining work and study are created for employees carrying out the education without discontinuing work.

RECRUITMENTS

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

In 2014, in order to improve the Company’s employees qualification procedures certain changes were implemented in the Provisions on OJSC Kazanorgsintez Personnel Certifications.

Outside selection of the personnel was performed mainly through attraction of graduates by means of presentations in the education institutions and interviewing of future graduates.

As a part of the targeted training program, 599 students passed the field experience training at the facilities of the Company.

Graduates of the following educational institutions make 35% of total number of the personnel hired in 2014:

• Kazan National Research Technological University;
• Kazan Petrochemical College named after Lushnikov;
• Kazan State Power Engineering University;
• Kazan National Research Technical University named after Tupolev.

AWARDS AND ACKNOWLEDGMENTS

1,023 EMPLOYEES of OJSC Kazanorgsintez were honored with different rewards, of them 7 were rewarded with the title of Honored Employee of the Company.

89 EMPLOYEES of the Company were awarded with outside acknowledgements, honorary titles and other awards of them 2 employees were awarded with a honorary title “Honored Chemist of the Republic of Tatarstan”.

1 Professional Education of Company’s personnel in 2014 was performed in accordance with Collective Labor Agreement of OJSC Kazanorgsintez and with Integrated Management System Standard STO ISM 6.2-4.4.2-4.4.2-27-2013 “Human Resources”.
2. PRIORITY PRODUCTION ACTIVITIES

The staff turnover rate in 2014 made 8.9% (in 2013 – 9.2%).

The average salary in the Company in 2014

The average salary growth compared to the last year.
OJSC KAZANORGSINTEZ PAYS GREAT ATTENTION TO ATTRACTION, TRAINING, AND KEEPING THE HIGHLY QUALIFIED EMPLOYEES AS WELL AS TO EDUCATION AND DEVELOPMENT OF THE YOUNG GENERATION IN THE REGION

The personnel structure by age did not change significantly.

- 1.4% Above 61 years old
- 22.0% from 51 to 60 years old
- 24.1% from 41 to 50 years old
- 24.5% from 31 to 40 years old
- 28.0% under 30 years old

The share of the personnel with higher education increased insignificantly.

- 43.4% (3,756 people have higher education (2013 — 43.1%)
- 35 Doctors of Philosophy and 1 Doctor of Engineering Science
- 56.6% (4,894 people have no any higher education (2013 — 56.9%)

A part of the vacancies of the Company is covered from local employees, especially when it relates to managerial positions. Such policy allows promoting of an employee having certain working experience and being familiar with production process, having all required permits to a vacant managerial position.

On the other hand such practice, apparently, motivates the talented employees and gives them a real chance for carrier promotion.

In 2014, HR Department arranged 2,209 transfers. Of them 123 people were transferred to higher position and for 95 workers the category was increased.

<table>
<thead>
<tr>
<th>AGE STRUCTURE</th>
<th>EDUCATION</th>
<th>PERSONNEL STRUCTURE BY CATEGORIES,</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>
| The personnel structure by age did not change significantly | The share of the personnel with higher education increased insignificantly | 0.8% office workers (2013 — 0.9%)
| 1.4% Above 61 years old | 43.4% (3,756 people have higher education (2013 — 43.1%) | 13.9% managers (2013 — 14.0%)
| 22.0% from 51 to 60 years old | 35 Doctors of Philosophy and 1 Doctor of Engineering Science | 14.3% specialists (2013 - 14.0%)
| 24.1% from 41 to 50 years old | 56.6% (4,894 people have no any higher education (2013 — 56.9%) | 71.0% workers (2013 — 71.2%)
| 24.5% from 31 to 40 years old | | |
| 28.0% under 30 years old | | |

40 YEARS OLD +15.3% is the average personnel age at the Company labor efficiency growth compared to 2013 in current prices.
SOCIAL POLICY AND CHARITY

SOCIAL RESPONSIBILITY PRINCIPLE

OJSC Kazanorgsintez follows a policy of social responsibility to its personnel, members of their families, population of the Republic of Tatarstan, and the society in general. Aiming to harmonize the own business-purposes with the purposes of society development, OJSC Kazanorgsintez builds up a system of social guarantees and benefits according to its financial capabilities and specificity of the industry.

OJSC Kazanorgsintez’s activity in the social field is directed to the creation and keeping up of favorable conditions for effective labor activity, creation of healthy psychological environment, and giving social support to the staff of the Company.

MAIN DOCUMENTS

Control over relations in social and labor area between employee and employer is performed through Collective Labour Agreement. In February 2014 the Company signed new Collective Labour Agreement for 2014 – 2016 which preserves all of the benefits and guarantees and sets forth a number of mutual obligations not requiring any expenses and meanwhile preventing both individual and collective labour disputes, providing stability in the labour collective and mutual respect of the parties.

In 2014, the basic statements of OJSC Kazanorgsintez Collective Labor Agreement for 2014-2016 are implemented to full extent.

SOCIAL BENEFITS FOR EMPLOYEES

In 2014, for the account of OJSC Kazanorgsintez the personnel was provided with different kinds of social benefits, such as:

- lump-sum payments to labor veterans being retired;
- partial repayment for treatment or recreation to Company’s personnel and their family members;
- privileges to pregnant women and to women with children;
- refund of payments for pre-school institutions;
- refund of dentoprosthetic expenses;
- non-state pension provision;
- delivery of the personnel to and from their work offices by Company’s bus;
- allocation of funds to the Pensioners Council to render financial assistance to former Company’s employees etc.

As per the Collective Labour Agreement, social benefits package of the Company’s employees includes 27 basic benefits and guaranteed payments which may be used by an employee.

More information about Basic List of Benefits and Payments included in the social benefits package of OJSC Kazanorgsintez’ employees, estimates and terms and conditions you can find in Sustainable Development Report of OJSC Kazanorgsintez.

EXPENDITURE PATTERN FOR MAINTENANCE OF SOCIAL FACILITIES AND WELFARE PAYMENTS IN 2014

1,381.5 MLN RUBLES

expenditures for maintenance of social facilities and welfare payments in 2014
THE MANAGEMENT OF OJSC KAZANORGSIINTEZ PLACES ALL THEIR EFFORTS TO MAXIMIZE THE PRODUCTION AND COMMERCIAL ACTIVITIES RESULTS, TO OBSERVE SHAREHOLDERS’ RIGHTS AND INTERESTS, AND TO FULFILL ITS SOCIAL OBLIGATIONS

PROGRAMS AND PROJECTS

Realizing that the high social responsibility to the related parties is an indisputable precondition for increasing the efficiency and competitiveness, the Company continued supporting different social-oriented projects in 2014.

PENSION PROVISION

The program of non-state pension provision of OJSC Kazanorgsintez employees has been functioning since 1999.

In 2014, about 120 non-state pensions were allocated to former Company’s employees. As of the end of the reporting year there were more than 1.8 thousand people, getting the pension from the non-state pension fund.

In 2014, the Company transferred 23.4 million rubles to the non-state pension provision fund. Company’s expenses for lump-sum payments to retiring persons in 2014 made 8.3 mln rubles. Payments to veterans, pensioners and disabled persons made 9.3 mln rubles in 2014.

CHARITY

Total amount of funds transferred by OJSC Kazanorgsintez for charity and sponsorship made 88.7 million rubles in 2014. Traditionally the Company rendered financial and organizational support to sports, educational and medical events.

In 2014, OJSC Kazanorgsintez cooperated with the following charity funds: Ak Bars Sozidanie charity fund, Non-state charity fund of security bodies employees and veterans of the Republic of Tatarstan, State-financed entity Rehabilitation Center (GBU RC) for children and teenagers with disabilities in Kazan city. The Company took part in organization of the republican competition among the disabled women titled “A Pearl of Tatarstan 2014”.

HOUSING PROVISION

Over the period from 2005 to 2014 some 586 employees of OJSC Kazanorgsintez and their families improved their housing conditions under the Social Mortgage Program.

In 2014, 73 families of the Company’s employees were able to select the flats. Moreover, a decision on allocation of 1600 flats to the Company’s employees needing an improvement of their living conditions on favorable terms till 2016 is made and an agreement with State Housing Fund under the President of the Republic of Tatarstan is signed in May 2014. In June 2014 the General Director signed the Order on implementation of Regulations on Provision of Housing to the Employees of OJSC Kazanorgsintez within the frameworks of Housing Construction Programs.

Furthermore, in January 2015 in order to decrease the employees’ expenses when buying the housing the Company revised the Regulations on Provision of Special-purpose Loans to the Employees of OJSC Kazanorgsintez as an Initial Installment when Buying the Housing and Regulations on Provision of Benefits to the Employees of OJSC Kazanorgsintez when Buying the Housing.

1 State-financed entity Rehabilitation Center

2Nonprofit Organization State Housing Fund under the President of the Republic of Tatarstan is implementing the program of social mortgage since 2005 according to the Act of the Republic of Tatarstan number 69-З RT “On state support of housing construction in the Republic of Tatarstan” dd. December 27, 2004.

THE PRIORITY SOCIAL AREAS OF OJSC KAZANORGSIINTEZ’S SOCIAL POLICY CORRESPOND TO NATIONAL PROJECTS BEING REALIZED IN THE REGION AND THE COUNTRY
SOCIAL DIVISIONS OF THE COMPANY

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

PUBLIC CATERING COMPLEX

Public Catering Complex is located at the territory of OJSC Kazanorgsintez and includes 12 canteens and 3 luncheon bars with 1,448 seats. OJSC Kazanorgsintez aims not only to provide its employees with lunch meal but also covers the major part of the expenses. Thanks to this personnel of the Company may get well-balanced meal with discount off the price. A Public Control Commission functioning in the Company controls the operation of the Public Catering Complex. Members of the Commission check the quality of cooked dishes, their compliance to menu, and observance of established prices and perform interviewing of the visitors of the Complex.

The Company continuously performs works on repairing of buildings and facilities, replacement of obsolete equipment in all branches of the Complex. For example, in 2014, in order to improve the working conditions of the Catering Complex personnel the Company repaired all of the premises in the Branch No. 4 (building 0809) and reconstructed its ventilation system and installed air conditioning system.

Over the course of the reporting year personnel of the Complex carried out consumer-oriented questioning where Company’s employees evaluated the activity of the Complex under the fivegrade scale. In accordance with tradition, the Catering Complex carried out National Cuisine Days, Pancakes and Pelmeni Days, Harvest Day, talent competitions in “The Best Public Catering Complex Branch” and “The Best in Profession” categories.

RECREATION CENTERS: SOLNECHNY, SHELANGA, OBSERVATORIYA

The comfortable territory and buildings equipped with all necessary facilities allow accepting the workers of the Company and members of their families for the rest at Solnechny recreation center all the year round. In summer period recreation camps Shelanga and Observatoriya are functioning. The House of Fisherman opens every winter season in Observatoriya recreation center to provide rest for the Company’s employees and outsiders.

In total 2,808 people were hosted by the recreation centers in the course of year 2014. OJSC Kazanorgsintez also takes care of the children of its personnel. Traditionally OJSC Kazanorgsintez pays special attention to children summer health promotion campaign. In 2014 Solnechny recreation center hosted 655 children of Company’s employees during their summer holidays. In 2014 the Company compensated a part of the package price to its employees in the amount of 8.2 million rubles.

MEDICAL AND SANITARY UNIT

The structure of the medical-sanitary unit of OJSC Kazanorgsintez includes polyclinic with day time hospital, 2 round-the-clock working health centers and the sanatorium equipped with the up-to-date medical equipment.

The Management of OJSC Kazanorgsintez takes care of the health of its personnel and places all efforts to make medical service qualitative and affordable.

Company’s personnel get medical services under the state program (OMS), as well as under voluntary medical insurance program (DMS). Within the frames of DMS Program Company’s employees and their families may spent their vacation or get medical treatment in the sanatorium at favorable prices paying only 20% of the cost. All medical examinations required to be hired to the Company as well as annual medical examinations are carried out by the specialists of the Medical and Sanitary Unit.

6,154 EMPLOYEES have undergone the annual medical examination in 2014
ORGSINTEZ SWIMMING POOL

Sintez Swimming Pool provides services to the population of the city and to OJSC Kazanorgsintez’s employees on equal terms. Sport and health groups, groups for swimming lessons, aquaerobics and shaping groups are successfully working in the pool.

Personnel of the Pool pays great attention to work with school students, to their swimming training and to attraction of children to systematic swimming exercises aimed at health promotion and cold training from early age. In the reporting period the Pool hosted 21 mass sport events with participation of 19 thousand people. Moreover the swimming pool is a base facility for Idel Competitive Swimming Veterans Club which includes workers and veterans of OJSC Kazanorgsintez. The members of the Club take part in Russian and World Championships.

OJSC Kazanorgsintez’ swimming pool is a training center for Premium League Water Polo Team “Sintez” for which OJSC Kazanorgsintez is the single and irreplaceable founder for more than 40 years. Sintez team annually takes part in Russian and International championships and competitions and defends the sport interests of the city and the Republic of Tatarstan and creates a favorable public image within the country and abroad.

