



**METAFRAX  
CHEMICALS**

# **FOUNDATION OF TOMORROW**

ANNUAL REPORT • 2019

The annual report is preliminary  
approved by the decision of the  
Board of Directors of PJSC Metafrax  
(MOM № 13/20 dd. 28.08.2020)

Approved by the annual General  
meeting of shareholders of  
PJSC Metafrax dd. 30.09.2020  
(MOM № 1/41)

**ANNUAL  
REPORT  
2019**

# CONTENT

## 01. COMPANY PROFILE

Brief description of the Company's activities.....	8
Financial results of 2019 .....	10
Revenue structure.....	12
Sales results .....	14
Message from the Chairman of the Board of Directors.....	16
Message from the General Director .....	20
Rebranding of Metafrax Group .....	22
Key events of 2019 .....	24
Key events of 2020 .....	29

## 02. STRATEGIC REVIEW

Company development strategy.....	32
Financial results .....	34
Position in the industry.....	36
Business model .....	44
Investment program .....	48

## 03. CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

Personnel policy.....	58
Social investments .....	66
Ecology.....	70

## 04. CORPORATE MANAGEMENT

Principles and structure of corporate management.....	78
General Shareholder Meeting .....	81
Board of Directors.....	82
Report of the Board of Directors on development results for priority areas of activity .....	88
Executive authorities.....	91
Internal control and audit .....	98
Remuneration system for members of management authorities.....	102
Share capital and dividend policy .....	104
Risk management system.....	106

## 05. APPENDICES

Disclaimer and report limits.....	112
Contacts and main information .....	112
Appendix 1.....	114
Diagram of subsidiaries and affiliates	
Appendix 2 .....	116
Financial statements	
Appendix 3 .....	125
Corporate management code	

# COMPANY PROFILE

## Contents of this section

- 08** Brief description of the Company's activities
- 10** Financial results of 2019
- 12** Revenue structure
- 14** Sales results
- 16** Message from the Chairman of the Board of Directors
- 20** Message from the General Director
- 22** Rebranding of Metafrax Group
- 24** Key events of 2019
- 29** Key events of 2020

# 01

**METHANOL IS THE MOST  
SIGNIFICANT PRODUCT  
IN THE PRODUCTION  
LINE OF THE COMPANY**

**49,8%**  
of sales  
by product  
type

## BRIEF DESCRIPTION OF THE COMPANY'S ACTIVITIES

Metafrax is one of the most dynamically developing chemical companies in modern Russia, the largest producer and exporter of methanol and its derivatives.

In 25 years, Metafrax Group has evolved from a single-product plant into a multi-profile group of companies with assets in the Ural region and far beyond. Today, our manufacturing processing facilities are included not only in regional but also in global value-added chains. As the flagship of the Russian chemical industry, we are not only looking for ways to actively develop our own business, but we also expand opportunities for our colleagues and partners and set an example for other market participants.

Metafrax Group's turnover is 54.6 billion rubles, and the total number of employees exceeds 3.5 thousand people.

The share of exports in the Company's revenue is

# 40,3%

Our production, scientific, and transportation and construction assets are located at the territory of the Russian Federation and Austria. Metafrax Group includes an industrial park Karbolit in Orekhovo-Zuyevo (Moscow region), two sites for the production of synthetic resins Metadynea in the Moscow region and Perm region, a company for the production of formaldehyde and synthetic resins Metadynea Austria GmbH, trading companies Metafrax Trading (formerly Metafrax Trading House (Perm, Russia) and Metafrax Trading International SA, formerly Metadynea Trading SA (Switzerland), construction company MetaTransStroy (Gubakha, Perm region), engineering company ETC Metafrax, and our IT division Metafrax-Inform. Our supply geography includes more than 1000 consumers of chemical products from the UK,

Finland, Austria, Germany, Switzerland, Japan, Brazil, Australia and more than 50 countries. In 2019, almost 40% of the Company's revenue was generated from export supplies of methanol and its derivatives.

PJSC Metafrax is the parent company of Metafrax Group with an annual turnover of 23.3 billion rubles. The Company's office is located in Gubakha (Perm region).

Methanol is the most important product in our product line. It is used in the gas, chemical and electrical engineering industry as an octane additive to gasoline, in the production of various types of fuel, formaldehyde, formalin, acetic acid, isoprene and a number of esters.

PJSC Metafrax is the largest producer of methanol in Russia. The Company's capacity allows to produce up to 1.19 million tons of methanol annually. In 2019, the production volume of methanol was 740 thousand tons.

Internal processing of methanol has reached

# 32%

Methanol is playing an increasingly important role in the global chemical industry, and Russia is among its largest exporters. In turn, PJSC Metafrax is one of the leading exporters of methanol in Russia. 443.7 thousand tons of methanol were sold for export in 2019.

For us, being a leader means being an innovator. We are constantly creating new products and technologies, opening new markets and expanding opportunities for ourselves and all industry participants. The Company's strategy foresees a systematic increase in the volume of internal methanol processing and the increase in the production of high-margin methanol products. In 2019, the consumption of methanol within the Company reached 32%.

PJSC Metafrax is Russia's largest producer of formalin, urea formaldehyde concentrate (UFC), and polyamide. We are also the only Russian manufacturer of pentaerythritol (including micronized) and hexamine (including micronized). The company is also engaged in

production of dipentaerythritol, sodium formate, and aldehyde solution. Currently, we are implementing a project to create a production of paraformaldehyde (paraform) at our production site in Gubakha. After its launch, Metafrax will become the only paraform producer in Russia.

It is difficult to imagine the life of a modern person without our products, because they are used in construction and pharmacology, perfume and paint and varnish production, fuel and electrical engineering industry, production of plastics, rubbers, synthetic resins, adhesives, insulation materials as well as in organic syntheses.



more than

# 50

importing countries



more than

# 1000

consumers of chemical products



more than

# 3500

employees

# FINANCIAL RESULTS

## Revenue

**23,3** billion rub. **-9,6%**

In 2019, the Company's revenue reduced by 9,6% and amounted to 23,3 billion rubles. The share of exports in the revenue structure reached 40,3%.

## EBITDA

**11,3** billion rub. **-14,1%**

EBITDA reduced by 14,1% and amounted to 11,3 billion rubles. EBITDA margin amounted to 48,5 %.

## Net profit

**8,5** billion rub. **-15,1%**

The Company's net profit reduced by 15,1% and amount to 8,5 billion rubles. The net profit margin amounted to 36,4%.

## Assets

**82,0** billion rub. **+33,6%**

The Company's assets increased by 33,6% and reached 82 billion rubles. The increase in assets is primarily due to the further implementation of the project for the construction of the Ammonia-Urea-Melamine (AUM) production complex.

## Net debt

**20,4** billion rub. **+204%**

The Company's net debt has doubled and amounted to 20,4 billion rubles. The ratio of Net debt /EBITDA amounted to 1,8.

## Investment program

**21,2** billion rub. **+201%**

Investments in capital stock amounted to 21,2 billion rubles, of which almost 18 billion were allocated to the project for the construction of the Ammonia-Urea-Melamine (AUM) production complex.

The company exports methanol and its derivatives to more than

**50**

countries across the world

**Metafrax Trading International SA**  
Lugano, Switzerland

The share of exports in the Company's revenue was more than

**40%**

**LLC Metadynea**

Orekhovo-Zuyevo, Moscow region

**Parent company Metafrax**

Cubakha, Perm region

**LLC Metafrax Trading**

Perm

**Metadynea Austria GmbH**

Krems, Austria

# REVENUE STRUCTURE

Methanol still occupies the main place by product type in the Company's revenue structure. However, in line with the Company's strategy to further diversify its operations and increase production and sales of high-margin methanol derivatives, its share continues to decline.

