

ОБЩЕРОССИЙСКОЕ ДЕЛОВОЕ ИЗДАНИЕ • РЕСПУБЛИКА ТАТАРСТАН

СЕНТЯБРЬ 2007

National Business

ДЛЯ РУКОВОДИТЕЛЕЙ НОВОГО ПОКОЛЕНИЯ



26 Генеральный директор ОАО «ТАИФ»

Альберт Шигабутдинов:
**«Работаем порой
на грани возможного»**

34 У Татарстана –
«Электронное
Правительство»

38 История
«скрытых
комиссий»

54 Новый налог
на недвижимость

58 Курьезы
российского
нейминга

76 Эффективная
охрана бизнеса

94 «Глобализация»
автомобильного
рынка

RUSSIAN BUSINESS MAGAZINE
REPUBLIC OF TATARSTAN EDITION

National Business

September 2007

Albert Shigabutdinov:

«We are working sometimes on the brink of feasibility»

The annual shareholders' meeting of «TAIF» PSC was held on June 27, 2007. The company summarized the results of its activity in the year 2006. Last year the enterprises of the gas and petrochemical complex of «TAIF» Group provided more than 38 per cent of sales volume and more than 16 per cent of added value in Tatarstan gas and petrochemical complex. How did they manage to achieve such results, what are the objectives and prospects of «TAIF» Group – these are the subjects of our talk with Albert Shigabutdinov, «TAIF» PSC Director General.

– Albert Kashafovich, how do you settle the problem of distribution of the «TAIF» net income, including that of the year 2006? What is the company's strategy in paying out dividends?

– The main part of the income is directed to the company's development. The total value of dividends in «TAIF» Group of Companies (GC) regarding the year 2006, directed by the shareholders for payouts, amounted nearly to RUB 3 bln, including the head company, which decided to pay out RUB 114 mln 750 thousand. We resolved to direct the rest of the «TAIF»GC enterprises net income for their development. The total value of investments in «TAIF» Group of Companies since 1995 till the present time has comprised RUB 105 billion.

– What are the reasons the issue of «TAIF» GC expansion to IPO has not been raised so far? Why do Tatarstan petrochemical enterprises not hurry with their entry to the world stock market?

– The issue of IPO entry is not an end in itself. The main direction of the Company activity has always been and still is the realization of investment programs which have the prior significance for the Tatarstan economy. The main objective of «TAIF» GC is the effective economic development of both

Tatarstan and Russia, which leads to the increase in the well-being of population, shareholders and personnel of «TAIF» GC. This objective can be achieved by obtaining maximal profit, which will in turn allow to provide the maximum of tax proceeds into all-level budgets, of the company's maximal value, as well as to create new working places with decent wages.

IPO is just one of the technical instruments of capital formation for achieving the set goals. Nowadays we run business to be ready for IPO. We are working to increase the quality of corporate management, to convert the system of accounting and reporting into the international standards. We do our best to make our company as transparent and open as our legislation allows. It should be open for the partners, state, shareholders, and potential investors. The company specialists believe that the time has not yet come for entering IPO, they forecast that it will take place not later than in 2012-2014. But the last word in this issue will belong to the shareholders.

– All main tasks given to «TAIF» company by the Republic of Tatarstan Security Council in June, 2005 have been realized in time, as well as those contained in the President's Program of the gas and petrochemical complex de-

velopment for 2004-2008, said Tatarstan Prime Minister at the press-conference, which took place after the annual meeting of «TAIF» shareholders. As the Head of «TAIF», are you satisfied with the year 2006 results?

– Life proves, that the larger results are the more physical, moral and intellectual powers they do employ for their achievement. The successful realization of our company's tasks is the result of a huge work of everybody with whom I work, sometimes on the brink of feasibility. We have done everything in our power, but I cannot say that our specialists are satisfied with the results. Last year the number of investment projects fulfilled by «TAIF» was the largest during the period of its functioning. Certainly, it is pleasant to realize that «TAIF» Group companies working in various spheres make a significant contribution into the development of our Republic's investment potential. The Tatarstan President Mintimer Sharipovich Shaimiev said that the main growing-point of Tatarstan economy is petrochemicals and oil processing. For somebody it may be mere words, but for us it is the definite task, and nowadays this direction is the leading one in our work.