HOUSING COMPLEX

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

SINTEZ WATER-ROWING CENTER

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

OJSC KAZANORGSINTEZ’S HISTORY MUSEUM

OJSC Kazanorgsintez’s History Museum has been working since 1977. During the reporting period the Museum held 162 free excursions with 1,198 visitors.

SOCIAL REPORTING TOOLS

An internal web-site and the newspaper Sintez published in the Company provide for a uniform information space at OJSC Kazanorgsintez. The basic tools of the social reporting of the Company comprise the official web-site of the Company www.kazanorgsintez.ru, weekly meetings of the trade-union committee leaders, annual report of financial and economic activity of the Company.

Starting from 2014 the Company commenced publication of non-financial report along with financial and operating results, and in this respect the Company in details discloses and describes social and environmental performance indicators of OJSC Kazanorgsintez. Furthermore, Sustainable Development section is created on the corporate web-site where the Company publishes the information on key areas of activity in the field of sustainable development, sustainable development operation principles, Stakeholder map and OJSC Kazanorgsintez’s Sustainable Development Strategy.

COMMERCIAL ACTIVITY
3. COMMERCIAL ACTIVITY

Kazanorgsintez

3. COMMERCIAL ACTIVITY Kazanorgsintez

72  |  CONTENTS

OJSC Kazanorgsintez

–14.6%  –9.5%

2012 2013 2014

1,406 1,689,1,710

1,547 1,715

Europe Russia

Due to LDPEDue to HDPE

Change of production

CJSC Samaranefteorgsintez

+3.6%  +26.6%

Because of the long forced
inactive of LLC Stavrolen
(Budenovsk) due to the accident
at the plant in February 2014
and reduction of HDPE production
volumes at PJSC Nizhnekamsneftekhim
by 2.8%. Other Russian producers
incerased their output.

Because of the lower LDPE production
volumes at OJSC Kazanorgsintez
by 31.2 thousand tonnes or
by 13.5%, mainly due to the lack
of raw material supply
and redistribution of existing
raw material for HDPE
production to meet market demand.

–231.6  –18.4

(–13.5%) (–1.1%)

REASONS FOR PRODUCTION VOLUMES DECREASE

384.4 416.4

(24.8%) (28.4%)

–3.1% due to LDPE
–24.3% due to HDPE

–6.5%–6.5%

–27.4%–27.4%

Reasons:

1. More favorable market
situation prices in the
Russian market

2. Underutilization of
LLC “Stavrolen” capacity

POSITION IN INDUSTRY

SALES GEOGRAPHY OF THE COMPANY IS
CONSTANTLY EXPANDING. THAT INCREASES
THE SHARE OF OJSC KAZANORGSINTEZ IN THE
KEY PRODUCTS MARKET

>170

KINDS OF
CHEMICAL
PRODUCTS

OJSC Kazanorgsintez sells
annually.

>900

THOUSAND TONNES

the volume of commodity output in
2014. The products correspond to inter-
national quality standards GOST R ISO
9001-2008 (ISO 9001:2008) and GOST

~1,000

COMPANIES

consume our products. In 2014
OJSC Kazanorgsintez sold products to 24
countries of the world1, including Russia.
Manufactured products are shipped di-
rectly to customers and through dealers.

SHARE OF OJSC KAZANORGSINTEZ KEY PRODUCTS
IN ALL-RUSSIAN PRODUCTION,
thousand tonnes

<table>
<thead>
<tr>
<th>Production volumes in Russia, thousand tonnes</th>
<th>Ethylene Polymers and Copolymers</th>
<th>Polycarbonate</th>
<th>Bisphenol A</th>
<th>Ethanolamines</th>
<th>Acetone</th>
<th>Phenol</th>
<th>PE pipes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,465</td>
<td>100% (62)</td>
<td>53.5% (62)</td>
<td>38.2% (13)</td>
<td>29.6% (45)</td>
<td>29.1% (70)</td>
<td>7% (25)</td>
<td></td>
</tr>
</tbody>
</table>

*Including internal consumption

1 OJSC Kazanorgsintez sales geography is presented in details in Sustainable Development Report 2014

OJSC Kazanorgsintez sells annually.

OJSC Kazanorgsintez sells annually.

OJSC Kazanorgsintez sells annually.
BASIC PRODUCTS MARKETS REVIEW

ETHYLENE POLYMERS AND COPOLYMERS

ETHYLENE POLYMERS AND COPOLYMERS MARKET IN RUSSIA, EXPORT AND IMPORT,
thousand tonnes

<table>
<thead>
<tr>
<th>Production</th>
<th>Consumption</th>
<th>Export</th>
<th>Import</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,406</td>
<td>2012</td>
<td>1,715</td>
<td>1,710</td>
</tr>
<tr>
<td>1,465</td>
<td>2013</td>
<td>1,715</td>
<td>1,710</td>
</tr>
<tr>
<td>1,547</td>
<td>2014</td>
<td>1,715</td>
<td>1,710</td>
</tr>
</tbody>
</table>

Due to HDPE
Because of the long forced inactivity of LLC Stavrolen (Budenovsk) due to the accident at the plant in February 2014 and reduction of HDPE production volumes at PJSC Nizhnekamskneftekhim by 2.8%. Other Russian producers increased their output.

Due to LDPE
Because of the lower LDPE production volumes at OJSC Kazanorgsintez by 31.2 thousand tonnes or by 13.5%, mainly due to the lack of raw material supply and redistribution of existing raw material for HDPE production to meet market demand.

REASONS FOR PRODUCTION VOLUMES DECREASE

MAIN RUSSIAN HDPE PRODUCERS,
production volume in thousand tonnes

<table>
<thead>
<tr>
<th>OJSC Kazanorgsintez</th>
<th>2014</th>
<th>2013</th>
<th>Change of production volume to 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>489.5</td>
<td>472.5</td>
<td>+3.6%</td>
</tr>
</tbody>
</table>

CJSC Samaranefteorgsintez

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>92.9</td>
<td>73.4</td>
</tr>
</tbody>
</table>

DYNAMICS OF AVERAGE PRICES FOR ETHYLENE POLYMERS AND COPOLYMERS IN 2014 *,
$/tonne

<table>
<thead>
<tr>
<th></th>
<th>Europe</th>
<th>Russia</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q I</td>
<td>1,834</td>
<td>1,732</td>
<td>2,325</td>
</tr>
<tr>
<td>Q II</td>
<td>1,764</td>
<td>1,763</td>
<td>1,484</td>
</tr>
<tr>
<td>Q III</td>
<td>1,541</td>
<td>1,553</td>
<td>1,449</td>
</tr>
<tr>
<td>Q IV</td>
<td>1,222</td>
<td>1,449</td>
<td>1,222</td>
</tr>
</tbody>
</table>

THOUSAND TONNES

690

of ethylene polymers and copolymers were produced by OJSC Kazanorgsintez in 2014.

47.1% the share of OJSC Kazanorgsintez in the RF market

* Terms of delivery: FCA Kazan
Source: Market Report Company (MRC), Cortes (Reuters), HimKurer; ICIS LDR, internal analytical information of the Company. Prices on the Russian market are given in US dollars at the average nominal exchange rate of the Central Bank of the Russian Federation for the period.
3. COMMERCIAL ACTIVITY

The decrease in total production volume was caused by reduction of production capacities by smaller producers, the capacity utilization rate for them made 44.6% in aggregate. In this regard, the total production decreased despite the fact that large companies showed an increase in production.

The increase of OJSC Kazanorgsintez’s share in the total production of polyethylene pipes in Russia was mainly connected with production volumes growth.

OJSC Kazanorgsintez did not export pipes in 2014.

The decrease in the production volumes caused the increase of import share in total Russian market demand.

Information source: OJSC Kazanorgsintez

**POLYETHYLENE PIPES**

**POLYETHYLENE PIPES MARKET IN RUSSIA, EXPORT AND IMPORT.**

**thousand tonnes**

- **Production**
- **Consumption**
- **Export**
- **Import**

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Consumption</th>
<th>Export</th>
<th>Import</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>345</td>
<td>354</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>390</td>
<td>398</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>350</td>
<td>360</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The decrease in total production volume was caused by reduction of production capacities by smaller producers, the capacity utilization rate for them made 44.6% in aggregate. In this regard, the total production decreased despite the fact that large companies showed an increase in production.

OJSC Kazanorgsintez did not export pipes in 2014.

The increase of OJSC Kazanorgsintez’s share in the total production of polyethylene pipes in Russia was mainly connected with production volumes growth.

Information source: OJSC Kazanorgsintez

**MAIN PRODUCERS.**

% from the total production volume

- **OJSC Kazanorgsintez**
  - 5.6% in 2013
  - +9.1% Change of production volumes to 2013
  - The increase of OJSC Kazanorgsintez’s share in the total production of polyethylene pipes in Russia was mainly connected with production volumes growth.

- Other producers, including:
  - ZAO Tekhstroy
  - +11.3%
  - GK Poliplastic
  - +0.6%

**THOUSAND TONNES**

25

of polyethylene pipes were produced by OJSC Kazanorgsintez in 2014.

7% the share of OJSC Kazanorgsintez in the RF market

* Terms of supply: FCA Kazan.
* Source: Market Report Company (MRC), Kortes (Reuters), KhimKurier, ICIS LDR internal analytical information of OJSC Kazanorgsintez
The decrease in total production volumes in 2014 was caused mainly due to reduction of production capacities at JSC Sibur-Neftekhim by 20.4%.

In 2014 OJSC Kazanorgsintez did not export ethylene glycols due to more favorable pricing environment at the domestic market.

At the background of substantial decrease of total ethylene glycol production volumes in Russia the share of OJSC Kazanorgsintez in the Russian production volume slightly increased from 5.1% in 2013 to 5.4% in 2014.

16.7 thousand tonnes of ethylene glycol were produced by OJSC Kazanorgsintez in 2014.

5.4% the share of OJSC Kazanorgsintez in the RF market.

* Terms of supply: FCA Kazan
Source: Market Report Company (MRC), Kortes (Reuters), KhimKurier, ICIS LOR Internal analytical information of OJSC Kazanorgsintez
ETHANOLAMINES

ETHANOLAMINES MARKET IN RUSSIA, EXPORT AND IMPORT,
thousand tonnes

- The decrease was observed for all types of ethanol amines. Production of monoethanol amines was reduced by 17.4%, diethanol amines – by 16.3%, triethanol amines – by 31.7%.

The demand for ethanol amines at domestic market was fully satisfied through substantial reduction of exported volumes.

- Export reduced by 44.3%

Information source: OJSC Kazanorgsintez

MAIN PRODUCERS,
% from the total production volume

- OJSC Kazanorgsintez: 38.2%
- OOO Sintez-Oka: 61.8%

16.8% of the own production volumes were exported to the EU market

AVERAGE PRICES DYNAMICS IN 2014 *
$ /tonne

Thousand tonnes of ethanolamines were produced by OJSC Kazanorgsintez in 2014.

12.8

38.2%

the share of OJSC Kazanorgsintez in the RF market

*Terms of supply: FCA Kazan
Source: Market Report Company (MRC), Kortes (Reuters), KhimKurier, ICIS LOR internal analytical information of OJSC Kazanorgsintez
Prices at Russian market are given in US dollars at average nominal rate of RF Central Bank for the period.
**PHENOL**

**PHENOL MARKET IN RUSSIA, EXPORT AND IMPORT,**

* thousand tonnes

- Production
- Consumption
- Export
- Import

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Consumption</th>
<th>Export</th>
<th>Import</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>279</td>
<td>274</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>284</td>
<td>264</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>241</td>
<td>236</td>
<td>5.1</td>
<td>=100%</td>
</tr>
</tbody>
</table>

Phenol production drop was mainly connected with production decrease at OJSC Omsky Kautschuk more than five times.

OJSC Kazanorgsintez did not export phenol in 2014. About 64% of total produced phenol was processed internally for production of Bisphenol-A, the remaining volume was sold in domestic market due to more favorable market conditions.

**MAIN PRODUCERS,**

% from the total production volume

- **OJSC Kazanorgsintez**
  - 29.1%
  - 24.2% in 2013
  - Change of production volumes to 13

- **CJSC Samaraorgsintez**
  - -81.5%
  - from 57.9 thousand tonnes in 2013 down to 10.7 thousand tonnes

- **JSC Ufaorgsintez**
  - +8%
  - +5%

**AVERAGE PRICES DYNAMICS IN 2014 *,**

rub. /tonne

- Russia
  - Q I: 78,030
  - Q II: 76,920

**THOUSAND TONNES**

- 70

of phenol were produced by OJSC Kazanorgsintez in 2014.