In 2019, sales of methanol accounted for 49.8% of the total revenue of the Company, while in 2018 the share of methanol was 57.2%. At the end of the year, sales of methanol amounted to 11.5 billion rubles (-21,5%). At the same time, the share of revenue received from the sale of products with high added value, which include

technical pentaerythritol micronized pentaerythritol, hexamine, micronized hexamine and dipentaerythritol, increased from 16.8% to 18.3%. Revenue from sales of such products as sodium formate (+19.8%), technical formalin (+20.1%) and UFC (+8%) also increased significantly during the year.

In 2019, there was a significant increase in revenue from the sale of some types of products:

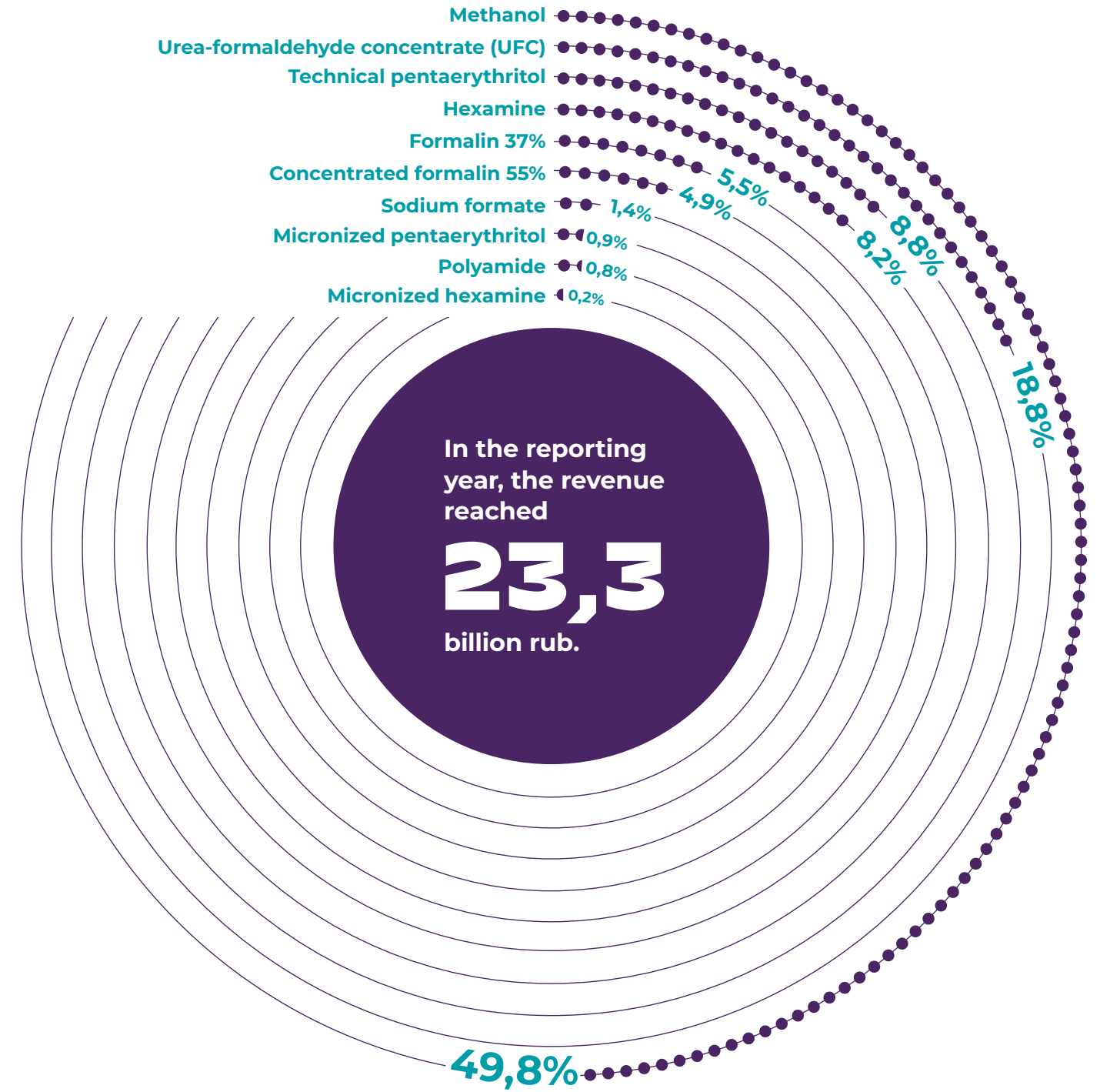
## SODIUM FORMATE



## TECHNICAL FORMALIN

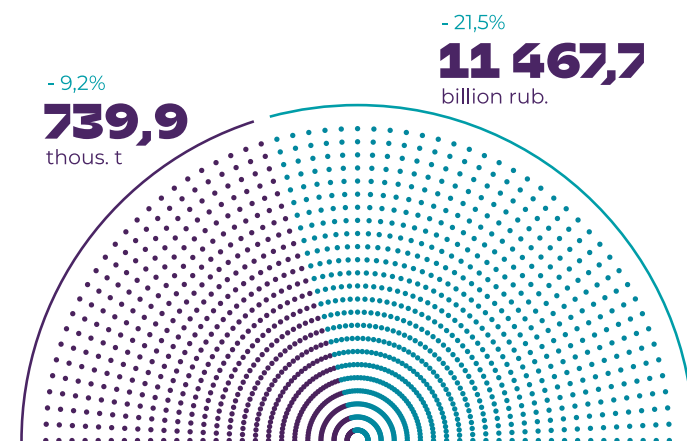


## UFC

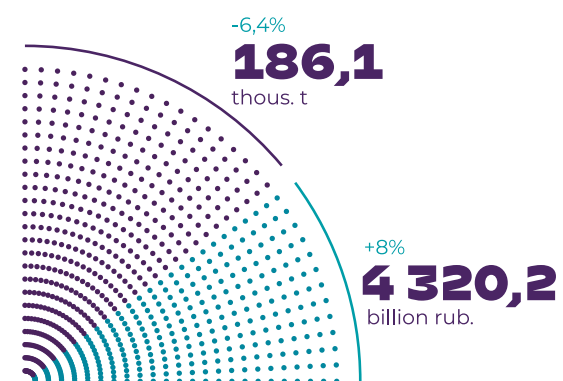


# SALES RESULTS

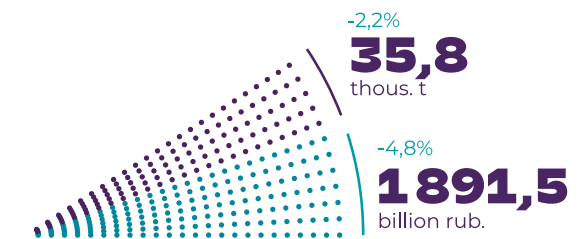
## Methanol



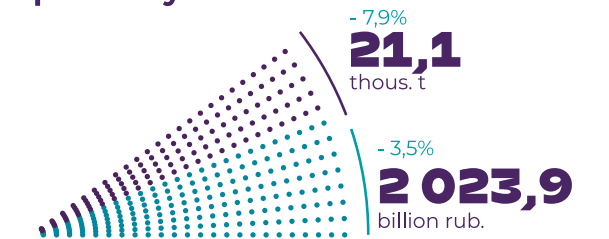
## Urea-formaldehyde concentrate (UFC)