Proceeds of «TAIF» enterprises in 2006 amounted to more than RUB

140.6 billion, which was 65% more than in 2005. The balance sheet profit of «TAIF» group companies increased, as compared with 2005, by RUB 1.5 billion and amounted to RUB 16.5 billion, which corresponds to 19% of proceeds gained by all Tatarstan enterprises.

– **What were the most significant and successful projects of 2006, to your mind?**

– The largest and most successful projects of the last year are the starting of motor gasoline plant commercial management, the gas condensate processing plant of «TAIF-NK» OJSC and commencement of the propylene production at «Nizhnekamskneftekhim» OJSC with the annual capacity of 180 thousand tons. The gasoline plant and gas condensate processing plant allow the increase of production of motor gasoline up to 650 thousand tons with the further increase up to 1 mln tons a year and to provide the processing of gas condensate up to 1 mln 200 thousand tons a year. We have carried out main activities aimed at the achievement of premium class fuels – «Euro-4», corresponding to the European ecological requirements and the highest world standards.

These enterprises were visited by the Russian Minister of Industry and Power Victor Borisovich Khristenko before their startup, which testified to the importance of these petrochemical objects for Russia as a whole. During the inspection of new production sites of «Nizhnekamskneftekhim» OJSC and «TAIF-NK» OJSC the Head of the Russian Ministry of Industry and Power mentioned that he was impressed by the results of the large investment projects realization: «...There is a definite internal understanding of the nearest future strategy. And these plans are not just hypotheses, but business solutions, the results of which are expected in 2008, 2009 or 2010 – at a definite day and hour». Khristenko



tenko stressed that these enterprises have laid a good groundwork for entering the expanding Russian market with the new production.

It should be noted that a large strategic work was made in 2006 besides launching new productions at the largest petrochemical enterprises of «TAIF» GC.

In 2006 a lot was made at «Kazanorgsintez» OJSC, particularly, the main activities in completing the modernization of the high density polyethylene production, with the annual capacity increase by 300 thousand tons of such polyethylene. It allowed obtaining 208 thousand tons of polyethylene last year. Besides, «Kazanorgsintez» OJSC carried out the main activities at Bisphenol production plant, polyethylene production plant, polycarbonates production plant. The significant event of 2006 at the butyl rubber plant of «Nizhnekamskneftekhim» OJSC was the production of the 50-thousandth ton of halobutyl rubber. At present «Nizhnekamskneftekhim» OJSC is the only producer of halobutyl rubbers in Russia. Last year the significant work was carried out at the halobutyl plant within the program of the total capacity of the butyl and halobutyl rubbers production increase up to 120 thousand tons

a year. The main activities were carried out as well for production of 600 thousand tons of ethylene a year. Intensive work was carried out at the «TAIF-NK» OJSC oil-processing plant for launching the oxidized asphalt production, which has no analogues in Russia. All these enterprises will be launched during 2007-2008. Specialists note that during the Soviet period the new petrochemical enterprises in Tatarstan on average had been launched once in two years. Now on average we launch two petrochemical enterprises a year.

In the telecommunication sphere there are also a lot of significant achievements. Thus, the television and radio company «TVT» OJSC has been merged with cable telephone network «Radio-teleset» OJSC and a wire line telephone network «Intelset» OJSC in 2006. Together with «TAIF», «Tattelekom» OJSC has achieved great success. For the first time in its history «Tattelekom» has become the leader of the Russian Federation in growth rate.

We have got the approval of our plans for the creation of cultural and healthcare centre of international level for sports and recreation, carrying out of the international sports competitions, including the World Student Games «Universiada».

The large work has been carried out, but it is just a small part of what is ahead of us. In 2012-2014 we must reach the goods and services production level of more than RUB 400 billion a year. At the same time we plan to gain and transfer up to RUB 72 billion of taxes and dues to all-level budgets.

– How do you carry out the work on problem directions, which were mentioned at the annual meeting of shareholders – the raw materials component of all projects?