**29.1%**

the share of OJSC Kazanorgsintez in the RF market

* Terms of supply: FCA Kazan.
Source: Market Report Company (MRC), Kortes (Reuters), KhimKurier, ICIS LOR internal analytical information of OJSC Kazanorgsintez.
3. COMMERCIAL ACTIVITY

OJSC Kazanorgsintez

3. COMMERCIAL ACTIVITY OJSC Kazanorgsintez

BISPHENOL A

BISPHENOL A MARKET IN RUSSIA, EXPORT AND IMPORT, thousand tonnes

- Production
- Consumption
- Export
- Import

2012 2013 2014

122 118 116
61 64 58

-1.7% -9.4%

In 2014 OJSC Kazanorgsintez increased the share of exported bisphenol A and exported 10.5% of internally produced product. The export supplies in 2014 were mainly to Eastern Europe countries and were connected with most favorable market conditions. Only 180 tonnes were sold in domestic market.

MAIN PRODUCERS.
% from the total production volume

OJSC Kazanorgsintez 53.5% ~46.5%
JSC Ufaneftekhim -3.3%

The main part of bisphenol A consumption falls on polycarbonate production with OJSC Kazanorgsintez being the only polycarbonate producer in Russia. The remaining part is used for epoxy and phenol-formaldehyde resins production. In 2014 about 89% of total bisphenol A produced by OJSC Kazanorgsintez was used for production of polycarbonate.

AVERAGE PRICES DYNAMICS IN 2014 *, $/tonne

Europe Asia

Q I Q II Q III Q IV

1.876 2.193 1.958 1.721
1.601 1.601 1.505 1.305

THOUSAND TONNES

62 of bisphenol A were produced by OJSC Kazanorgsintez in 2014.

53.5% the share of OJSC Kazanorgsintez in the RF market

* Terms of supply: FCA Kazan
Source: ICIS LOR

Information source: OJSC Kazanorgsintez
POLYCARBONATE

POLYCARBONATE MARKET IN RUSSIA, EXPORT AND IMPORT,

The main part of polycarbonate consumption in Russia falls on the following market segments: engineering industry, construction, electrical engineering and electronics, optical discs production.

The majority of OJSC Kazanorgsintez’s polycarbonate export volume in 2014 falls on China and EU-countries.

The main world manufacturers importing polycarbonate to Russia are: SABIC, Bayer, Samsung, LG.

6.9 (11.1%) -63%

The decrease in export volume was connected with more favorable polycarbonate price condition at domestic market.

Information source: OJSC Kazanorgsintez

MAIN PRODUCERS,

% from the total production volume

100%

OJSC Kazanorgsintez — is the only polycarbonate producer in Russia. Annual capacity of the unit is 65 thousand tonnes.

The first batch of polycarbonate was produced in November 2008.

62 THOUSAND TONNES of polycarbonate were produced by OJSC Kazanorgsintez in 2014.

100% the share of OJSC Kazanorgsintez in the RF market

AVERAGE PRICES DYNAMICS IN 2014 *, $/tonne

* Terms of supply: FCA Kazan
Source: Market Report Company (MRC), Kortes (Reuters), KhimKurier, ICIS LOR Internal analytical information of OJSC Kazanorgsintez

Prices in Russian market are given in US dollars at average nominal rate of RF Central Bank for the period.
SALES RESULTS REVIEW

The revenue growth was mainly connected with key products prices growth due to favorable pricing conditions. Owing to such price changes OJSC Kazanorgsintez received additional proceedings in the amount of 8,394.3 million rubles.

Selling prices for OJSC Kazanorgsintez’s products are in direct relation to the prices in global and Russian markets.

<table>
<thead>
<tr>
<th>Product Type</th>
<th>2013</th>
<th>2014</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bisphenol A</td>
<td></td>
<td></td>
<td>+21%</td>
</tr>
<tr>
<td>LDPE</td>
<td></td>
<td></td>
<td>+21%</td>
</tr>
<tr>
<td>HDPE</td>
<td></td>
<td></td>
<td>+19%</td>
</tr>
<tr>
<td>Polycarbonates</td>
<td></td>
<td></td>
<td>+17%</td>
</tr>
<tr>
<td>PE pipes</td>
<td></td>
<td></td>
<td>+12%</td>
</tr>
<tr>
<td>Phenol</td>
<td></td>
<td></td>
<td>+12%</td>
</tr>
<tr>
<td>Sevilen</td>
<td></td>
<td></td>
<td>+8%</td>
</tr>
<tr>
<td>Organic products</td>
<td></td>
<td></td>
<td>+5%</td>
</tr>
<tr>
<td>Other products</td>
<td></td>
<td></td>
<td>+22%</td>
</tr>
</tbody>
</table>

The main share of revenue gain falls on ethylene polymers and copolymers.
VOLUMES OF PRODUCTS SOLD IN 2014, TONNES

The sales of the other products volumes increased due to an increase in bisphenol A sales owing to reduction in its consumption for polycarbonate production. Phenol sales to consumers increased by 28.6% for the same reason.

Polycarbonate production volume decrease was due to off-schedule repair of the gear unit in IV quarter 2014.

The decrease in ethylene polymers and copolymers sales was caused by the decrease in LDPE production (-14.4% compared to 2013) due to rearranging the ethylene feed flow to HDPE production.

SALES VOLUME HDPE, TONNES

-1.263.5 mln rubles to the Company’s revenue

+5.4% revenue increase compared to the last year

+0.1% the change in the volume of sales

+18.1% revenue increase compared to the last year

THE BASIC PRINCIPLES OF THE COMPANY’S SALES

ACHIEVING OF THE PLANNED SALE PROCEEDS AND THE PROFIT AMOUNT

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

PROVISION OF SUSTAINABLE DEMAND FOR OJSC KAZANORGSINTEZ’S PRODUCTS

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

NEW PRODUCTS SALES INCREASE

- provision of additional related services to customers.
+ 30.2 %

Domestic market sales growth

SALE PROCEEDS STRUCTURE BY THE BASIC SALES MARKETS, MLN RUBLES

54,482.5

46,134.2

45,490.9 +30.2%

Changes in the amount of sales compared to 2013

DOMESTIC MARKET

Compared to the previous year, physical volume of main product sales in domestic market in 2014 increased by 12%.

Other

including polycarbonates (a growth of 29.3% in sales proceeds)

Ethylene polymers and copolymers

Sales volume increase — 13.4%, including HDPE (a growth of 46.7% in sales proceeds)

Reorientation of sales volumes in the domestic market due to better prices for the products had a major impact reduction of export earnings in the reporting year.

Owing to a flexible pricing policy and extensive client base the decrease in sales to some foreign countries did not have any negative impact on financial and operational performance of the Company.

Export pricing policy for Company’s products is based on international quotes for corresponding markets, on Company’s wholesale prices, on prices of Russian and foreign producers.

In 2014, export deliveries primarily were oriented to the countries with higher level of contractual prices.

Singapore and Moldavia became the new selling markets in 2014.

Reorientation of sales volumes in the domestic market due to better prices for the products had a major impact reduction of export earnings in the reporting year.

2013 2014 2014

24.3% 16.5% 83.5%

Domestic market

Export

15.0%

Other regions of RF

25.5%

Moscow and Moscow region

43.0%

Tatarstan

75.7% 6.6% 79.5 %

20.5 %

+7 %

+40 %

-30 %

-2.8 %

+2.5 %

+3.6 %

4.3%

4.4%

6.6%

-1.4%

1.2%

0.8%

0.1%

3.9%

5.1%

79.6%
IN 2014, OJSC KAZANORGSINTEZ SOLD PRODUCTS TO MORE THAN 1,000 CONSUMERS FROM 24 COUNTRIES OF THE WORLD

SALE PROCEEDS STRUCTURE BY COUNTRIES AND TYPE OF PRODUCTS, MLN RUBLES

8,991.6 -19.8%

EXPORT

Owing to a flexible pricing policy and extensive client base the decrease in sales to some foreign countries did not have any negative impact on financial and operational performance of the Company.

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

In 2014, export deliveries primarily were oriented to the countries with higher level of contractual prices.

The decrease was caused by rearrangement of sales volumes to domestic market due to more favorable pricing conditions in the local market.

THE COMPANY’S PRODUCTS ARE WIDELY KNOWN OUTSIDE THE RUSSIAN FEDERATION AND REPRESENTED AT THE EXTERNAL MARKETS OF CIS COUNTRIES, MIDDLE AND FAR EAST, WESTERN AND EASTERN EUROPE, GREAT BRITAIN AND THE USA

INVESTMENT
ACTIVITY
In 2014, the Company continued implementing the Main Capital Investment Measures Program of OJSC Kazanorgsintez for 2013 – 2016 aimed to stabilize the Company’s activity and maximize the loading of production facilities”.

**MAJOR ACTIVITIES OF THE PLAN**
- measures on provision of Ethylene Plant stable operation and feedstock diversification;
- measures on provision of HDPE Plant stable operation;
- measures on enhancement of energy supply system reliability of the entire Company;
- improvement of polycarbonate production technology.

**THE MAIN FINANCED OBJECTS**
- Construction of a new Technip Double Cell Ethane Cracking Furnace at Ethylene Plant;
- Improvement of polycarbonate production technology;
- Construction of a storage warehouse for HDPE finished products and pipelines relocation;
- Construction of open switchgear OSG-110kV at Kazan heat and power plant No.3;
- Construction of the Chemistry Faculty building of Kazan Federal University;
- Technical upgrading program on replacement of worn-out static and rotating equipment;
- Program on conditioning of major production facilities to comply with codes and regulations;
- Other measures to ensure stable operation and maximum utilization of production capacities;
- Installation of desalinated (demineralized) water supply and installation of ammonia water treatment and dosing unit in building 813, condensate collection;
- Revamp of gravity-flow pressure sewer header;
- Decoking unit;
- Construction of laboratory of Treatment Facilities and External Utilities Shop;
- Transition of Treatment Facilities and External Utilities Shop’s boiler house from liquid fuel to gas fuel;
- Installation of quick-acting standby activation devices;
- Purchase of equipment not included in cost estimation and other expenditures.

**REPAYMENT OF LIABILITIES**
In 2014, OJSC Kazanorgsintez repaid the liabilities owed to Sberbank in the total amount of about 1.9 bln. rubles.

The credit obtained from CJSC MKB AVERS was prolonged till 20 December 2015 on more favorable terms, the interest rate being lowered.

As of 31.12.2014, the share of secured credits makes 67% of the total credit portfolio. Sberbank credits are secured with OJSC Kazanorgsintez’s property pledge.

Due to the current situation in the financial markets, the Company repaid the credits as per the existing schedule while placing available cash on deposits.

**MLN RUBLES**
The amount of works financed in 2014 within the scope of the Program. Financing of capital investments was performed from own resources of OJSC Kazanorgsintez.
DEVELOPMENT PROSPECTS

In 2014, the Company’s management and key personnel proceeded with the Draft Concept of OJSC Kazanorgsintez Development for a period of up to 2020 approved by the Company’s Board of Directors Meeting on 16 August 2013.

The Concept provides for the development of a new production process diagram of the Company including the expansion of the raw material base as well as construction of a new petrochemical complex ensuring the increase in the commodity output amount and range.

OJSC Kazanorgsintez is engaged in active cooperation with regional and state authorities thus enabling the Company to broaden its development prospects.

IN 2014, OJSC KAZANORGSIINTEZ COOPERATED WITH THE FOLLOWING AUTHORITIES:

• Ministry of Industry and Trade of the Russian Federation regarding the development of chemical industry “On Draft Development Strategy for Chemical and Petrochemical Complex for a period of up to 2030.”

• Ministry of Energy of the Russian Federation regarding the development of oil and gas chemical industry in Volga Federal District (VFD).

CREDIT RATING

STARTING FROM 2005 THE CREDIT AGENCIES ASSIGN THE INTERNATIONAL CREDIT RATINGS TO OJSC KAZANORGSIINTEZ. CURRENTLY THE COMPANY COOPERATES WITH FITCH RATINGS CREDIT AGENCY

<table>
<thead>
<tr>
<th>Date of Rating Assignment / Revision</th>
<th>Issuer Default Rating</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>21.11.2005</td>
<td>B</td>
<td>Stable</td>
</tr>
<tr>
<td>29.04.2008</td>
<td>B-</td>
<td>Rating Watch «Negative»</td>
</tr>
<tr>
<td>10.11.2008</td>
<td>CCC</td>
<td>Rating Watch «Negative»</td>
</tr>
<tr>
<td>12.02.2009</td>
<td>CC</td>
<td>Rating Watch «Negative»</td>
</tr>
<tr>
<td>27.04.2009</td>
<td>C</td>
<td>Rating Watch «Negative»</td>
</tr>
<tr>
<td>06.11.2009</td>
<td>RD</td>
<td>–</td>
</tr>
<tr>
<td>29.07.2010</td>
<td>CC</td>
<td>–</td>
</tr>
<tr>
<td>15.08.2011</td>
<td>CCC</td>
<td>–</td>
</tr>
<tr>
<td>10.08.2012</td>
<td>CCC</td>
<td>–</td>
</tr>
<tr>
<td>09.08.2013</td>
<td>B-</td>
<td>Stable</td>
</tr>
<tr>
<td>17.12.2013</td>
<td>B-</td>
<td>Stable</td>
</tr>
<tr>
<td>28.11.2014</td>
<td>B-</td>
<td>Positive</td>
</tr>
</tbody>
</table>

FITCH RATINGS

COMMENTS

On 28 November 2014, Fitch Ratings changed long-term issuer default rating of OJSC Kazanorgsintez from Stable to Positive and confirmed it to be at the level of B-.