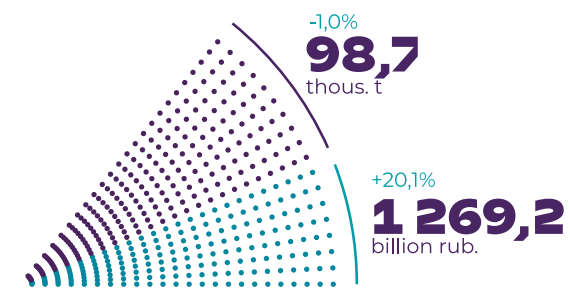
## Hexamine



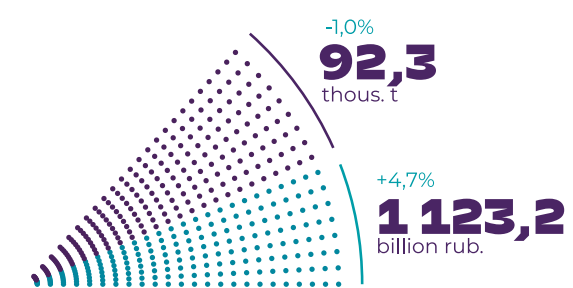
## Technical pentaerythritol



## Technical formalin



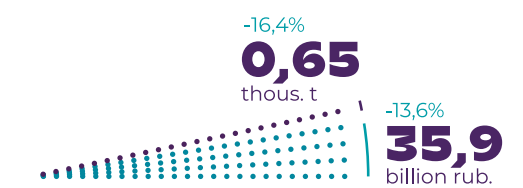
## Concentrated formalin



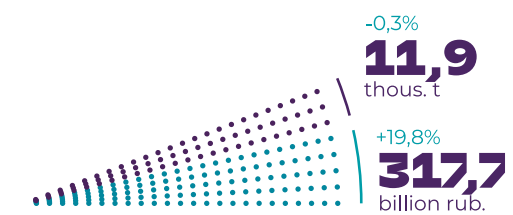
## Micronized pentaerythritol



## Micronized hexamine



## Sodium formate





## MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

### Dear shareholders!

For Metafrax Group, the past year was bright, full of events but also a difficult one at the same time. We continued to maintain our leadership in the main markets, implement federal investment projects, develop and implement innovative products, implement major projects for reorganization and implementation of the Group's identity, and actively support the development of the operation regions.

However, over the course of the year, we had to face a number of adverse macro- and micro-economic factors, which, unfortunately, they did not allow us to achieve all the planned results, but they have hardened us and, to some extent, prepared us for the difficulties that we faced this year.

#### **We entered 2020 under a new, uniform brand for all production and service companies of Metafrax Group.**

This is the result of two years of work that we have done with the Electric Creative communication agency (Moscow). A uniform brand is not only intended to correctly position Metafrax Group in the target markets, but also to formulate and implement the Company's philosophy, mission, values and vision for the future.

#### **A new unified brand for the Group of companies was formed in 2019**



Thus, the Company's vision was formed as follows: **«Shaping the future of ecological, social and business environment through responsible development of the chemical industry».**

The Company's mission is to «follow the path of continuous development, while creating a favourable ecosystem for the future generation». The brand values are: innovation, responsibility and sustainability.

Definition of the visual and the ideological identity of the Group occurred against the background of unifying processes in the areas of production and procurement, budgeting, sales and logistics, investment planning, insurance, human resources management and legal support. For the Company this has become an important project that has required efforts at all levels, from ordinary workers to top management as well as all organizational structures of the Group.

In 2019, we continued the implementation of a number of large-scale investment projects. During the year, the Company's investments in capital stock amounted to 21.2 billion rubles. Compared to 2018, this indicator increased by 2.1 times, and over the past five years, the Group's investment program has grown more than 10 times. This was largely due to the implementation of the project for the construction of the Ammonia-Urea-Melamine production complex (AUM) in Cubakha, Perm region. As of today, this is the largest investment project of the Company with a total budget of more than 78 billion rubles. In 2019, the project increased the pace of implementation. On October 17th 2019, at the Perm engineering and industrial forum site, an additional agreement to the special investment contract with the Perm region and the Cubakha city administration was signed in relation to implementation of the second stage of the project, which involves the construction of an additional unit for melamine production and an increase in investment by almost 20 billion rubles.

As of the end of 2019, the first stage of the project for the construction of the Ammonia-Urea-Melamine complex (AUM) has been completed. All large-scale equipment has been delivered to the construction site, main production units have been installed, and process pipelines and multikilometer cable lines are being routed. The complex is scheduled to be put into operation in 2022.

In 2019, the revenue of PJSC Metafrax amounted to 23.3 billion rubles. The Company's net profit amounted to 8.5 billion rubles. Certain decrease in the Company's main financial indicators is due to adverse market conditions and reduced demand and prices for the Company's main products in the second half of the year, primarily in the European market. In this regard, the volume of exports of our products in monetary terms decreased by 20.3% and amounted to 9.2 billion rubles. Against the background of positive price conditions in the country, the share of exports in the revenue

structure decreased from 45.3% to 40%. In 2019, we exported 443.7 thousand tons of methanol, which amounted to a fifth of the total Russian export volume of this product.

Compared to the previous year, the Company's investment in capital stock increased by

**2,1** times



In accordance with the Company's strategy, we continue to increase the volume of internal processing of methanol to increase the production of its high-margin derivatives. In 2019, almost 32% of the produced methanol (347 thousand tons) was used internally for the production of urea-formaldehyde concentrate, hexamine, formalin, and a frost-resistant aldehyde solution. We are constantly working to expand our product range while strengthening vertical integration along the entire added-value chain.

In 2019, we released the first batches of dipentaerythritol – our new product that is widely used in the production of synthetic lubricant oils, polyvinyl chloride stabilizers, alkyd resins, and fire-resistant coatings. Our subsidiary company Metafrax Trading International SA (MFTI) has already started its implementation at international markets. MFTI has also started pre-marketing of melamine, urea and paraformaldehyde, production of which will be launched in 2021 after the start of AUM and paraformaldehyde plant in Gubakha.

**We are constantly working to expand our product range.**

Despite the adverse economic conditions and the alarming situation with the COVID-19 pandemic, we are looking into the future with optimism.

We have made every effort to be prepared for crisis changes at the markets and adjusted our sales strategy in favour of medium- and long-term contracts. All the Group's companies have implemented a set of measures to stabilize the financial and economic situation associated with the COVID-19 pandemic. The promptly adopted set of measures guarantees stable production and economic activity.

In 2020, PJSC Metafrax has been included in the list of systemic enterprises. This not only gives us the opportunity to receive state support, but also the obligation to remain a driver of growth in the chemical industry.

In 2019, we exported

**443,7** thousand tons  
**OF METHANOL,**

which accounted for a fifth of the total Russian export volume

**We thank our employees, business partners and shareholders for their trust! I am sure that all difficulties, even the most harsh ones, are temporary, and we will overcome this challenging test of strength through joint efforts.**

**Armen Garslyan**

Chairman of the Board of Directors of PJSC Metafrax

The share of exports in the revenue structure was

**40%**



## MESSAGE FROM THE GENERAL DIRECTOR

### Dear shareholders, partners and colleagues!

In 2019, we continued to implement the ambitious goals and objectives of Metafrax, maintaining leadership in all major segments of the chemical products market where we are already represented, and actively exploring new areas of activity aimed at developing vertical integration within the Group.

By the end of 2019, PJSC Metafrax retains its leading position in the Russian methanol market and is a leading methanol exporter to Europe. In 2019, we produced 1,091 thousand tons of methanol, which amounts to 24% of the total Russian production. The Company sold 739.9 thousand tons of methanol for the amount of 11,468 million rubles. Exports amounted to 443.7 thousand tons, which is more than 20% of the total Russian volume. Compared to the record year of 2018, sales figures decreased slightly, which is due to changes in the market conditions that we observed in the second half of the year, primarily in export markets.

Methanol remains the Company's main product. However, its share in the revenue structure continues to decline in favour of its derivatives, which is fully compliant with our strategy. In 2019, methanol accounted for less than 50% of the Company's revenue, compared to 57.2% a year earlier. At the same time, the share of products with high added value, which include technical pentaerythritol, micronized pentaerythritol, hexamine, micronized hexamine and dipentaerythritol, increased from 16.8% in 2018 to 18.3% in 2019. Additionally, during the year we produced 186.85 thousand tons of urea-formaldehyde concentrate, 403.47 thousand tons of formalin (as 37% formaldehyde content), 23.26 thousand tons of pentaerythritol, 1,968 tons of micronized pentaerythritol, 37.39 thousand tons of hexamine, 660 tons of micronized hexamine, 750 tons of bulk polyamide and 11.96 thousand tons of sodium formate.