– We have a lot of suggestions from oil and gas producing companies on the joint processing of casing-head gas, natural gas, as well as crude oil for their further use in petrochemical industry. It should be noted that nowadays there is no lack of carbohydrate resources in the Russian Federation. There is a problem connected with its processing and getting final product. This problem was stated by the Russian President in his latest message to the Federal Assembly, where he marked also the ways of its solution. Vladimir Vladimirovich Putin said that for the purposes of the developed system creation we should significantly increase the share of processing enterprises with the high level of added value, with a view of the ultimate decrease of the national economy dependence upon the world markets and price fluctuations on the long-term basis. The President's programs of gas and petrochemical complex development in the Republic of Tatarstan for 1999-2003, as well as for 2004-2008, are aimed at the elimination of such dependence. Since the formation of «TAIF» our efforts and one of the main activity lines have been connected with the creation of our own stable domestic market for the companies extracting and processing carbohydrate resources. That is why we closely cooper-

ate with Russian companies extracting carbohydrate resources, which we can buy and process; we master the rapidly changing technologies, hold consultations with foreign partners on the variants of the most modern technologies. We always make economically efficient offers to our partners, but sometimes our offers are viewed as a sign of our weakness or as a forced necessity. But it is not so. Our efforts are aimed at speeding up the development pace of this industry in Russia. With the lapse of time our partners come to understanding our intentions. As a result we start long-term cooperation, which presupposes the gaining of guaranteed profitability by both parties.

Discussing at the annual meeting the issues connected with the feedstock and raw materials, we could not but touch upon the feedstock supply of «Kazanorgsintez» OJSC. In March this year we had to suspend the acceptance of ethane at «Kazanorgsintez» OJSC because of the planned construction and maintenance works which were carried out for the purposes of the enterprise efficiency increase. At present Gazprom carries on the maintenance and modernization activity of ethane pipe at Orenburg Helium Plant as well to increase the ethane acceptance and its further transmittance to Kazan. This issue was discussed at the meeting of Tatarstan President Mintimer Sharipovich Shaimiyev and the head of «Gazprom» Aleksey Borisovich Miller, which took place at the end of May, 2007. A working group has already been formed to solve this problem, which will develop the program of mutually profitable cooperation. So to say, one ruble invested by «Gazprom» and one ruble invested by «TAIF» group shall give both parties minimum 10 rubles.

Generally, the complex scheme of carbohydrate resources supply to the gas and petrochemical en-

terprises of «TAIF» group is based upon two main trends. First, we seek efficient ways of those carbohydrate resources utilization, which geographically are situated most closely, so that we could gain a large added value with minimum expenditures. But if it is not sufficient, we seek opportunities for the carbohydrate resources transportation by railway, by building new pipelines for processing the resources here. Ethane, Natural Gas Liquids, and gas condensate only as a fuel, or sell them abroad, but for petro-chemistry it is the most valuable raw material with the higher level of conversion as compared to oil.

Nowadays Tatarstan produces about 30 mln tons of oil a year. This volume is more than sufficient for the full workload of Nizhnekamsk Oil Refinery which is a part of «TAIF-NK» and which processes 7 mln tons of oil a year. Undoubtedly, we are concerned about the quality and high price of this oil, which keeps the rate of high-gravity oils. The Refinery produces 1 mln 100 tons of straight-run gasoline a year, which is delivered to the «Nizhnekamskneftekhim» ethylene production unit. The gas condensate processing plant launched by us gives another 500 thousand tons of straight-run gasoline and 400 thousand tons of diesel fuels, nowadays these volumes together fully supply the feedstock and raw materials for the Nizhnekamsk chemical plant. Our reserve is diesel fuel, fuel oil, aviation fuel, vacuum gasoil, which can be used as raw materials for petrochemicals production as well as to be processed into polymers.

As I have mentioned, we strive for the mutually profitable long-term cooperation with all carbohydrate suppliers, which could allow them the maximum sale of the disposal of their resources in Russia. We purchase these resources at the rate of the world market prices, taking the Russian conditions into

account. We launch and build new petrochemical and oil-processing enterprises, but, undoubtedly, there is much work to be done.

– Could you give a more detailed description of a new infrastructure created around large petrochemical enterprises (small- and medium-size business), which will take upon themselves the functions of petrochemical products processing?