At the same time, Fitch Ratings raised the priority unsecured rating of circulating Eurobonds by 101 mln USD from the level of CCC/RR6 up to the level of CCC+/RR5, and confirmed the Company’s shortterm default rating to be at the level of B.

These positive changes serve as an evidence for the stabilization of the Company’s capital structure as well as the expectations that the Company’s liquidity will improve within next 12-18 months.

Information on credit rating was prepared using www.fitchratings.com.
CORPORATE GOVERNANCE
The Management of OJSC Kazanorgsintez acknowledges that the ever-lasting improvement of the corporate management system is an absolute requirement to be met while following the target strategic guidelines ensuring further transformation of OJSC Kazanorgsintez into an internationally recognized company complying with high global standards, and therefore the Company’s management uses its best endeavors to provide for such improvement.

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

**LIST OF MASTER CORPORATE DOCUMENTS APPLICABLE AT OJSC KAZANORGSINTEZ1**

- Charter of OJSC Kazanorgsintez;
- Regulations on the General Shareholders’ Meeting of OJSC Kazanorgsintez;
- Regulations on the Board of Directors of OJSC Kazanorgsintez;
- Regulations on the Audit Committee of the Board of Directors of OJSC Kazanorgsintez;
- Regulations on the Personnel and Remuneration Committee of the Board of Directors of OJSC Kazanorgsintez;
- Regulations on the Executive Directorate of OJSC Kazanorgsintez;
- Regulations on the Audit Commission of OJSC Kazanorgsintez;
- List of insider information of OJSC Kazanorgsintez.

**OJSC KAZANORGSINTEZ’S CORPORATE GOVERNANCE SYSTEM IS AIMED TO:**

- keep and increase the Company’s assets;
- increase the market value;
- maintain financial stability and profitability of the Company;
- respect the rights and interests of all persons interested in the Company’s successful activity.

**ALL THE MOST SIGNIFICANT EVENTS ARE CARRIED OUT BASED ON THE OPEN INFORMATION INTERCHANGE WITH SHAREHOLDERS AND OTHER PARTIES CONCERNED**

1 For detailed information please refer to the Company’s corporate website: http://kazanorgsintez.ru/index.php?page=content&id=69
STRUCTURE OF THE BOARD OF DIRECTORS

According to the requirements of Federal Law On Joint Stock Companies and paragraph 16.4 of the Charter of OJSC Kazanorgsintez, the Board of Directors is elected by the General Shareholders’ Meeting for the period until the next General Shareholders’ Meeting.

The structure of the Board of Directors of OJSC Kazanorgsintez, as provided below, consisting of 11 (eleven) members was established on 23 April 2014 by the Decision of the annual General Shareholders’ Meeting.

Ten members of the Board of Directors were elected by cumulative voting and one member was appointed by the Resolution of the Cabinet of Ministers of the Republic of Tatarstan No. 117 dd. 24.02.2014 on the basis of the special right (“golden share”) in accordance with the Order of the President of the Republic of Tatarstan No.16 dd. 11.01.2014

RUSLAN A. SHIGABUTDINOV
CHAIRMAN OF THE BOARD OF DIRECTORS
Graduated from Kazan State University.
Deputy General Director for Corporate Governance, Property and Investments of TAIF PSC.
Does not hold the shares of OJSC Kazanorgsintez.

FARID G. MINIGULOV
DEPUTY CHAIRMAN OF THE BOARD OF DIRECTORS
Graduated from Kazan Chemical-Technological Institute.
General Director of OJSC Kazanorgsintez.
Candidate of Chemical Sciences. Honored Chemist of the Republic of Tatarstan.
Does not hold the shares of OJSC Kazanorgsintez.

IN 2014, MIDKHAT R. SHAGIAKHMETOV WAS APPOINTED A REPRESENTATIVE OF THE REPUBLIC OF TATARSTAN IN THE BOARD OF DIRECTORS OF OJSC KAZANORGSINTEZ
SERGEY V. ALEKSEEV

Graduated from Kazan State University and Tatar Institute of Business Assistance.
First Deputy General Director of JSC Svyazinvestneftekhim.
Does not hold the shares of OJSC Kazanorgsintez.

KHAMZA A. BAGMANOV

Year of birth: 1957.
Graduated from Kazan Civil Engineering Institute, NSEI Oil and Gas Business Institute with a degree in Executive MBA: Oil and Gas Business.
Deputy General Director for Strategic Development of OJSC Generating Company.
Candidate of Economic Sciences Honored Builder of the Republic of Tatarstan and Russian Federation
Does not hold the shares of OJSC Kazanorgsintez.

VLADIMIR M. BUSYGIN

Year of birth: 1949.
Graduated from Krasnokamsky Pulp and Paper College, Perm Polytechnic Institute with a degree in inorganic substances and chemical fertilizers technology.
Deputy General Director of TAIF PSC for Management and Strategic Development of PJSC Nizhnekamskneftekhim.
Does not hold the shares of OJSC Kazanorgsintez.
MARAT M. GARAEV
Graduated from Saint-Petersburg University of Economics and Finances.
First Deputy Head of Marketing and Gas and Liquid Hydrocarbons Processing Department, JSC Gazprom.
Does not hold the shares of OJSC Kazanorgsintez.

VLADIMIR V. PRESNYAKOV
Year of birth: 1951.
Graduated from Kazan Chemical-Technological Institute.
Deputy General Director of TAIF PSC for Refinery and Petrochemicals.
Honored Chemist of the Republic of Tatarstan.
Does not hold the shares of OJSC Kazanorgsintez.

RINAT K. SABIROV
Graduated from Kazan State University.
Aide to the President of the Republic of Tatarstan.
Candidate of Chemical Sciences.
Does not hold the shares of OJSC Kazanorgsintez.
ALBERT F. SULTEEV


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

Deputy Head of Production and Sales Department, TAIF PSC.

Does not hold the shares of OJSC Kazanorgsintez.

DMITRY I. TESLENKO


Graduated from Leningrad Institute of Fine Mechanics and Optics.

Head of Finance and Economic Department of TAIF PSC.

Honored Economist of the Republic of Tatarstan.

Does not hold the shares of OJSC Kazanorgsintez.

MIDHAT R. SHAGIAKHMETOV

(TILL OCTOBER 2014)


Graduated from Kazan Institute of Finance and Economics.

Deputy Head of the Volga-Vyatky Chief Management office of the Bank of Russia - Managing director of the National Bank of the Republic of Tatarstan.

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

Does not hold the shares of OJSC Kazanorgsintez.

By Order of the Cabinet of Ministers of the Republic of Tatarstan No. 857 dd. 11.11.2014 an amendment was introduced to Appendix No.1 to Order of the Cabinet of Ministers of the Republic of Tatarstan No. 117 dd. 24.02.2014 whereby the representative of the Republic of Tatarstan quitted the Board of Directors of OJSC Kazanorgsintez.
### CHANGES IN THE BOARD OF DIRECTORS IN 2014

Members of the Board of Directors before the General Shareholders’ Meeting held on 23.04.14  
Members of the Board of Directors elected at the General Shareholders’ Meeting held on 23.04.14

<table>
<thead>
<tr>
<th>Name</th>
<th>Elected at Meeting</th>
<th>Participation (times)</th>
</tr>
</thead>
<tbody>
<tr>
<td>R.A. Shigabutdinov</td>
<td>R.A. Shigabutdinov</td>
<td>6</td>
</tr>
<tr>
<td>F.G. Minigulov</td>
<td>F.G. Minigulov</td>
<td>6</td>
</tr>
<tr>
<td>S.V. Alekseev</td>
<td>S.V. Alekseev</td>
<td>6</td>
</tr>
<tr>
<td>M.M. Garaev</td>
<td>M.M. Garaev</td>
<td>5</td>
</tr>
<tr>
<td>Ye.A. Grishin</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>V.V. Presnyakov</td>
<td>V.V. Presnyakov</td>
<td>5</td>
</tr>
<tr>
<td>R.K. Sabirov</td>
<td>R.K. Sabirov</td>
<td>6</td>
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<tr>
<td>—</td>
<td>Kh.A. Bagmanov</td>
<td>4</td>
</tr>
<tr>
<td>—</td>
<td>V.M. Busygin</td>
<td>3</td>
</tr>
<tr>
<td>A.F. Sulteev</td>
<td>A.F. Sulteev</td>
<td>5</td>
</tr>
<tr>
<td>D.I. Teslenko</td>
<td>D.I. Teslenko</td>
<td>6</td>
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<tr>
<td>M.R. Shagiakhmetov</td>
<td>M.R. Shagiakhmetov</td>
<td>4</td>
</tr>
<tr>
<td>R.R. Shamgunov</td>
<td>—</td>
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</tbody>
</table>

### PARTICIPATION OF THE BOARD OF DIRECTORS’ MEMBERS IN THE SESSIONS HELD IN 2014

<table>
<thead>
<tr>
<th>Name</th>
<th>By meeting</th>
<th>By questionnaire (in correspondence form)</th>
</tr>
</thead>
<tbody>
<tr>
<td>R.A. Shigabutdinov</td>
<td>6</td>
<td>2</td>
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<td>V.V. Presnyakov</td>
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<td>2</td>
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<td>R.K. Sabirov</td>
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<td>M.R. Shagiakhmetov</td>
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<tr>
<td>R.R. Shamgunov</td>
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</tbody>
</table>
In 2014, the Board of Directors held meetings in accordance with the approved schedule. In total 8 meetings were held. The issues proposed for discussion by the Board of Directors were preliminarily studied by the Committees of the Company’s Board of Directors for detailed review.

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

- Audit Committee;
- Personnel and Remuneration Committee

The following priority areas of activity of the Company were discussed at the meetings of the Board of Directors:

- approval of revenues and expenditures budget, plans for capital investment and its financing;
- efficiency of production and commercial activity;
- fulfillment of obligations to Sberbank of Russia;
- the actions to improve general and economic security;
- affiliates performance;
- development of power supply reliability and efficiency program;
- efficiency of measures on improvement of industrial and environmental security and occupational safety;
- progress in settlement of social issues and other issues within the competence of the Board of Directors and foreseen by the Charter of the Company and by the legislation of the Russian Federation.
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

THE PURPOSE OF THE AUDIT COMMITTEE

The purpose of the Audit Committee is to provide an actual participation of the Board of Directors in the control over the financial and economic activity of OJSC Kazanorgsintez.

FUNCTIONS OF THE AUDIT COMMITTEE

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

ISSUES CONSIDERED BY THE AUDIT COMMITTEE IN 2014

- Recommendations for the Company’s profit distribution following the results of the year;
- Confirmation of a candidate independent auditor;
- Implementation of capital construction plans;
- Review of annual accounting statements, conclusion of Audit Commission and preliminary confirmation of the Company’s annual report;
- Results of financial and economic activities;
- Fulfillment of plans for production and sale;
- Execution of revenues and expenditures budget;
- Analysis of receivables and payables as well as efficiency of activities held;
- Improvement of the Company’s activity efficiency;
- Measures to increase labor productivity;
- Fulfillment of obligations under loan agreements;
- OJSC Kazanorgsintez’s Internal Control Service activities;
- Approval of the Work Plan of the Internal Control Service.

BASIC REGULATIONS

The Audit Committee acts in accordance with the Regulations on the Audit Committee of OJSC Kazanorgsintez and Work plan, approved by the Board of Directors of the Company.

MEMBERS OF THE AUDIT COMMITTEE

Midhat R. Shagiakhmetov
Chairman (until October 2014);

Sergey V. Alekseev;

Dmitry I. Teslenko.

\[1\] Quitted the Board of Directors of OJSC Kazanorgsintez by the Order of the Cabinet of Ministers of the Republic of Tatarstan No. 857 dd. 11.11.2014
PERSONNEL AND REMUNERATION COMMITTEE OF THE BOARD OF DIRECTORS

THE PURPOSE OF THE PERSONNEL AND REMUNERATION COMMITTEE

The purpose of the Personnel and Remuneration Committee is to attract the qualified experts to the management of the Company and create necessary stimulus for their successful work.

BASIC REGULATIONS

The Personnel and Remuneration Committee acts in accordance with the Regulations on Personnel and Remuneration Committee of OJSC Kazanorgsintez and Work Plan approved by the Board of Directors of the Company.

MEMBERS OF THE PERSONNEL AND REMUNERATION COMMITTEE

Rinat K. Sabirov Chairman;
Khamza A. Bagmanov;
Albert F. Sulteev.