The costs of environmental protection have exceeded

**150** million rubles

We continue to implement investment projects aimed at expanding the range with new products with high added value that are in high demand on the Russian and international markets. In 2019, we placed an order for the production of equipment for the paraformaldehyde production unit at the production site in Gubakha with a capacity of 30 thousand tons per year. With the start-up of the unit PJSC Metafrax will be the only manufacturer of paraformaldehyde in Russia and will be able to fully meet the demand of Russian Companies for this product. The project also involves the construction of a formaldehyde unit with a capacity of 180 thousand tons per year. After starting both units, the volume of processed methanol at the Gubakha site will reach about 450 thousand tons per year. According to this indicator, PJSC Metafrax will become a leader in Russia. About half of the produced volume will be exported. The reconstruction of the pentaerythritol production is also continuing, which will allow us to not only increase the product range, but also to improve the quality of the produced pentaerythritol.

The company continues to pay close attention to increasing the efficiency of staff planning, developing corporate culture and increasing employee motivation. During the year, we indexed our employees' wages twice. The Company's total salary expenses amounted to more than 1.4 billion rubles. Compared to 2018, this figure increased by 17.4%.

During the year, we continued to implement a number of long-term social programs. In particular, as part of the housing program in Gubakha, the construction of nine-storey apartment complexes for Company's employees is ongoing. Over the past few years, we have built six apartment complexes for our employees with a total area of 44.7 thousand square meters.

The last two houses were completed in October 2019. These are nine-storey buildings with 162 apartments, 77 of which were occupied by the end of the year. Two more nine-storey buildings are currently under construction. Their completion is scheduled for October 2020. About a third of the apartments in new houses will be allocated to employees of the upcoming Ammonia-Urea-Melamine complex.



PJSC Metafrax continues the systematic work to support project in the area of medicine, education, culture and urban improvement in cities where it operates and systematically supports educational and awareness-raising projects for children and youth of the region. This is part of the Company's mission, which creates the foundation for further development. For implementation of charity events and benefactor projects more than 40 million rubles were allocated in 2019. In total, at the end of the year our social expenditures exceeded 230 million rubles.

Environmental protection is an integral part of the Company's sustainable development strategy. In 2019, the total cost of environmental protection exceeded 150 million rubles. About 135 million of them were spent on the operation of treatment facilities. As a result, the Company managed to significantly reduce the amount of pollutants released into the atmosphere and reduce the generation of industrial waste.

We see the results of 2019 as successful and the difficulties that the Company had to face at the end of the year – as preparation for the crisis phenomena that we are experiencing today.

**On behalf of the Company's Management Board and on my own behalf, I would like to thank the shareholders, our business partners and the Company's team for their trust and fruitful collaboration!**

**Vladimir Daut**

General Director  
of PJSC Metafrax

In September 2018, Metafrax Group announced the start of rebranding. The new brand concept will allow the Group to position itself in the target markets even more effectively. The new brand structure creation was entrusted to Electric Brand Consultants, a multichannel branding agency. The presentation of the new brand took place on October 17th 2019, as part of the Perm engineering and industrial forum.

As a result of the project, a new strategy was developed along with complete brand architecture, within which a new parent brand was created, combining all Metafrax Group's sub-brands located in Russia, Austria, Switzerland and South Korea.

**A unique philosophy has been defined for the unified brand: «Shaping the future ecological, social and business environments through responsible development of the chemical industry».**

Innovation, responsibility and sustainability became the fundamental values and the mission is to constantly develop and create a favourable ecosystem for the next generation. The values were not chosen by chance: innovation is associated with leadership in technology in Russia and a strong center for scientific research and formulations in Austria. Responsibility indicates our approach to business strategy in general, systemic social activity and personnel policy as well as benefactor projects. Sustainability means our flexible and balanced production policy.

A unified wordmark has been developed for the Group – Metafrax Group, which was approved as the main name of the entire Group as well as a descriptor for the names of subsidiaries.



# REBRANDING OF METAFRAX GROUP



The names of the Group's sales, production and service structures are brought to a single standard. LLC Metafrax Trading and the Swiss Metafrax Trading International have already received new commercial names. It was decided to highlight the main production site, PJSC Metafrax, in the overall brand structure, emphasizing its role and core competence. In the nearest future, the site will receive a new commercial name – Metafrax Chemicals.

Brand positioning is reflected in the visual language under the name «Living System». The Company's production and business processes are a continuous system of interconnections. With the introduction of new elements in the chain, the Group's architecture develops like living matter, supporting the ecological, social and business environment.

The central element of the sign is a point as a symbol of the beginning and balance. It forms a circle that represents unity and integrity, and the connections between points reflect the balance of stability and movement.

A complementary element is a pattern that represents a strong yet flexible living system. The idea for its creation came to the designers of Electric Brand Consultants while observing chemical processes and the transformation of molecular compounds.

In collaboration with the Austro-Hungarian font designer Adam Katyi, a unique corporate font named Mohol Metafrax was developed specifically for Metafrax Group. Mohol is a sans serif contrasting font that reflects the synthesis of technology, industry and art.

The main color of the new corporate identity is noble purple. It harmoniously combines stability and agility, symbolizing inner concentration and the transformation of conditions. Shades of green and blue as well as basic black and shades of gray were selected as additional colors.

## METAFRAX FOUNDATION OF TOMORROW.

«Usage guideline was developed for effective implementation of the new brand as well as a communication strategy that will help the Company convey its philosophy, mission and values to target audiences. The brand implementation plan will take several years and is being implemented in stages. The brand is planned to be implemented in all media and in navigation systems at the locations of subsidiary brands of Metafrax Group companies».

As of today, new websites and landing pages have been developed for all Metafrax Group companies and standards for processing internal documents of companies have been introduced. Navigation media have been partially updated and continue to be updated in the offices of Metadynea Russia, Metafrax Trading and Metafrax Chemicals. Metadynea Russia and Karbolit updated the front view signs on the plant management building and checkpoints. Metafrax Chemicals has also started the process of sign replacement.

The Metafrax Group's press-wall is actively used in press scrums with the Company's management at internal and external sites, and branded stationery is produced regularly along with souvenirs.

We continue to make additions to the brand book as well as develop a standard for the design of buildings and structures of Group's companies. Train cars, vehicles, storage tanks, packaging and many more elements will also gradually get a new design in accordance with the style of the updated brand», – noted Maria Konovalova, head of communications at Metafrax Group.

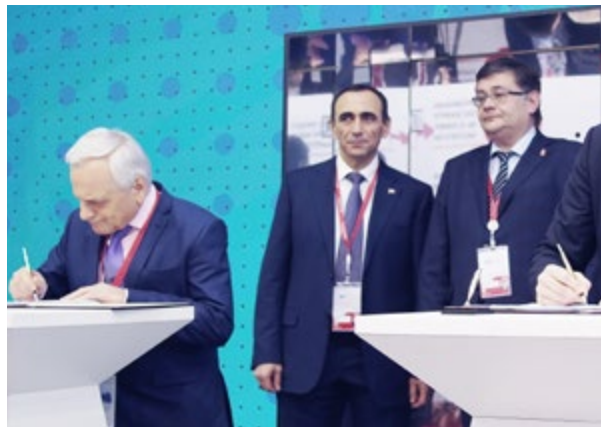
# KEY EVENTS OF 2019

## JANUARY



In 2019 Metafrax celebrated the double anniversary of its main production facility. 60 years ago, the first crude methanol was produced at the Gubakha chemical plant at the M-110 unit. And 35 years ago, the M-750 production was put into operation. As a result of the conducted re-engineering, the unit is now capable of producing up to 1 million tons of methanol per year.

## FEBRUARY



On February 14th, at the Russian investment forum in Sochi, Metafrax signed a contract for project development and supply of equipment for the construction of a paraformaldehyde unit at the production site in Gubakha. With the start of the unit, Metafrax will become the only paraform producer in Russia.

## MARCH



Metafrax is recognized as the leader in methanol export among Russian producers. At the end of 2018, Metafrax accounted for more than a quarter of total Russian methanol exports. Over the past five years, the company has doubled the export rate of this product.