This activity is new for us, but in general it is in line with our further prospective plans. Nowadays we carry out preparatory work. In the nearest future «TAIF» is going to start the development program to create the conditions for attracting participants of a deeper processing of carbohydrate resources, including the small- and medium-size businesses. This will ensure further processing of not less than 30 percent of our end products (including polymers). Today we guarantee to everybody the signing of long-term agreements for 10-15 years and more. We provide all kinds of support, including guarantees on raising finance.

– What chances do Tatarstan small and medium-size businesses have for participating in creating the infrastructure around «Kazanorgsintez» and Nizhnekamskneftekhim», which were resolved to become the «key» enterprises?

– It generally depends on the decisions of Kazan and Nizhnekamsk Mayors.

– «TAIF» GC includes more than 40 enterprises. Undoubtedly, the oil-processing and petrochemical branches are the major ones. What other directions of «TAIF» PSC activity do you consider to be the most important (telecommunications, construction, stock market, etc.)?

– «TAIF» Group of Companies includes 44 subsidiary enterprises, together with the dependent ones this number amounts to 90. Undoubtedly, the tasks put forward



by the Tatarstan President in the sphere of petrochemicals are the most important ones, and it is the main line of our activity today. But first of all, «TAIF» is an investment company. The stable economic and political situation in the Republic creates conditions for the investment attraction growth. The Tatarstan favorable investment policy was marked by German Oskarovich Gref, the Russian Minister of economic development and trade, at the first International economic forum «Presentation of the Republic of Tatarstan investment potential», which took place in Kazan last autumn.

Among the other directions of activity – telecommunication, construction, services – it is hard to pick out the most and the less significant, all of them are important. They were created when the situation demanded that, they filled the niches. Without developing these business activities it was hard to proceed, and it was hard not only for us. Gradually the companies have become independent and started their «free flight». So, we are working with them as with reliable professional partners.

During the first years of work we were engaged in telecommunications, as the other branches of economy development was im-

possible without modern means of communication. Nowadays, telecommunications in the Republic could be compared with such in the developed countries. The application of modern technologies allows «TAIF» Group to be one of the leading players in the Tatarstan and Russia telecommunications market.

As I have already mentioned, in 2006 the television and radio company «TVT» OJSC was merged with the cable telephone network «Radioteleset» OJSC and wire line telephone network «Intelset» OJSC. As a result, the Tatarstan telecommunications market had got the sole operator providing a complex of services including cable TV with the opportunity to choose television channels, the Internet and the services of wire line telephone network, as well as a number of other modern telecommunication services. The only satellite television channel in the republic «Noviy Vek» («New Age») has broadened its broadcasting zone up to the whole Russia territory, as well as to the foreign countries. The «Noviy Vek» television and radio channels audience had grown by 40 per cent last year and at present amounts to about 14 mln people. We consider the positive conception of «Noviy Vek» channel to be very important, as it is aimed at preserva-



tion of morals and continuation of cultural traditions of all nations living on the territory of Tatarstan, other Russian regions and foreign countries.

The successful realization of «TAIF» Group investment plans, especially in the spheres of petrochemicals and oil processing, is undoubtedly conditioned by the existence of our own construction enterprises within the structure of production and construction complex «Kazan». Besides the works on modernization, reconstruction and building of the new gas and petrochemical enterprises, which are nowadays the largest Russian construction sites in this sphere, the construction enterprises of «Kazan» complex take part in realization of the socially significant projects of the Republic, take an active part in the dwelling and municipal construction. The «TAIF» Group total income of the construction sector amounted to 6 billion 360 million rubles in 2006.

However, I would like to stress once again that we are an investment company; and, while working in «TAIF», specialists in investments, including the sphere of formation of capital resources, have obtained a large experience in finance raising. Nowadays, they apply all financial instruments accepted in the world practice and continuously improve

their skills. The large capital formation successfully carried out in 2006 by issuing bonds both in the Russian and foreign markets, was aimed at mastering these financial instruments management by our specialists. The total value of the bonds issued by «TAIF» group was about RUB 9 billion. The obtained capital was directed to the previous credits substitution, with the view of optimization of the structure and cost of «TAIF» Group credit portfolio. It is no exaggeration to say that our specialists are considered to be the excellent specialists in this field.