FUNCTIONS OF THE PERSONNEL AND REMUNERATION COMMITTEE

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

ISSUES CONSIDERED BY THE PERSONNEL AND REMUNERATION COMMITTEE IN 2014

• Human Resourcing for the Company;
• Performance of activities to enhance industrial, environmental and occupational safety;
• Solution of social issues;
• Review of the Sustainable Development Report;
• Fulfillment of Collective Agreement;
• Existing system of personnel training and development;
• Introduction of amendments to the Regulations on principles and criteria of remuneration to the members of the Board of Directors, Executive Directorate and Audit Commission;
• Shareholder’s proposals concerning the nomination of candidates to the Board of Directors and Audit Commission.

CHANGES IN THE PERSONNEL AND REMUNERATION COMMITTEE DURING 2014

<table>
<thead>
<tr>
<th>Members of the Committee before the General Shareholders’ Meeting held on 23.04.14</th>
<th>Members of the Committee elected at the General Shareholders’ Meeting held on 23.04.14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yevgeny A. Grishin (Chairman)</td>
<td>—</td>
</tr>
<tr>
<td>Rinat K. Sabirov.</td>
<td>Rinat K. Sabirov (Chairman)</td>
</tr>
<tr>
<td>Ruslan A. Shigabutdinov</td>
<td>—</td>
</tr>
<tr>
<td>—</td>
<td>Khamza A. Bagmanov</td>
</tr>
<tr>
<td>—</td>
<td>Albert F. Sulteev</td>
</tr>
</tbody>
</table>
INTERNAL CONTROL SERVICE

PURPOSE OF THE INTERNAL CONTROL SERVICE

The Internal Control Service was established for the purpose of the development and maintenance of the effective internal control system as well as the improvement of corporate management efficiency in OJSC Kazanorgsintez. The Internal Control Service is subordinated to the Board of Directors of the Company.

MAIN FUNCTIONS OF THE INTERNAL CONTROL SERVICE

- Development and inspection of the Company’s internal control system status, internal control processes and procedures as well as generation of proposals to enhance its reliability and efficiency.
- Supervision of completeness, quality and timeliness of the elimination of the violations detected by inspections.
- Assessment of efficiency and generation of proposals to enhance risk management system efficiency.
- Audit of the Company’s existing corporate management and information systems as well as generation of proposals for the improvement thereof.
- Participation in audits conducted by the Company’s Audit Commission as engaged specialists.
- Analysis of audit’s results conducted by the Company’s auditors.
- Analysis and continuous improvement of internal control methods to comply with the Company’s needs and legislation requirements.
- Analysis and evaluation of the control system efficiency in the course of conversion of financial statements under IFRS.
- Monitoring of activities performed by the Company’s executive bodies including monitoring of the implementation of financial and economic plans of the Company as well as those of its subsidiaries and affiliates.
- Monitoring of efficiency of the Company’s financial investments.
- Monitoring of the Company’s economic security assurance.
- Assistance in the development of optimum organizational structure of the Company.
STRUCTURE OF EXECUTIVE BOARD

FARID G. MINIGULOV

CHAIRMAN OF THE EXECUTIVE BOARD

Graduated from Kazan State Technological University.
Deputy General Director for Capital Construction, OJSC Kazanorgsintez.
Does not hold the shares of OJSC Kazanorgsintez.

ZINNUR A. AKHMETGALEEV

Graduated from Kazan Chemical-Technological Institute.
General Director of OJSC Kazanorgsintez.
Candidate of Chemical Sciences, Honored Chemist of the Republic of Tatarstan.
Does not hold the shares of OJSC Kazanorgsintez.

ALBERT I. GATIN

Graduated from Kazan Juridical Institute under the Ministry of Internal Affairs of the Republic of Tatarstan.
Deputy General Director for Corporate Property Management and Investments, OJSC Kazanorgsintez.
Does not hold the shares of OJSC Kazanorgsintez.
RINAT T. ZARIPOV

Graduated from Kazan State Technological University.
Deputy General Director for Production, OJSC Kazanorgsintez.
Honored Chemist of the Republic of Tatarstan.
Stake in authorized capital of OJSC Kazanorgsintez – 0.0002%, no ordinary shares.

LARISA N. KALEEVA

Year of birth: 1957.
Graduated from Kazan Institute of Finance and Economics.
Chief Accountant of OJSC Kazanorgsintez.
Honored Economist of the Republic of Tatarstan.
Stake in authorized capital of OJSC Kazanorgsintez – 0.013%, stake of ordinary shares – 0.0017%.

FANIS M. KALIMULLIN

Graduated from Kazan Institute of Finance and Economics.
Deputy General Director for Economy and Finance, OJSC Kazanorgsintez.
Honored Economist of the Republic of Tatarstan.
Stake in authorized capital of OJSC Kazanorgsintez – 0.0001%, no ordinary shares.
RAFAEL A. SAFAROV
Year of birth: 1965.
Graduated from Kazan State Chemical-Technological University and Kazan State University named after V.I. Ulyanov-Lenin.
Chief Engineer, OJSC Kazanorgsintez.
Honored Chemist of the Republic of Tatarstan.
Does not hold the shares of OJSC Kazanorgsintez.

RASHIT N. KHAFIZOV
Year of birth: 1957.
Graduated from Kazan Aviation Institute and Higher School of KGB USSR.
Deputy General Director for Economic Security and Regime, OJSC Kazanorgsintez.
Does not hold the shares of OJSC Kazanorgsintez.

GAIFUTDIN G. SHAIKHIEV
Year of birth 1951.
Graduated from Kazan Agricultural Institute.
Deputy General Director for Personnel and General issues, OJSC Kazanorgsintez.
Honored Constructor of the Russian Federation and the Republic of Tatarstan.
Does not hold the shares of OJSC Kazanorgsintez.
TIMUR A. SHIGABUTDINOV

Year of birth: 1983.

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

Deputy General Director for Commerce, OJSC Kazanorgsintez.

Does not hold the shares of OJSC Kazanorgsintez.

THE MAIN CRITERION FOR REMUNERATION IS THE AVAILABILITY OF NET PROFIT

REMUNERATION

The amount and criteria for remuneration to the members of the Board of Directors and Executive Directorate of the Company are defined based on the Statements “On principles and criteria for remuneration to the members of the Board of Directors, members of the Committees under the Board of Directors, members of Executive Directorate, members of Audit Commission of OJSC Kazanorgsintez”.

91.997 MLN RUBLES

Total amount of remunerations received by the members of the Board of Directors, members of Executive Directorate and General Director of the Company in 2014 (including insurance fees)

The Company largely respect corporate governance principles set forth with the Corporate Governance Code recommended for use by the letter of the Bank of Russia on April 10, 2014 (hereinafter - the Code).

Assessment of compliance with corporate governance principles set forth with the Code was based on a comparative analysis of the Company's Charter and other internal documents.

The corporate governance system of the Company is represented by: the General Shareholders' Meeting, the Board of Directors, the individual and collective executive body, the Secretary of the Board of Directors, Audit Committee of the Board of Directors, Personnel and Remuneration Committee of the Board of Directors, the Audit Commission, the Internal Control Service, and the Department of corporate governance.

CORPORATE GOVERNANCE CODE PRINCIPLES

I. SHAREHOLDER RIGHTS AND EQUALITY OF CONDITIONS FOR SHAREHOLDERS EXERCISING THEIR RIGHTS

1.1. THE COMPANY SHOULD ENSURE EQUAL AND FAIR TREATMENT OF ALL ITS SHAREHOLDERS IN THE COURSE OF EXERCISE BY THEM OF THEIR RIGHTS TO PARTICIPATE IN THE MANAGEMENT OF THE COMPANY.

<table>
<thead>
<tr>
<th>Compliance</th>
<th>Non-compliance</th>
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</tbody>
</table>

1.1.1. The company should create most favorable conditions for its shareholders enabling them to participate in the general meeting and develop informed positions on issues on its agenda, as well as provide them with the opportunity to coordinate their actions and express their opinions on issues being discussed.

1.1.2. Procedures for notification of the general meeting and provision of materials for it should enable the shareholders to get properly prepared for participation therein.

1.1.3. During the preparation for and holding of the general meeting, the shareholders should be able to freely and timely receive information about the meeting and its materials, to pose questions to members of the company’s executive bodies and board of directors, and to communicate with each other.

1.1.4. There should be no unjustified difficulties preventing shareholders from exercising their right to demand that a general meeting be convened, nominate candidates to the company’s governing bodies, and to place proposals on its agenda.

1.1.5. Each shareholder should be able to freely exercise his right to vote in a straightforward and most convenient way.

1.1.6. Procedures for holding a general meeting set by the company should provide equal opportunity to all persons present at the general meeting to express their opinions and ask questions that might be of interest to them.

1.2. SHAREHOLDERS SHOULD HAVE EQUAL AND FAIR OPPORTUNITIES TO PARTICIPATE IN THE PROFITS OF THE COMPANY BY MEANS OF RECEIVING DIVIDENDS.

<table>
<thead>
<tr>
<th>Compliance</th>
<th>Non-compliance</th>
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</table>

1.2.1. The company should develop and put in place a transparent and clear mechanism for determining the amount of dividends and their payment.

1.2.2. The company should not make a decision on the payment of dividends, if such decision, without formally violating limits set by law, is unjustified from the economic point of view and might lead to the formation of false assumptions about the company’s activity.

The Company largely respect corporate governance principles set forth with the Corporate Governance Code recommended for use by the letter of the Bank of Russia on April 10, 2014 (hereinafter - the Code).

Assessment of compliance with corporate governance principles set forth with the Code was based on a comparative analysis of the Company’s Charter and other internal documents.

Partial observance of the principles of the Code is due to the current model and practices of the corporate governance in the Company, due to the peculiarities of its organizational structure.
COMPANY’S ACTIVITIES ARE AIMED AT FURTHER CORPORATE GOVERNANCE MODEL IMPROVING THROUGH THE INTRODUCTION OF ADVANCED DOMESTIC AND INTERNATIONAL PRACTICES IN THIS AREA

1.2.3. The company should not allow deterioration of dividend rights of its existing shareholders.  

1.2.4. The company should strive to rule out any ways through which its shareholders can obtain any profit or gain at the company’s expense other than dividends and distributions of its liquidation value.  

1.3. THE SYSTEM AND PRACTICES OF CORPORATE GOVERNANCE SHOULD ENSURE EQUAL TERMS AND CONDITIONS FOR ALL SHAREHOLDERS OWNING SHARES OF THE SAME CLASS (CATEGORY) IN A COMPANY, INCLUDING MINORITY AND FOREIGN SHAREHOLDERS AS WELL AS THEIR EQUAL TREATMENT BY THE COMPANY.  

1.3.1. The company should create conditions which would enable its governing bodies and controlling persons to treat each shareholder fairly, in particular, which would rule out the possibility of any abuse of minority shareholders by major shareholders.  

1.3.2. The company should not perform any acts which will or might result in artificial reallocation of corporate control therein.  

1.4. THE SHAREHOLDERS SHOULD BE PROVIDED WITH RELIABLE AND EFFICIENT MEANS OF RECORDING THEIR RIGHTS IN SHARES AS WELL AS WITH THE OPPORTUNITY TO FREELY DISPOSE OF SUCH SHARES IN A NON-ONEROUS MANNER.  

II. BOARD OF DIRECTORS OF THE COMPANY  

2.1. THE BOARD OF DIRECTORS SHALL BE IN CHARGE OF STRATEGIC MANAGEMENT OF THE COMPANY, DETERMINE MAJOR PRINCIPLES OF AND APPROACHES TO CREATION OF A RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM WITHIN THE COMPANY, MONITOR THE ACTIVITY OF THE COMPANY’S EXECUTIVE BODIES, AND CARRY OUT OTHER KEY FUNCTIONS.  

2.1.1. The board of directors should be responsible for decisions to appoint and remove [members] of executive bodies, including in connection with their failure to properly perform their duties. The board of directors should also procure that the company’s executive bodies act in accordance with an approved development strategy and main business goals of the company.  

2.1.2. The board of directors should establish basic long-term targets of the company’s activity, evaluate and approve its key performance indicators and principal business goals, as well as evaluate and approve its strategy and business plans in respect of its principal areas of operations.  

2.1.3. The board of directors should determine principles of and approaches to creation of the risk management and internal control system in the company.  

2.1.4. The board of directors should determine the company’s policy on remuneration due to and/or reimbursement of costs incurred by its board members, members of its executive bodies and other key managers.
5. CORPORATE GOVERNANCE

Kazanorgsintez

2.1. The board of directors should play a key role in prevention, detection and resolution of internal conflicts between the company’s bodies, shareholders and employees.

2.1.6. The board of directors should play a key role in procuring that the company is transparent, discloses information in full and in due time, and provides its shareholders with unhindered access to its documents.

2.1.7. The board of directors should monitor the company’s corporate governance practices and play a key role in its material corporate events.