Metafrax became a partner of the Worldwide Winners' Games, a sports competition for children who survived cancer.



Representatives of Metafrax and Metadynea Trading took part in the European Coatings Show in Nuremberg.

## APRIL

On April 3rd, PJSC Metafrax and the Norwegian Dynea AS signed a contract for the construction of a 55% formalin production unit in Gubakha. The new formalin unit will be integrated with the paraformaldehyde production complex. The total capacity of the plants will be 180 thousand tons of 55% formalin and 30 thousand tons of paraformaldehyde per year.



Metadynea, a 100% subsidiary of PJSC Metafrax and a leader in the production of synthetic resins on the Russian market, celebrated its 15th anniversary. As of today, the Company consists of three production sites in Gubakha, Orekhovo-Zuyevo in Moscow region and in the Austrian city of Kremns. In total, the company produces up to 1 million tons of synthetic resins annually.

The subsidiary trading company Metadynea Trading SA changed its name to Metafrax Trading International SA. The company's office, previously located in Geneva, is now located in Lugano (Switzerland).

## MAY

Metafrax was included in the top twenty of the largest exporters rating of the Urals and Western Siberia, published by the «Expert-Ural» business publication at the end of 2018. The Company ranked 11th, showing an increase in exports by 21.3% as compared to 2017.

## JUNE



On June 6th, as part of the St. Petersburg international economic forum, a special investment contract (SPIC) was signed for the project implementation for the construction of industrial formalin and paraformaldehyde units in Gubakha.

On June 14th, at the «Perm business days» forum, a procurement session of PJSC Metafrax took place for the first time as part of the implementation of the regional program for industrial cooperation of large and small businesses. More than 40 regional companies took part in it.

At the end of June, the State Duma hosted the VI All-Russian conference «Young technicians and inventors». A new area, the chemical industry, appeared in the competition for the first time with support of Metafrax. The nomination was titled as «Chemistry without borders».



The 8th theatre landscape festival «Secrets of mount Krestovaya» was opened with support of PJSC Metafrax. Jesus Christ Superstar, the legendary rock opera, was performed as part of the «Sunset on Krestovaya» project by artists of the Perm academic Theatre.

## KEY EVENTS OF 2019

JULY



A batch of difficult to transport out-of-gauge cargo – a CO2 regenerator, two crystallizers and a hydrolyzer – was delivered from Italy to the AUM construction site in Gubakha.



On July 12th, the main step-down substation (MSS-3) of the AUM complex under construction was connected to the main electric transmission line. The launched substation will supply the complex and the entire storage facility with energy resources.

AUGUST



As part of the joint project «Bring back the future», Metafrax and the Dedmorozim Foundation organized «holidays on wheels» for the children of the Rudnichnyi orphanage. A team of volunteers made up of Company's employees and ten disabled children spent three days at the «Uralsky Buket» base, which is owned by the Company.

SEPTEMBER



Metafrax became a member of the National project titled «Labor productivity improvement and employment support», which aims to increase the efficiency of the enterprise. The POROTS repair workshop was selected as the starting area of the project.

MetaTeamEvent was held at the «Demidkovo» sanatorium, which was the II strategic session of Metafrax Group. The top managers and leading specialists of the companies, which are a part of Metafrax Group, took part in the session.

As part of the new brand implementation procedure a subsidiary company, Metafrax Trading House LLC ( Perm), received a new legal entity name of LLC Metafrax Trading.

Metafrax group of companies was ranked among the 200 largest private companies in Russia by Forbes magazine. According to the results of 2018, the company took the 168th place in the rating, showing revenue growth per IFRS by 25.7% by 2017.



The installation of a unit comprised of three ball tanks has been completed at the construction site of the ammonia storage park of the AUM complex. The equipment has successfully passed hydrotesting.

OCTOBER



On October 17th, a new brand was officially launched as part of the Perm engineering and industrial forum – Metafrax Group. The new strategy, proprietary philosophy and complete brand architecture developed by Electric Brand Consultants agency have united all the Company's business units located in Russia, Austria, Switzerland and South Korea.

On October 17th, Metafrax along with the government of the Perm region and the Gubakha administration signed a three-way additional agreement to the special investment contract for the AUM project. The investment project provides for the construction of a second melamine unit, which increases the volume of investments by 19.7 billion rubles. The plant should be integrated into the AUM complex under construction and will allow to increase melamine production at the enterprise's industrial site by 40 thousand tons per year as well as create an additional 59 qualified jobs.

Metafrax group of companies is among the top-200 Russian non-financial companies with the largest capital investments. Metafrax is ranked 94th in the rating published by the analytical magazine «Expert». The Group's investment volume reached 13 billion rubles in 2018, exceeding the 2017 figure by 2.5 times.

A grand completion of two new nine-storey houses for employees of Metafrax took place in Gubakha. Each new building has 81 apartments with turnkey finishing.

As part of the «Open day», «Metadynea Austria» opened a new high-tech plant for the production of carboxylic acids and aldehydes with a capacity of 7.5 thousand tons per year at the production site in Krems. Investments in the project amounted to 10 million euros. The new plant will expand the product range and increase the output of fine chemicals by 6.3 thousand tons per year.

According to the Business class publication, Metafrax was ranked 8th in the annual rating of the largest enterprises of the Perm region.

NOVEMBER



Vladimir Daut, the General Director of Metafrax PJSC, was counted among the most professional managers in Russia, taking the seventh place among managers of the chemical industry in the annual rating «1000 best managers in the country», published by the Association of managers and Kommersant Publishing house.

With its annual report for 2018, Metafrax participated in the international competition MarCom Awards for the first time and received the highest platinum award in the Print media category.

Metafrax was included in the federal rating of the largest companies in Russia. Based on the financial results for 2018, Metafrax Group ranked as 265th in the rating, increasing its revenue by a quarter.

The rebranding project of the Metafrax Group of companies was recognized as the winner of the «Best special project in corporate communications» category of the national competition of corporate media resources «Silver threads 2019».

DECEMBER

Metafrax along with Skolkovo business school initiated a grant competition for students of Gubakha, Kizel and Gremyachinsk. The company will pay the winners for studies under the Startup Academy Junior program in Skolkovo (Moscow).



Metafrax won the federal stage of the 22nd all-Russian competition «100 best goods of Russia». The Company's technical methanol (grade A) was recognized as the best in the «Products for industrial and technical purposes» category.

The new strategy, proprietary philosophy and complete brand architecture have united all

# BUSINESS UNITS

of the Company



## KEY EVENTS OF 2020

### JANUARY

At the construction site of the Ammonia-Urea-Melamine complex (AUM) of Metafrax Chemicals in Gubakha, unique operations were carried out to install conveyor galleries for feeding the finished product – urea – from the prilling tower to the warehouse. The work was performed by the specialists of subcontractor company Alteksstroy.

An installation of 107-ton carbamate condenser was carried out at the construction site of the Ammonia-Urea-Melamine complex (AUM) of Metafrax in Gubakha. The condenser was lifted and installed at a height of 44 meters by specialists of Uralenergostroy, the general Work Contractor for the construction of the AUM complex, and representatives of subcontractors.

Metafrax signed a quadripartite agreement with the government of the Perm region, the regional capital repair Fund and the administration of the Gubakha city district for a performance of complex overhaul of 26 houses in the central part of Gubakha. Major repairs of the roof, facade and foundation will be made in the buildings. The work is planned to be completed by the end of 2021.

### FEBRUARY

Public hearings were held in Gubakha as part of the public discussion of projects for the construction of paraformaldehyde and formalin units at PJSC Metafrax. The residents present that attended the meeting supported the presented projects.

Metafrax PJSC and the Industrial Development Fund (IDF) signed an agreement on the allocation of a concessional loan of 500 million rubles to the company. Funds were provided for the implementation of an investment project for the construction of a paraformaldehyde production unit at the Metafrax industrial site in Gubakha.

### MARCH

Metafrax Group decided to expand the production of halogen-free flame retardants (components added to organic materials to provide fire protection) at the Metadynea production site in Krems (Austria). The preparation of this investment project for implementation is planned to be completed in 2020.