– What agreements concerning the transition of «Kazanorgsintez» shares to «Gazprom» OJSC were achieved during the recent visit to Tatarstan of the Head of the gas monopoly Aleksey Miller? What is your attitude to the suggested cooperation pattern?

On the 1st of June 2007 «Orenburggasprom» LLC resumed the ethane supplies to «Kazanorgsintez» suspended in March because of the planned maintenance works. «Kazanorgsintez» will continue to refine half of the delivered ethane on the conditions of processing. «Kazanorgsintez» works within the plans developed in 2006 for the present year.

At the end of May in the Kazan Kremlin there took place the

business meeting of Aleksey Borisovich Miller and the Republic of Tatarstan President Mintimer Sharipovich Shaimiyev, where they discussed the realization process of the Agreement on Cooperation between «Gazprom» OJSC and the Republic of Tatarstan, signed in March 2001. By the results of the meeting and for preparation of long-term mutually profitable agreements, a working group was formed of «Gazprom» OJSC and the Republic of Tatarstan representatives. On the part of «Gazprom» the working group is headed by the «Gazprom» Deputy Chairman of the Board Valeriy Aleksandrovich Golubev and the President of «Sibur» LLC Dmitriy Vladimirovich Konov, and on the part of the Republic of Tatarstan – by the RT Prime Minister Rustam Nurgaliyevich Minnikhanov and «TAIF» PSC Director General Albert Kashafovich Shigabutdinov. In the course of joint work we are to elaborate such mutually advantageous solution, which I have already mentioned – when the investments made give a ten-fold profit to both partners. I am sure that in the course of the successful elaboration of this issue the close cooperation between «Gazprom» OJSC and «TAIF» PSC in the sphere of petrochemicals will allow «Kazanorgsintez» to reach within 2-3 years the volumes of commodity production amounting to 90 billion rubles a year. The thorough elaboration of this situation may give one more significant effect. The joint project of Tatarstan and «Gazprom» OJSC, in case of the working group fruitful activity, can become the number one project in Russia in the petrochemical industry. But this could be possible only upon mutual efforts.

– Are there companies in any other countries or Russian regions, which you could compare with «TAIF» in its structure and principles of activity?

– There is much in common with «Sistema» Financial Corporation and «RUSAL» group in Russia, except their turnover. The foreign companies can be said a lot about, but I consider this to be a topic for a special discussion. I can just add that we try to apply these companies' experience in organization structure and principles of activity taking into account the Russian conditions.

– What is the structure of your company's management nowadays (assistant chiefs, basic business directions, meetings)?

– The elaboration of development strategy, planning, coordination of «TAIF» group activity is the responsibility of the parent company; about two hundred people are employed there nowadays. The «TAIF» Director General has a Deputy Director and six assistant chiefs on different activity lines. The corporate management carries out coordination and control over business-planning, which is carried out at the «TAIF» Group enterprises within the framework of a single development strategy. It also evaluates the efficiency of the assets utilization at the «TAIF» group enterprises. The financial and economic department makes analysis of production programs and financial plans, as well as controls their fulfillment and monitors the financial and economic activity of each «TAIF» Group enterprise. The accounting department of the parent company makes consolidated reports for «TAIF» Group according to the Russian and international standards. Besides, the parent company has departments connected with the peculiarities of «TAIF» activity in various directions: the production and sales department, the capital construction and maintenance department, the petrochemical and oil processing department.

All «TAIF» Group enterprises submit long-term, middle-term and current plans to the parent

company, where they are analyzed by the corresponding departments and are empowered by corresponding resolutions. «Avers» bank closely cooperates with the «TAIF» Group enterprises to ensure the transparency of financial streams and control over the resources efficient utilization.

The meetings are held in case of necessity and upon the request of departments and chiefs of «TAIF» enterprises. If enterprises are able to make their own decisions, business runs more efficiently. We try to avoid additional structural management units; we encourage and develop independence of our affiliated structures.

– Is the problem of staff, of highly qualified specialists acute for «TAIF» company?

– I am sure that a good management team is the most important for the company. If there is a basis, everything will go well. «TAIF» has grown up from a small, but professional and united team. In 1991 the «Kazan» scientific and production association, which is «TAIF»'s antecedent, employed just 4 people. Now «TAIF» group employs more than 50 thousand people, 35 thousand of them work in the sphere of petrochemicals and oil processing. As the foreign experience shows, each working place in petrochemical branch on average creates additionally more than 40 working places. You can count for yourself.