2.2. The board of directors should be accountable to the company’s shareholders.

2.2.1. Information about the board of directors’ work should be disclosed and provided to the shareholders.

2.2.2. The chairman of the board of directors must be available to communicate with the company’s shareholders.

2.3. The board of directors should be an efficient and professional governing body of the company which is able to make objective and independent judgements and pass resolutions in the best interests of the company and its shareholders.

2.3.1. Only persons with impeccable business and personal reputation should be elected to the board of directors; such persons should also have knowledge, skills, and experience necessary to make decisions that fall within the jurisdiction of the board of directors and to perform its functions efficiently.

2.3.2. Board members should be elected pursuant to a transparent procedure enabling the shareholders to obtain information about respective candidates sufficient for them to get an idea of the candidates’ personal and professional qualities.

2.3.3. The composition of board of directors should be balanced, in particular, in terms of qualifications, expertise, and business skills of its members. The board of directors should enjoy the confidence of the shareholders.

2.3.4. The membership of the board of directors of the company must enable the board to organize its activities in a most efficient way, in particular, to create committees of the board of directors, as well as to enable substantial minority shareholders of the company to elect a candidate to the board of directors for whom they would vote.

CORPORATE GOVERNANCE CODE PRINCIPLES

<table>
<thead>
<tr>
<th>Principle</th>
<th>Compliance</th>
<th>Non-compliance</th>
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<tbody>
<tr>
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<td>✔️</td>
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</table>
2.4. THE BOARD OF DIRECTORS SHOULD INCLUDE A SUFFICIENT NUMBER OF INDEPENDENT DIRECTORS.

2.4.1. An independent director should mean any person who has required professional skills and expertise and is sufficiently able to have his/her own position and make objective and bona fide judgments, free from the influence of the company’s executive bodies, any individual group of its shareholders or other stakeholders. It should be noted that, under normal circumstances, a candidate (or an elected director) may not be deemed to be independent, if he/she is associated with the company, any of its substantial shareholders, material trading partners or competitors, or the government.

2.4.2. It is recommended to evaluate whether candidates nominated to the board of directors meet the independence criteria as well as to review, on a regular basis, whether or not independent board members meet the independence criteria. When carrying out such evaluation, substance should take precedence over form.

2.4.3. Independent directors should account for at least one-third of all directors elected to the board of directors.

2.4.4. Independent directors should play a key role in prevention of internal conflicts in the company and performance by the latter of material corporate actions.

2.5. THE CHAIRMAN OF THE BOARD OF DIRECTORS SHOULD HELP IT CARRY OUT THE FUNCTIONS IMPOSED THEREON IN A MOST EFFICIENT MANNER.

2.5.1. It is recommended to either elect an independent director to the position of the chairman of the board of directors or identify the senior independent director among the company’s independent directors who would coordinate work of the independent directors and liaise with the chairman of the board of directors.

2.5.2. The board chairman should ensure that board meetings are held in a constructive atmosphere and that any items on the meeting agenda are discussed freely. The chairman should also monitor fulfilment of decisions made by the board of directors.

2.5.3. The chairman of the board of directors should take any and all measures as may be required to provide the board members in a timely fashion with information required to make decisions on issues on the agenda.

2.6. BOARD MEMBERS MUST ACT REASONABLY AND IN GOOD FAITH IN THE BEST INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS, BEING SUFFICIENTLY INFORMED, WITH DUE CARE AND DILIGENCE.

2.6.1. Acting reasonably and in good faith means that board members should make decisions considering all available information, in the absence of a conflict of interest, treating shareholders of the company equally, and assuming normal business risks.

2.6.2. Rights and duties of board members should be clearly stated and documented in the company’s internal documents.
2.6.3. Board members should have sufficient time to perform their duties.

2.6.4. All board members should have equal opportunity to access the company's documents and information. Newly elected board members should be provided with sufficient information about the company and work of its board of directors as soon as practicable.

2.7. MEETINGS OF THE BOARD OF DIRECTORS, PREPARATION FOR THEM, AND PARTICIPATION OF BOARD MEMBERS THEREIN SHOULD ENSURE EFFICIENT WORK OF THE BOARD.

2.7.1. It is recommended to hold meetings of the board of directors as needed, with due account of the company’s scope of activities and its then current goals.

2.7.2. It is recommended to develop a procedure for preparing for and holding meetings of the board of directors and set it out in the company’s internal documents. The above procedure should enable the shareholders to get prepared properly for such meetings.

2.7.3. The form of a meeting of the board of directors should be determined with due account of importance of issues on the agenda of the meeting. Most important issues should be decided at the meetings held in person.

2.7.4. Decisions on the most important issues relating to the company's business should be made at a meeting of the board of directors by a qualified majority vote or by a majority vote of all elected board members.

2.8. THE BOARD OF DIRECTORS SHOULD FORM COMMITTEES FOR PRELIMINARY CONSIDERATION OF MOST IMPORTANT ISSUES OF THE COMPANY’S BUSINESS.

2.8.1. For the purpose of preliminary consideration of any matters of control over the company’s financial and business activities, it is recommended to form an audit committee comprised of independent directors.

2.8.2. For the purpose of preliminary consideration of any matters of development of efficient and transparent remuneration practices, it is recommended to form a remuneration committee comprised of independent directors and chaired by an independent director who should not concurrently be the board chairman.

2.8.3. For the purpose of preliminary consideration of any matters relating to human resources planning (making plans regarding successor directors), professional composition and efficiency of the board of directors, it is recommended to form a nominating committee (a committee on nominations, appointments and human resources) with a majority of its members being independent directors.

2.8.4. Taking account of its scope of activities and levels of related risks, the company should form other committees of its board of directors, in particular, a strategy committee, a corporate governance committee, an ethics committee, a risk management committee, a budget committee or a committee on health, security and environment, etc. The Company has Audit Committee and Personnel and Remuneration Committee under the Board of Directors.
2.8.5. The composition of the committees should be determined in such a way that it would allow a comprehensive discussion of issues being considered on a preliminary basis with due account of differing opinions.

2.8.6. The chairmen of the committees should inform the board of directors and its chairman of the work of their committees on a regular basis.

2.9. THE BOARD OF DIRECTORS SHOULD PROCURE EVALUATION OF QUALITY OF ITS WORK AND THAT OF ITS COMMITTEES AND BOARD MEMBERS.

2.9.1. Evaluation of quality of the board of directors' work should be aimed at determining how efficiently the board of directors, its committees and board members work and whether their work meets the company's needs, as well as at making their work more intensive and identifying areas of improvement.

2.9.2. Quality of work of the board of directors, its committees and board members should be evaluated on a regular basis, at least once a year. To carry out an independent evaluation of the quality of the board of directors' work, it is recommended to retain a third party entity (consultant) on a regular basis, at least once every three years.

III. CORPORATE SECRETARY OF THE COMPANY

3.1. THE COMPANY'S CORPORATE SECRETARY SHALL BE RESPONSIBLE FOR EFFICIENT INTERACTION WITH ITS SHAREHOLDERS, COORDINATION OF THE COMPANY'S ACTIONS DESIGNED TO PROTECT THE RIGHTS AND INTERESTS OF ITS SHAREHOLDERS, AND SUPPORT OF EFFICIENT WORK OF ITS BOARD OF DIRECTORS.

3.1.1. The corporate secretary should have knowledge, experience, and qualifications sufficient for performance of his/her duties, as well as an impeccable reputation and should enjoy the trust of the shareholders.

3.1.2. The corporate secretary should be sufficiently independent of the company's executive bodies and be vested with powers and resources required to perform his/her tasks.

IV. SYSTEM OF REMUNERATION DUE TO MEMBERS OF THE BOARD OF DIRECTORS, THE EXECUTIVE BODIES, AND OTHER KEY MANAGERS OF THE COMPANY

4.1. THE LEVEL OF REMUNERATION PAID BY THE COMPANY SHOULD BE SUFFICIENT TO ENABLE IT TO ATTRACT, MOTIVATE, AND RETAIN PERSONS HAVING REQUIRED SKILLS AND QUALIFICATIONS. REMUNERATION DUE TO BOARD MEMBERS, THE EXECUTIVE BODIES, AND OTHER KEY MANAGERS OF THE COMPANY SHOULD BE PAID IN ACCORDANCE WITH A REMUNERATION POLICY APPROVED BY THE COMPANY.
### CORPORATE GOVERNANCE CODE PRINCIPLES

<table>
<thead>
<tr>
<th>Principle</th>
<th>Compliance</th>
<th>Non-compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1.1. It is recommended that the level of remuneration paid by the company to its board members, executive bodies, and other key managers should be sufficient to motivate them to work efficiently and enable the company to attract and retain knowledgeable, skilled, and duly qualified persons. The company should avoid setting the level of remuneration any higher than necessary, as well as an excessively large gap between the level of remuneration of any of the above persons and that of the company’s employees.</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>4.1.2. The company’s remuneration policy should be developed by its remuneration committee and approved by the board of directors. With the help of its remuneration committee, the board of directors should monitor implementation of and compliance with the remuneration policy by the company and, should this be necessary, review and amend the same.</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>4.1.3. The company’s remuneration policy should provide for transparent mechanisms to be used to determine the amount of remuneration due to members of the board of directors, the executive bodies, and other key managers of the company, as well as to regulate any and all types of payments, benefits, and privileges provided to any of the above persons.</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>4.1.4. The company is recommended to develop a policy on reimbursement of expenses which would contain a list of reimbursable expenses and specify service levels provided to members of the board of directors, the executive bodies, and other key managers of the company. Such policy can form part of the company’s policy on compensations.</td>
<td>✔️</td>
<td></td>
</tr>
</tbody>
</table>

### 4.2. THE SYSTEM OF REMUNERATION OF BOARD MEMBERS SHOULD ENSURE HARMONIZATION OF FINANCIAL INTERESTS OF THE DIRECTORS WITH LONG-TERM FINANCIAL INTERESTS OF THE SHAREHOLDERS.

<table>
<thead>
<tr>
<th>Principle</th>
<th>Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2.1. A fixed annual fee shall be a preferred form of monetary remuneration of the board members. It is not advisable to pay a fee for participation in individual meetings of the board of directors or its committees. It is not advisable to use any form of short-term incentives or additional financial incentives in respect of board members.</td>
<td>✔️</td>
</tr>
<tr>
<td>4.2.2. Long-term ownership of shares in the company contributes most to aligning financial interests of board members with long-term interests of the company’s shareholders. However, it is not recommended to make the right to dispose of shares dependent on the achievement by the company of certain performance results; nor should board members take part in the company’s option plans.</td>
<td>✔️</td>
</tr>
<tr>
<td>4.2.3. It is not recommended to provide for any additional allowance or compensation in the event of early dismissal of board members in connection with a change of control over the company or other circumstances.</td>
<td>✔️</td>
</tr>
</tbody>
</table>

### 4.3. THE SYSTEM OF REMUNERATION DUE TO THE EXECUTIVE BODIES AND OTHER KEY MANAGERS OF THE COMPANY SHOULD PROVIDE THAT THEIR REMUNERATION IS DEPENDENT ON THE COMPANY’S PERFORMANCE RESULTS AND THEIR PERSONAL CONTRIBUTIONS TO THE ACHIEVEMENT THEREOF.

<table>
<thead>
<tr>
<th>Principle</th>
<th>Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.3.1. Remuneration due to the executive bodies and other key managers of the company should be set in such a way as to procure a reasonable and justified ratio between its fixed portion and its variable portion that is dependent on the company's performance results and employees' personal (individual) contributions to the achievement thereof.

4.3.2. Companies whose shares are admitted to trading at organized markets are recommended to put in place a long-term incentive programme for the company's executive bodies and other key managers involving the company's shares (or options or other derivative financial instruments the underlying assets for which are the company's shares).

4.3.3. The amount of severance pay (so-called "golden parachute") payable by the company in the event of early dismissal of an executive body or other key manager at the initiative of the company, provided that there have been no bad faith actions on the part of such person, should not exceed two times the fixed portion of his/her annual remuneration.

V. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

5.1. THE COMPANY SHOULD HAVE IN PLACE AN EFFICIENT RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM DESIGNED TO PROVIDE REASONABLE CONFIDENCE THAT THE COMPANY’S GOALS WILL BE ACHIEVED.

5.1.1. The board of directors should determine the principles of and approaches to creation of the risk management and internal control system in the company.

5.1.2. The company's executive bodies should ensure the establishment and continuing operation of the efficient risk management and internal control system in the company.

5.1.3. The company's risk management and internal control system should enable one to obtain an objective, fair and clear view of the current condition and prospects of the company, integrity and transparency of its accounts and reports, and reasonableness and acceptability of risks being assumed by the company.

5.1.4. The board of directors is recommended to take required and sufficient measures to procure that the existing risk management and internal control system of the company is consistent with the principles of and approaches to its creation as set forth by the board of directors and that it operates efficiently.