Construction of a water treatment and demineralized water generation plant has been completed at the Ammonia-Urea-Melamine complex (AUM) under construction. The facility is currently undergoing commissioning.

# STRATEGIC REVIEW

## Contents of this section

- 32 Company development strategy
- 34 Financial results
- 36 Position in the industry
- 44 Business model
- 48 Investment program

# OR

## CONSTRUCTION OF **AMMONIA-UREA-MELAMINE COMPLEX**

IS THE MAIN STRATEGIC GOAL FOR THE COMING YEARS



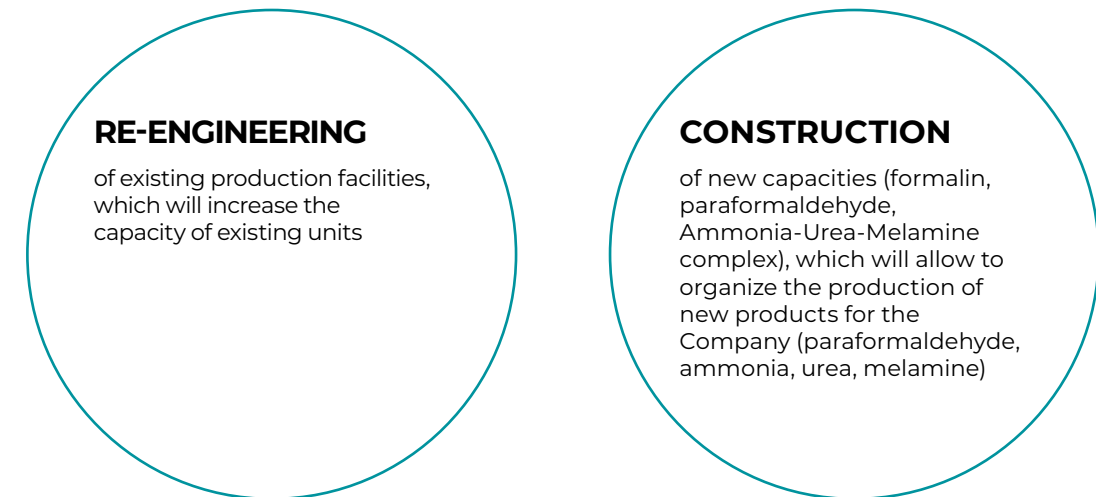


# COMPANY DEVELOPMENT STRATEGY

The Company has prepared two development programs: short-term for the period of 2015-2020, and long-term until 2030, on the basis of which Metafrax's development strategy has been defined and priorities have been set for the specified periods.

Strategic priority	Organization principles of the Company's activities
Leadership in the chemical industry in Russia and Europe	<ul style="list-style-type: none"> <li>· In-depth study of trends and new emerging opportunities in the chemical markets of Russia and the world, based on the team's experience and existing proprietary research and marketing competencies.</li> <li>· Establishment of close relationships with consumers to organize the production and delivery of products that meet their requirements and expectations on a mutually beneficial basis.</li> </ul>
Increase of the output of chemical products with high margin income through constant investment into the Group's capital assets	Reconstruction and dynamic development of production in order to increase the scopes and expand the range of products to achieve optimal economic indicators.
High level of production organization and constant quality control	<ul style="list-style-type: none"> <li>· Introduction of modern methods of analytical quality control for products at all stages of production and prevention of output of non-conforming products.</li> <li>· Timely implementation of equipment repair and maintenance measures as the basis for continuous and safe operation of technological processes in optimal modes.</li> <li>· Performance of technological processes in strict accordance with the requirements of regulations for the performance of planned indicators in compliance with legal and regulatory requirements.</li> <li>· Use of automated systems for managing technological processes.</li> <li>· Ensuring that the quality management system meets the requirements of the international standard ISO 9001:2015 and improvement of the indicator performance.</li> </ul>
Continuous commitment to the principles of corporate social responsibility	Formation and development of a team of dedicated professionals as well as ensuring decent working conditions.
Creation of partnerships in Russia and abroad	<ul style="list-style-type: none"> <li>· Selection of suppliers of raw materials, goods and services based on a detailed study of their capabilities and establishment of long-term mutually beneficial relationships with them.</li> <li>· Careful selection of foreign and Russian companies offering modern technologies and providing high-quality services.</li> </ul>

## The Company's strategy provides for complex development of production assets:



## AMMONIA-UREA-MELAMINE

is the largest investment project of the Company with a budget of more than

**78** billion rubles

# FINANCIAL RESULTS

- In 2019, the revenue of PJSC Metafrax amounted to 23.3 billion rubles.
- The share of exports in sales volume of finished products was 40%.



The share of exports in sales volume of finished products was

# 40%

**EBITDA** amounted to 11.3 billion rubles. EBITDA margin amounted to 48.5%.

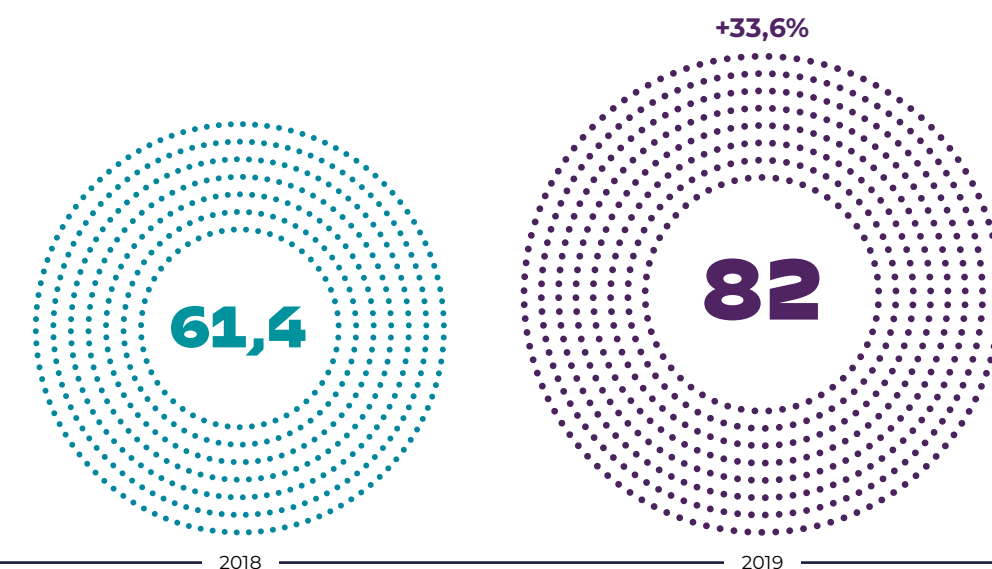
The Company's **net profit** amounted to 8.5 billion rubles. The net profit margin amounted to 36.4%.

As of December 31st, 2019, the total value of the Company's assets amounted to 82 billion rubles, which is 33.6% higher than the same indicator as of December 31st, 2018. The increase in assets is primarily due to the further implementation of the project for the construction of the Ammonia-Urea-Melamine (AUM) production complex. Net assets amounted to 47.9 billion rubles.

As of the end of the reporting period, the Company's capital and reserves amounted to 47.8 billion rubles. The Company's liabilities increased to 34.2 billion rubles. The Company expects this ratio to change due to the attraction of significant credit resources as part of construction of the AUM complex project.

As of January 1st, 2020 Metafrax Chemicals does not have overdue debts to budgets of all levels and non-budgetary funds.

During 2019, the reliability of accounting records of Metafrax PJSC was verified by the audit company LLC UKEY-Audit( Perm). Based on the results of the audit, the audit company issued a conclusion of the respective type. **In the auditor's opinion, the Company's financial statements fairly present, in all material respects, the Company's financial position** as of December 31st 2019, the results of the Company's financial and economic activities, and cash flows for 2019 are in accordance with the established rules for accounting reporting.