Really, some certain stuff problem does exist indeed, and, as far as I know, not only in our group. It is very important whether top managers can think widely, strategically and with prospective: how they make decisions and whether their decisions are efficient for current task solutions.

One of the elements of achieving results by any large company is its social responsibility for its employees. We pay much attention to wages. But I think that the wages should be not just payment for the

work, but a reward for good effort and motivation for the growth. Besides, we pay much attention to the personnel promotion, to the issues of personnel social protection, providing comfortable conditions for work and rest.

– What is more important for you in petrochemical sphere: an acquisition of enterprises or creation of new ones?

It is difficult to say for sure. For example, we were purchasing «Kazanorgsintez» shares in the secondary market, increasing our share from 4.6% in 1995 to the controlling stock in 2003. The same situation was with «Nizhnekamskneftekhim» shares. But «TAIF-NK» OJSC was started from point zero. It depends on the shareholders' decisions and on circumstances; we act according to economic reasons.

– In one of the interviews you said that «TAIF» enjoyed special favor from the part of Tatarstan government, which, like the respect of partners and competitors, should be earned. What year of activity did «TAIF» earn the trust and favor of the government? What is the secret of this success?

– Yes, this trust was gained by huge effort and definite results. As for the government's special favor, I can give you one example. As you must remember, at the end of the 90-s the situation in Tatarstan and Russia was very difficult: the lack of money for pensions and salaries. Default was announced to «Tatneft», all accounts of the enterprise were blocked, and cash went for debt payments during half a year. Then the government of the Republic made a number of decisions obliging us to buy oil for RUB 350-400 a ton, while price in the domestic market was RUB 200-280. Then actually nobody in Tatarstan, except us, paid cash to the budget. The state took oil from oil producing enterprises on account of taxes, and sold it to us for



the fixed high price with prepayment. To fulfill the task set by the government, we had to take credits from the Russian banks and western companies. By 1999 we had had \$ 450 mln of credits. Then an offer of our bankruptcy was made. This issue was discussed at one of the government meetings, but we did not agree. Then we heard: «Get out of the mess by yourselves.» The only suggestion was to buy the state-owned share in «TAIF». We were warned that our debtors (including «Tatneft» and «Nizhnekamskneftekhim») would not be able to pay back to

us in the nearest future. It is easy to talk now, but then the situation was crucial. «TAIF» had already been viewed as a practically bankrupt company, and our team as a handful of doomed to failure people. The offer of buying the shares was just the last sign of sincere respect to us. Knowing about this decision, few people believed that we would manage to survive. Now we see, that was the only possible decision on the part of the government. We balanced on the verge of ruin, but we began to hope for the company rescue. Gradually enterprises began to pay back to us. Of

course, not all debts were paid back, but we continued to work and survived, as you can see. This is not the only case when the trust to «TAIF» group was established. It is hard to gain trust, but it is harder to keep it, as this trust should be constantly proved by the results of large-scale projects and definite activity. This is the secret.

– Which is the main source of «TAIF» company investments under the present economic conditions in Russia?

– The sources of project financing, like in the whole civilized world, are our own funds and debt capital. We have no problem with either our own or credit resources. There are a lot of offers from commercial banks, and the list of our partners – domestic and foreign – is long established, and it constantly grows. One of the main financial partners of «TAIF» and its enterprises is Sberbank (Savings Bank) of Russia, with which we have been working since 1999. Besides, «TAIF» Group enterprises actively use, as I have already mentioned, all known instruments of capital formation.

– It is easy to imagine how many appeals for sponsorship and charity you get. By what principle do you select the charity projects for your support? Do you have your personal charity activity?

– I cannot single out anything. The main directions of «TAIF» charity activity are healthcare, education, culture and sport. We help nursing homes, orphanages, shelters, socially unprotected people; we participate in building mosques, churches and cathedrals. We finance the football team «Rubin», water polo team, hockey, children sport schools. We support composers, writers, publish books on the Tatarstan history. Since 1995 to 2006 the enterprises of «TAIF» group had allocated more than 1.5 billion rubles for sponsorship and charity.