5.2. TO INDEPENDENTLY EVALUATE, ON A REGULAR BASIS, RELIABILITY AND EFFICIENCY OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM AND CORPORATE GOVERNANCE PRACTICES, THE COMPANY SHOULD ARRANGE FOR INTERNAL AUDITS.
5.2.1. It is recommended that internal audits to be carried out by a separate structural division (internal audit department) to be created by the company or through retaining an independent third-party entity. To ensure the independence of the internal audit department, it should have separate lines of functional and administrative reporting. Functionally, the internal audit department should report to the board of directors, while from the administrative standpoint, it should report directly to the company’s one-person executive body.

5.2.2. When carrying out an internal audit, it is recommended to evaluate efficiency of the internal control system and the risk management system, as well as to evaluate corporate governance and apply generally accepted standards of internal auditing.

VI. DISCLOSURE OF INFORMATION ABOUT THE COMPANY AND ITS INFORMATION POLICY

6.1. THE COMPANY AND ITS ACTIVITIES SHOULD BE TRANSPARENT TO ITS SHAREHOLDERS, INVESTORS, AND OTHER STAKEHOLDERS.

6.1.1. The company should develop and implement an information policy enabling the company to efficiently exchange information with its shareholders, investors, and other stakeholders.

6.1.2. The company should disclose information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of this Code.

6.2. THE COMPANY SHOULD DISCLOSE, ON A TIMELY BASIS, FULL, UPDATED AND RELIABLE INFORMATION ABOUT ITSELF SO AS TO ENABLE ITS SHAREHOLDERS AND INVESTORS TO MAKE INFORMED DECISIONS.

6.2.1. The company should disclose information in accordance with the principles of regularity, consistency and timeliness, as well as accessibility, reliability, completeness and comparability of disclosed data.

6.2.2. The company is advised against using a formalistic approach to information disclosure; it should disclose material information on its activities, even if disclosure of such information is not required by law.

6.2.3. The company’s annual report, as one of the most important tools of its information exchange with its shareholders and other stakeholders, should contain information enabling one to evaluate the company’s performance results for the year.

6.3. THE COMPANY SHOULD PROVIDE INFORMATION AND DOCUMENTS REQUESTED BY ITS SHAREHOLDERS IN ACCORDANCE WITH THE PRINCIPLE OF EQUAL AND UNHINDERED ACCESSIBILITY.
6.3.1. Exercise by the shareholders of their right to access the company's documents and information should not be unreasonably burdensome.

6.3.2. When providing information to its shareholders, the company should maintain a reasonable balance between the interests of individual shareholders and its own interests related to the fact that the company is interested in keeping confidential sensitive business information that might have a material impact on its competitiveness.

VII. MATERIAL CORPORATE ACTIONS

7.1. ANY ACTIONS WHICH WILL OR MAY MATERIALLY AFFECT THE COMPANY’S SHARE CAPITAL STRUCTURE AND ITS FINANCIAL POSITION AND, ACCORDINGLY THE POSITION OF ITS SHAREHOLDERS (“MATERIAL CORPORATE ACTIONS”) SHOULD BE TAKEN ON FAIR TERMS AND CONDITIONS ENSURING THAT THE RIGHTS AND INTERESTS OF THE SHAREHOLDERS AS WELL AS OTHER STAKEHOLDERS ARE OBSERVED.

7.1.1. Material corporate actions shall be deemed to include reorganization of the company, acquisition of 30 or more percent of its voting shares (takeover), entering by the company into any material transactions, increasing or decreasing its share capital, listing and delisting of its shares, as well as other actions which might result in material changes in rights of its shareholders or violation of their interests. It is recommended to include in the company’s articles of association a list of (criteria for identifying) transactions or other actions falling within the category of material corporate actions and provide therein that decisions on any such actions should fall within the jurisdiction of the company’s board of directors.

7.1.2. The board of directors should play a key role in passing resolutions or making recommendations relating to material corporate actions; for that purpose, it should rely on opinions of the company’s independent directors.

7.1.3. When taking any material corporate actions which would affect rights or legitimate interests of the company’s shareholders, equal terms and conditions should be ensured for all of the shareholders; if statutory mechanisms designed to protect the shareholder rights prove to be insufficient for that purpose, additional measures should be taken with a view to protecting the rights and legitimate interests of the company’s shareholders. In such instances, the company should not only seek to comply with the formal requirements of law but should also be guided by the principles of corporate governance set out in this Code.

7.2. THE COMPANY SHOULD HAVE IN PLACE SUCH A PROCEDURE FOR TAKING ANY MATERIAL CORPORATE ACTIONS THAT WOULD ENABLE ITS SHAREHOLDERS TO RECEIVE FULL INFORMATION ABOUT SUCH ACTIONS IN DUE TIME AND INFLUENCE THEM, AND THAT WOULD ALSO GUARANTEE THAT THE SHAREHOLDER RIGHTS ARE OBSERVED AND DULY PROTECTED IN THE COURSE OF TAKING SUCH ACTIONS.

7.2.1. When disclosing information about material corporate actions, it is recommended to give explanations concerning reasons for, conditions and consequences of such actions.

7.2.2. Rules and procedures in relation to material corporate actions taken by the company should be set out in its internal documents.
AUTHORIZED CAPITAL
AND STOCK MARKET

AS OF DECEMBER 31, 2014 THE AMOUNT OF AUTHORIZED CAPITAL OF OJSC KAZANORGSINTEZ MADE 1,904.71 MLN RUBLES AND DID NOT CHANGE IN THE REPORTING YEAR. THE AUTHORIZED CAPITAL CONSISTS OF 1,904,710,000 SHARES AND HAS BEEN PAID COMPLETELY.

DISTRIBUTION OF SHARES BY SHARE CATEGORY:

| Ordinary shares, Face value 1 ruble | 93.72% | 1,785,114,000 shares |
| Preference shares, Face value 1 ruble | 6.28% | 119,596,000 shares |

STRUCTURE OF COMPANY’S AUTHORIZED CAPITAL1

| 51.59% | OOO Telecom-Management |
| 26.64% | OAO Svyazinvestneftekhim |
| 21.77% | Other legal entities and individuals |

INFORMATION ON SHARE ISSUE

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

1 This data as of 08.03.2014 - the date of closing the register of OJSC Kazanorgsintez’s shareholders for the Annual General Shareholders’ meeting
DIVIDENDS

1,904,710,000

COMPANY’S SHARES DIVIDEND PAYMENT DYNAMICS:
in % to face value by years

<table>
<thead>
<tr>
<th>Shares category (type)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares</td>
<td>6.0</td>
<td>53.53</td>
<td>34.58</td>
</tr>
<tr>
<td>Preference shares</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
</tbody>
</table>

ANNOUNCED (ACCRUED) DIVIDENDS DISTRIBUTION REPORT DURING 2014 BASED ON 2013 RESULTS

<table>
<thead>
<tr>
<th>Shares category (type)</th>
<th>ordinary shares</th>
<th>preference shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>The amount of announced dividends on shares of this category (type) calculated per single share, ruble</td>
<td>0.3458</td>
<td>0.25</td>
</tr>
<tr>
<td>The amount of announced dividends in total on all shares of this category (type), ruble</td>
<td>617,292,421.2</td>
<td>29,899,000</td>
</tr>
<tr>
<td>Total amount of dividends distributed on all issuer shares of this category (type), ruble</td>
<td>617,256,138.72</td>
<td>29,866,475</td>
</tr>
<tr>
<td>Source of the announced dividends</td>
<td>net profit for the reporting year</td>
<td>net profit for the reporting year</td>
</tr>
<tr>
<td>Share of the announced dividends in net profit for the reporting year, %</td>
<td>28.62</td>
<td>1.38</td>
</tr>
<tr>
<td>Share of the distributed dividends in total amount of announced dividends on shares of this category (type), %</td>
<td>99.99↑</td>
<td>99.89↑</td>
</tr>
</tbody>
</table>

1 The dividends for the year 2013 were not distributed in full due to unavailability of shareholders (legal entities and individuals) requisite details. The distribution shall be performed upon clarification of requisition details of such shareholders.
SHARES OF OJSC KAZANORGSINTEZ ARE INCLUDED IN THE THIRD LEVEL OF SECURITIES' LIST, ELIGIBLE FOR TRADES AT ZAO MICEX STOCK EXCHANGE, I.E. IN THE SECTION OF THE LIST WHICH INCLUDES SECURITIES, ELIGIBLE FOR ORGANIZED Trades AT ZAO MICEX STOCK EXCHANGE WITHOUT INCLUSION TO QUOTATION LISTS

OJSC KAZANORGSINTEZ'S SHARES QUOTATIONS AT TRADING PLATFORMS

Starting from December 05, 2011 the shares of OJSC Kazanorgsintez are quoted on the ZAO MICEX Stock Exchange. Earlier OJSC Kazanorgsintez's shares were presented at the trade platforms of OAO Russian Trading System Stock Exchange. Ordinary and preference shares of OJSC Kazanorgsintez are represented in stock market (share codes are KZOS and KZOSP correspondingly).

From December 18, 2012 the ordinary shares of OJSC Kazanorgsintez are included in chemical and petrochemical sector share index calculation of MICEX CHM1.

DYNAMICS OF PRICES FOR ORDINARY AND PREFERENCE SHARES OF OJSC KAZANORGSINTEZ COMPARED WITH MICEX INDEX IN 2014

<table>
<thead>
<tr>
<th></th>
<th>KZOS</th>
<th>KZOSP</th>
<th>MICEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>At the beginning of the year:</td>
<td>7.01 rubles</td>
<td>3.20 rubles</td>
<td>1,466.15 points</td>
</tr>
<tr>
<td>At the end of the year:</td>
<td>14.48 rubles</td>
<td>2.96 rubles</td>
<td>1,396.61 points</td>
</tr>
<tr>
<td>Change during the year:</td>
<td>↑ 106.6%</td>
<td>↓ 7.5%</td>
<td>↓ 4.7%</td>
</tr>
</tbody>
</table>

CAPITALIZATION DYNAMICS OF OJSC KAZANORGSINTEZ'S SHARES IN 2014

25,425.3 MLN RUBLES

Capitalization of OJSC Kazanorgsintez calculated per data provided by ZAO MICEX Stock Exchange as of December 31, 2014

1 New lists of shares for calculation of Moscow Exchange indexes: http://rts.micex.ru/h2183
SUBSTANTIAL TRANSACTIONS

TRANSACTIONS ACKNOWLEDGED IN COMPLIANCE WITH FEDERAL LAW "ON JOINT STOCK COMPANIES" AS RELATED PARTY TRANSACTIONS

4 SEPTEMBER 2014

Approving Body: 
OJSC Kazanorgsintez’s Board of Directors

Essential Conditions of the Transaction: 
Approval of a transaction between OJSC Kazanorgsintez and OOO MCB Avers on prolongation of the Loan Agreement made earlier.

Related Party: 
Chairman of OJSC Kazanorgsintez’s Board of Directors – Ruslan A. Shigabutdinov.

19 DECEMBER 2014

Approving Body: 
OJSC Kazanorgsintez’s Board of Directors

Essential Conditions of the Transaction: 
Approval of a transaction (related transactions) between OJSC Kazanorgsintez and OOO MCB Avers on prolongation of the Loan Agreements made earlier.

Related Party: 
Chairman of OJSC Kazanorgsintez’s Board of Directors – Ruslan A. Shigabutdinov.

IN 2014 OJSC KAZANORGSINTEZ DID NOT MAKE ANY MAJOR TRANSACTIONS ACKNOWLEDGED IN COMPLIANCE WITH FEDERAL LAW "ON JOINT STOCK COMPANIES" AS MAJOR TRANSACTIONS
INFORMATION ABOUT
OJSC KAZANORGSINTEZ

FULL BRAND NAME OF THE COMPANY
Kazan Open Joint Stock Company “Organichesky Sintez”

SHORTENED NAME
OJSC Kazanorgsintez

ADDRESS OF THE COMPANY
101 Belomorskaya street, Kazan, Tatarstan Republic, Russian Federation, 420051.

INFORMATION ON STATE REGISTRATION OF THE COMPANY
Registered by RT Ministry of Finance on the 31st of August, 1993, under the filing number 400

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

HEAD OF THE COMPANY
General Director — Farid G. Minigulov

CORE ACTIVITIES IN ACCORDANCE WITH RUSSIAN NATIONAL CLASSIFIER OF ECONOMIC ACTIVITIES
- Production of plastics and synthetic resins in the initial forms;
- Production of lubricating oil, additives to oils and antifreezes;
- Production of plastic plates, stripes, pipes and profiles;
- Production of plastic goods for packing;
- Production of other main organic chemical products, not included in other groups;
- Processing of nonmetal wastes and scraps;
- Water collection, purification and distribution;
- Wholesale trade of synthetic resins and plastics in initial forms;
- Wholesale trade of other industrial chemical products;
- Production of soap and detergents.