Trend of the Company's asset value, billion rubles

2018

2019

## POSITION IN THE INDUSTRY

PJSC Metafrax is the flagship of the Russian chemical industry and one of the leading producers of methanol not only at the local market, but also in Europe. In addition to methanol we produce formalin, urea-formaldehyde concentrate, polyamide, sodium formate, pentaerythritol (including micronized), dipentaerythritol, and hexamine (including micronized).

We are constantly working to create new products and technologies that are required by the market. In 2019, our product line expanded with the addition of dipentaerythritol, which is widely used in the production of synthetic lubricants, polyvinyl chloride stabilizers, alkyd resins and fire-resistant coatings. Currently, the Company is the only producer of pentaerythritol, dipentaerythritol and hexamine in Russia and CIS.

We supply our products to more than 1000 companies engaged in the production of plastics, rubbers, paints, synthetic resins and adhesives, disinfectants and medicines, and many other types of chemical products all over the world.

In Russia, the largest consumers of our products are PJSC Nizhnekamskneftekhim, PJSC SIBUR Holding, PJSC Omsk caoutchouc, LLC SVEZA Uralsky, Uvadrev-Holding LLC, CJSC Empils, LLC YUll-Sibir, LLC Syktyvkar plywood plant, and a number of other enterprises. In the Perm region, the main consumers of our products are such enterprises as JSC Sibur-Khim-prom, JSC Uralorgsintez, LLC Sveza Uralsky, LLC Metadynea, a branch of JSC Azot, URALKHIM UCC in Berezniki and others.

For many years, PJSC Metafrax has been included in the most authoritative ratings of the largest manufacturing companies in Russia. In particular, we are ranked 168th in the rating of the 200 largest private companies in Russia according to Forbes, 265th in the Expert-400 rating of the largest companies in Russia, 94th in the

We supply our products to over

# 1000

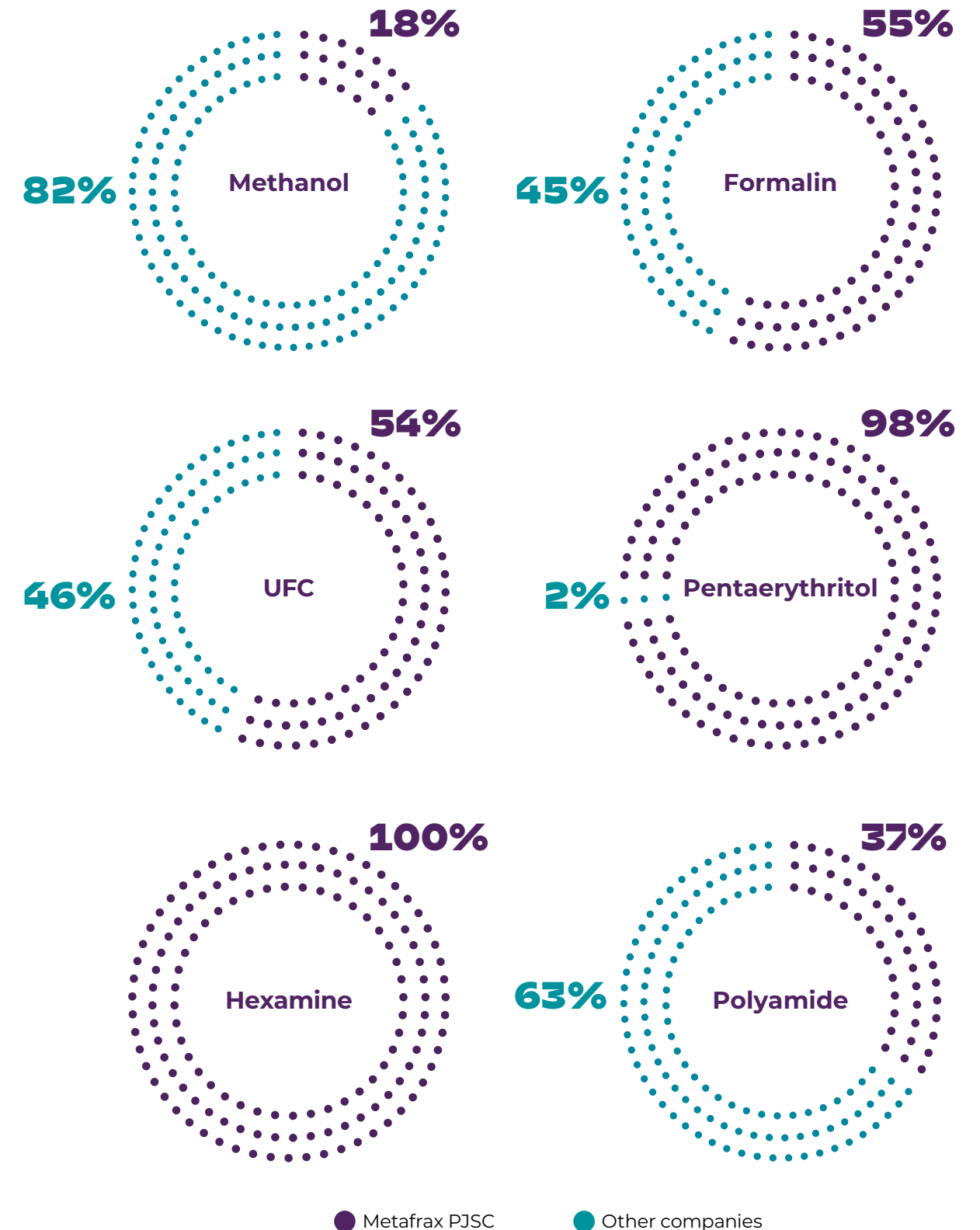
companies in the chemical industry

rating of investment activity of Russian enterprises according to the «Expert» analytical agency and 8th in the «TOP-300 largest enterprises of the Perm region» rating according to the Business class publication.

Our products are rightly awarded at prestigious competitions and exhibitions. In particular, in 2019, our technical methanol (grade A) was recognized as the best in the «Products for industrial and technical purposes» category in the all-Russian competition «100 best goods of Russia».

Also in 2019, the General Director of PJSC Metafrax Vladimir Daut took the 7th place among managers of the chemical industry companies in the «1000 best managers in the country» rating according to «Kommer-sant» Publishing house.

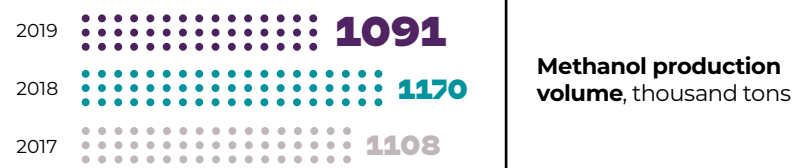
## COMPANY'S MARKET SHARES<sup>1</sup>



<sup>1</sup> Здесь и далее – оценка Компании

## METHANOL

Currently, the methanol in Russia is produced at 9 enterprises with a total capacity of more than 4 million tons of methanol per year.



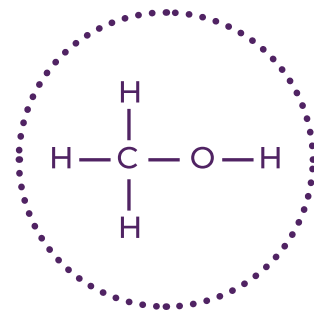
Metafrax» PJSC is the largest producer of methanol in Russia. Our capacities allow us to produce up to 1.15 million tons of methyl alcohol per year. There are also large producers such as PJSC Tolyattiazot (plant capacity – 1 million tons per year) and LLC Siberian methanol chemical company (plant capacity – 900 thousand tons per year).

In 2019, we produced 1 091 thousand tons of methanol. At the end of the year, the Company's share in the production of methanol was 18%.

Within three years, the share of methanol in the structure of manufactured products decreased due to an increase in the share of its derivatives up to 49.7%. For comparison, in 2018, it accounted for 57.3%.

Almost 32% of the produced methanol (347 thousand tons) was used internally for the production of urea-formaldehyde concentrate, hexamine, formalin, and cold-resistant aldehyde solution. The share of internal consumption has increased compared to the previous year, which fully corresponds to the Company's strategy, which is aimed at increasing the advanced conversion of methanol for products with higher added value. For comparison, the average level of internal methanol consumption in the industry is 20%<sup>2</sup>.