MANAGEMENT BODIES OF THE COMPANY
- General Shareholders’ Meeting;
- Board of Directors;
- Individual Executive Body (General Director);
- Collective Executive Body (Management Board).

CONTROL BODY OF THE COMPANY
Audit Commission

AUDIT COMMISSION STRUCTURE
Olga V. Ignatovskaya
Chairman of Audit Commission, Chief Accountant, TAIF PSC

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

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

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

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

Composition of the Audit Commission did not change in 2014.
INFORMATION ABOUT AUDITOR

The Company’s Auditor is ZAO “Price-waterhouseCoopers Audit” Member of noncommercial partnership Audit Chamber of Russia (UP ACR) being a self-regulating organization of auditors—registration number 870 in UP ACR members registry.

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

INFORMATION ABOUT REGISTRY HOLDER

OOO Eurasian Registrar

Location: 2 Stolbova str., Kazan, Republic of Tatarstan, 420021

Website: www.erd.ru.

License number: 10-000-1-00332

Date of issue: 10.03.2005 г.

Valid till: without limitation of the period of validity

Body issued the license: Federal Service on the financial markets of the Russian Federation

Kazan branch

OOO Eurasian Registrar

Location: 6 Vishnevskogo str., Kazan, Republic of Tatarstan 420043

Phone: (843) 236-63-96,

Fax: (843) 236-27-52

DISCLOSURE OF INFORMATION ABOUT OJSC KAZANORGSIINTEZ:

• Trud newspaper;

• Internet:
  1. at the corporate website: www.kazanorgsintez.ru
  2. at the website of the information agency ZAO SKRIN on the disclosure page: www.disclosure.skrin.ru/disclosure/1658008723.

ADEQUACY OF THE INFORMATION CONTAINED IN THE ANNUAL REPORT IS CONFIRMED BY AUDIT COMMISSION OF OJSC KAZANORGSIINTEZ.

ANNUAL REPORT IS PRELIMINARY APPROVED BY OJSC KAZANORGSIINTEZ’S BOARD OF DIRECTORS

PROTOCOL NO.8 DD. 23.03.2015

WORK WITH SHAREHOLDERS IS CARRIED OUT BY

Corporate Governance Department of OJSC Kazanorgsintez

Phone: (843) 533-93-42, 533-95-86;

Fax (843) 533-93-42

e-mail: ocb@kos.ru

Igor V. Gavrilov

—

Head of Corporate Governance Department

Phone number: (843) 533-99-85

GENERAL DIRECTOR OF OJSC KAZANORGSIINTEZ

Farid G. Minigulov
FINANCIAL STATEMENTS
**REPORTING FORMS**

**BALANCE SHEET AS AT 31 DECEMBER 2014**

*(thousand rubles)*

<table>
<thead>
<tr>
<th>Narrative</th>
<th>Line code</th>
<th>As at 31 December 2014</th>
<th>As at 31 December 2013</th>
<th>As at 31 December 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>I. FIXED ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>1110</td>
<td>299</td>
<td>380</td>
<td>428</td>
</tr>
<tr>
<td>Results of research and development</td>
<td>1120</td>
<td>-</td>
<td>122</td>
<td>630</td>
</tr>
<tr>
<td>Intangible exploration assets</td>
<td>1130</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tangible exploration assets</td>
<td>1140</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>1150</td>
<td>26,938,943</td>
<td>28,193,753</td>
<td>30,413,138</td>
</tr>
<tr>
<td>Income-bearing investments in tangible assets</td>
<td>1160</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial investments</td>
<td>1170</td>
<td>20,568</td>
<td>14,168</td>
<td>14,124</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>1180</td>
<td>134,819</td>
<td>77,744</td>
<td>417,227</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>1190</td>
<td>699,782</td>
<td>794,477</td>
<td>999,222</td>
</tr>
<tr>
<td><strong>Total Section I</strong></td>
<td>1100</td>
<td>27,794,411</td>
<td>29,080,644</td>
<td>31,844,769</td>
</tr>
<tr>
<td><strong>II. CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>1210</td>
<td>5,572,824</td>
<td>5,282,778</td>
<td>5,167,278</td>
</tr>
<tr>
<td>Value added tax on acquired assets</td>
<td>1220</td>
<td>210,820</td>
<td>263,853</td>
<td>258,539</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>1230</td>
<td>1,257,109</td>
<td>625,305</td>
<td>853,935</td>
</tr>
<tr>
<td>Financial investments (less cash equivalents)</td>
<td>1240</td>
<td>6,107,354</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1250</td>
<td>4,139,154</td>
<td>1,396,296</td>
<td>1,617,785</td>
</tr>
<tr>
<td>Other current assets</td>
<td>1260</td>
<td>333,380</td>
<td>174,148</td>
<td>155,662</td>
</tr>
<tr>
<td><strong>Total Section II</strong></td>
<td>1200</td>
<td>17,620,641</td>
<td>7,742,380</td>
<td>8,053,199</td>
</tr>
<tr>
<td><strong>TOTAL SECTIONS I and II</strong></td>
<td>1600</td>
<td>45,415,052</td>
<td>36,823,024</td>
<td>39,897,968</td>
</tr>
</tbody>
</table>
### EQUITY AND LIABILITIES

#### III. EQUITY AND RESERVES

<table>
<thead>
<tr>
<th>Narrative</th>
<th>Line code</th>
<th>As at 31 December 2014</th>
<th>As at 31 December 2013</th>
<th>As at 31 December 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter capital</td>
<td>1310</td>
<td>1,904,710</td>
<td>1,904,710</td>
<td>1,904,710</td>
</tr>
<tr>
<td>Own shares buy-back</td>
<td>1320</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Non-current asset revaluation</td>
<td>1340</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Additional capital (without revaluation)</td>
<td>1350</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Reserve capital</td>
<td>1360</td>
<td>95,235</td>
<td>95,235</td>
<td>95,235</td>
</tr>
<tr>
<td>Retained earnings (loss)</td>
<td>1370</td>
<td>15,760,560</td>
<td>10,312,347</td>
<td>9,174,597</td>
</tr>
<tr>
<td><strong>Total Section III</strong></td>
<td>1300</td>
<td><strong>17,760,505</strong></td>
<td><strong>12,312,292</strong></td>
<td><strong>11,174,542</strong></td>
</tr>
</tbody>
</table>

#### IV. NON-CURRENT LIABILITIES

<table>
<thead>
<tr>
<th>Narrative</th>
<th>Line code</th>
<th>As at 31 December 2014</th>
<th>As at 31 December 2013</th>
<th>As at 31 December 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings and bank loans</td>
<td>1410</td>
<td>10,971,135</td>
<td>16,541,622</td>
<td>21,618,277</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>1420</td>
<td>1,498,765</td>
<td>1,676,637</td>
<td>1,823,675</td>
</tr>
<tr>
<td>Income of future periods</td>
<td>1430</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1450</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Section IV</strong></td>
<td>1400</td>
<td><strong>12,469,900</strong></td>
<td><strong>18,218,259</strong></td>
<td><strong>23,441,952</strong></td>
</tr>
</tbody>
</table>

#### V. CURRENT LIABILITIES

<table>
<thead>
<tr>
<th>Narrative</th>
<th>Line code</th>
<th>As at 31 December 2014</th>
<th>As at 31 December 2013</th>
<th>As at 31 December 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowed funds</td>
<td>1510</td>
<td>8,850,403</td>
<td>2,438,234</td>
<td>1,521,695</td>
</tr>
<tr>
<td>Payables</td>
<td>1520</td>
<td>5,825,689</td>
<td>3,464,875</td>
<td>3,397,683</td>
</tr>
<tr>
<td>Deferred income</td>
<td>1530</td>
<td>1,320</td>
<td>349</td>
<td>1,120</td>
</tr>
<tr>
<td>Estimated liabilities</td>
<td>1540</td>
<td>507,235</td>
<td>389,015</td>
<td>360,976</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1550</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Section V</strong></td>
<td>1500</td>
<td><strong>15,184,647</strong></td>
<td><strong>6,292,473</strong></td>
<td><strong>5,281,474</strong></td>
</tr>
</tbody>
</table>

**TOTAL SECTIONS III, IV, V**                     | 1700      | **45,415,052**         | **36,823,024**         | **39,897,968**         |
## STATEMENT OF FINANCIAL RESULTS FOR 2014
(thousand rubles)

<table>
<thead>
<tr>
<th>Narrative</th>
<th>Line code</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2110</td>
<td>54,482,528</td>
<td>46,134,205</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>2120</td>
<td>(39,138,654)</td>
<td>(36,611,426)</td>
</tr>
<tr>
<td>Gross profit (loss)</td>
<td>2100</td>
<td>15,343,874</td>
<td>9,522,779</td>
</tr>
<tr>
<td>Sales expenses</td>
<td>2210</td>
<td>(560,072)</td>
<td>(672,904)</td>
</tr>
<tr>
<td>General business expenses</td>
<td>2220</td>
<td>(3,074,934)</td>
<td>(2,823,865)</td>
</tr>
<tr>
<td>Profit (loss) from sales</td>
<td>2200</td>
<td>11,708,868</td>
<td>6,026,010</td>
</tr>
<tr>
<td>Income from participation in other companies</td>
<td>2310</td>
<td>2</td>
<td>–</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>2320</td>
<td>282,871</td>
<td>62,509</td>
</tr>
<tr>
<td>Interest payable</td>
<td>2330</td>
<td>(1,615,163)</td>
<td>(1,797,225)</td>
</tr>
<tr>
<td>Other income</td>
<td>2340</td>
<td>1,785,803</td>
<td>814,254</td>
</tr>
<tr>
<td>Other expenses</td>
<td>2350</td>
<td>(4,484,136)</td>
<td>(2,192,211)</td>
</tr>
<tr>
<td>Income (loss) before taxation</td>
<td>2300</td>
<td>7,678,245</td>
<td>2,913,337</td>
</tr>
<tr>
<td>Current income tax</td>
<td>2410</td>
<td>(1,800,712)</td>
<td>(577,127)</td>
</tr>
<tr>
<td>including permanent tax liabilities (assets)</td>
<td>2421</td>
<td>30,116</td>
<td>186,905</td>
</tr>
<tr>
<td>Changes in deferred tax liabilities</td>
<td>2430</td>
<td>177,872</td>
<td>147,038</td>
</tr>
<tr>
<td>Changes in deferred tax assets</td>
<td>2450</td>
<td>57,075</td>
<td>(339,483)</td>
</tr>
<tr>
<td>Other</td>
<td>2460</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>NET PROFIT (LOSS)</strong></td>
<td>2400</td>
<td><strong>6,112,480</strong></td>
<td><strong>2,143,765</strong></td>
</tr>
</tbody>
</table>

### REFERENCE

- Results of revaluation of non-current assets not included to the net profit (loss) for the reporting year 2510 – –
- Results of other transactions not included to the net profit (loss) for the reporting year 2520 – –
- Cumulative financial result for the year 2500 6,112,480 2,143,765
- Basic earnings (loss) per share 2900 3 1
- Deluted earnings (loss) per share 2910 – –
AUDITORS' REPORT

TO THE SHAREHOLDERS OF OPEN JOINT STOCK COMPANY “KAZANORGSINTEZ”:

CLIENT

Open Joint Stock Company “Kazanorgsintez”
420051, Kazan, Belomorskaya str., Bld 101.
State registration certificate №400, issued by Ministry of Finance of Tatarstan Republic on 31 August 1993.
Certificate of the inclusion in the United State Register of Legal Entities regarded the legal entities registered before 1 July 2002 No. 1021603267674 issued by the Inspectorate of the Federal Tax authorities for the Moscow district of Kazan City on July 24, 2002.

AUDITOR

ZAO PricewaterhouseCoopers Audit (ZAO PwC Audit) located at: 125047, Russian Federation, Moscow, Butyrsky Val, 10.
State registration certificate No. 008.890, issued by Moscow Registration Bureau on 28 February 1992.
Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 No. 1027700148431 issued by Interregional Inspectorate of the Russian Ministry of Taxes and Levies No. 39 for the Moscow City on 22 August 2002.
Member of non-profit partnership “Audit Chamber of Russia” (NP ACR) being a self-regulating organisation of auditors – registration number 870 in the register of NP ACR members.
Major registration record number (ORNZ) in the register of auditors and audit organisations – 10201003683.

We have audited the attached financial statements of Open Joint Stock Company “Kazanorgsintez” (hereinafter – the “Company”) which comprise the balance sheet as of 31 December 2014, and statement of financial results, statement of changes in equity and statement of cash flows for the year ended 31 December 2014 and notes to the balance sheet and statement of financial results (hereinafter all the reports together are referred to as the “financial statements”).

COMPANY’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

THE AUDITOR’S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Company as of 31 December 2014 and the results of its operations and its cash flows for the year then ended in accordance with the reporting rules established in the Russian Federation.

DIRECTOR OF ZAO PRICEWATERHOUSECOOPERS AUDIT
E.V.FILIPPOVA
24 FEBRUARY 2015