Methanol is the most significant product in the Metafrax production line. In the total volume of commercial products for 2019, the share of methanol was 50%, in the structure of revenue from the sale of finished products – 50%, in the structure of profits from the production –



In the total volume of commercial products for 2019, the share of methanol was

# 50%

50%. During the year, the Company sold 739.9 thousand tons of methanol for a total of 11,468 million rubles. Compared to 2018, the volume of sales decreased by 9.2% in physical terms and by 21.5% in monetary terms. The Company's results were affected by a drop in demand for methanol in the domestic and export markets in the second half of the year, while some major players continued to increase production volumes. The imbalance in demand and supply has led to a significant reduction in the price of methanol since Q3.

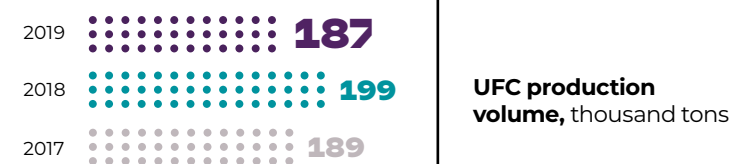
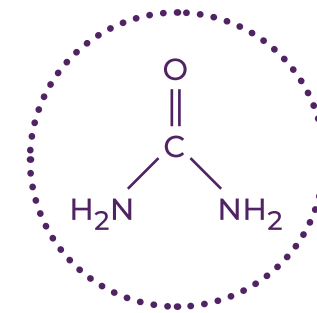
The largest consumers of methanol produced by PJSC Metafrax are large Russian companies engaged in the production of petrochemical products and rubber, including PJSC Nizhnekamskneftekhim, PJSC Sibur Holding and PJSC Omsk caoutchouc.

Russia is one of the leaders in the global methanol market, ranking sixth by production volume in the world<sup>3</sup>. In turn, PJSC Metafrax is one of the leading exporters of methanol in Russia. In 2019, the share of exports in the structure of methanol sales amounted to 58%.

- **Metafrax PJSC is one of the largest methanol exporters in Russia. In 2019, the share of exports in the structure of methanol sales amounted to 58%.**

## UREA-FORMALDEHYDE CONCENTRATE (UFC)

Production of commercial urea-formaldehyde concentrate (UFC) in Russia is focused at four enterprises: PJSC Metafrax, PJSC Tolyattiazot JSC Shchekinoazot and LLC Sibmetakhim. Their total capacity is about 550 thousand tons per year.



We are the largest producer of commercial ureaformaldehyde concentrate in Russia. In 2019, we produced 187 thousand tons of UFC. The Company's market share has not changed in comparison to the previous year and amounted to 54%.

During the year, we sold 186 tons of urea-formaldehyde concentrate. With a slight decrease in the UFC sales volume in physical terms, the sales in monetary terms increased by 8% and reached 4,320 million rubles. This is due to the increase in prices for UFC in the domestic market due to the shortage of urea-formaldehyde concentrate against the background of active growth of the main consumer industry – the production of wood chipboard. Therefore, in 2019, UFC sales accounted for 19% of total revenue from sales of finished products, while in 2018 this figure amounted to 16%. UFC's share in the profit structure increased from 13% to 20%.

Our main competitive advantages are the use of the unique technology of the Swedish company Formox –

The share of ureaformaldehyde concentrate in the profit structure increased from 13% to

# 20%

a global leader in the delivery of high-tech solutions – for production of formaldehyde and UFC, provision of technical support to customers for the use of UFC in their production and availability of our own fleet of railway tanks.

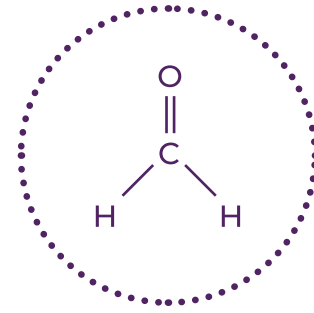
The main consumers of urea-formaldehyde concentrate are Russian woodworking companies, including LLC Uvadrev-Holding (Uva), JSC Cherepovets plywood and furniture factory (Cherepovets), LLC Sheksninsky KDP (Sheksna), and LLC Metadynea.

<sup>2</sup> CREON Chemicals, the 12th international conference «Methanol 2017», held in Moscow on June 20-21, 2017, <https://mplast.by/novosti/2017-07-24-metanol-2017-itogi-otraslevoy-konferentsii>

<sup>3</sup> Assessment of the Ministry of industry and trade of the Russian Federation

## FORMALIN

In recent years, the global market has seen a tendency to reduce the consumption of 37% formalin and switch to concentrated 55% formalin, produced in the areas of consumption, which is due to significant difficulties with the storage and transportation of formalin, especially during period of low temperatures.



In this regard, the volume of world trade in formalin is minimal and does not exceed 2-3% of the production volume. The largest global formalin markets are the United States, Europe, and China. They account for 75% of global production.

In Russia, a number of companies are engaged in the production of formalin, including LLC Krono-shpan (Egorievsk), CJSC Khimsintez (Chapaevsk), PJSC Pigment (Tambov), JSC Akron (Nizhniy Novgorod), LLC Sibmetahim (Tomsk) and FFE Ya. M. Sverdlov Plant (Dzerzhinsk). For many years, we have been the undisputed leader of formalin production in Russia.

The Company's share in the market of formalin producers is

# 55%

In 2019, we produced 403 thousand tons of formalin<sup>4</sup>. The volume of production remained practically unchanged compared to the previous year. The Company's market share is 55%.

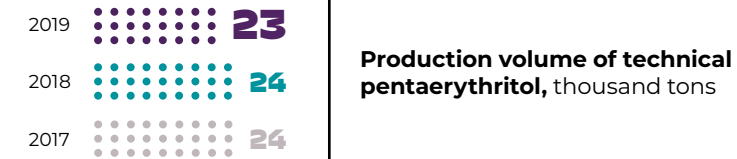
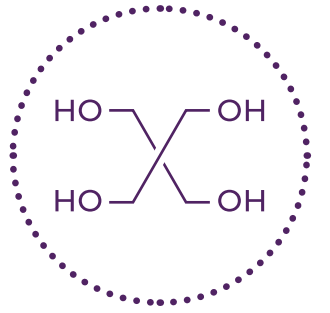
The volume of formalin sales remained practically unchanged in comparison with 2018 and amounted to 236 thousand tons. In monetary terms, sales increased by 12.3% and amounted to 2,392 million rubles, which is 10% of total revenue and 12% of the Company's profit from production activities.

Our main competitive advantages are the use of our own raw materials and the availability of our own railway rolling stock.

Consumers of formalin are primarily Russian companies engaged in wood processing and chemical production, including RPC LLC Astat (Dzerzhinsk), LLC Sveza Uralsky (Nytva), LLC Syktyvkar plywood plant (Syktyvkar) and JSC Krasniy Yakor (Slobodskoy). The main consumer of concentrated formalin is Metadynea LLC.

## TECHNICAL PENTAERYTHRITOL

As of today, we are the only manufacturer of pentaerythritol in Russia and the CIS.



The emergence of new players is hindered by high barriers associated primarily with large-scale investments in production assets. In 2019, we produced 23.3 thousand tons of pentaerythritol. The Company's market share is 98%. Another 2% is accounted for by imports.

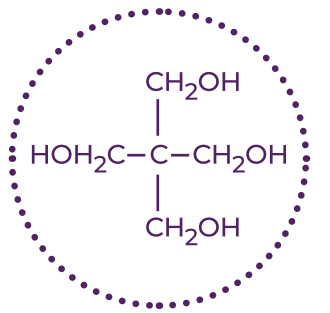
During the year, we sold 21.1 thousand tons of technical pentaerythritol. Of these, about 59% were sold for export. In monetary terms the sales of technical pen-

taerythritol were 2 024 million rubles. Therefore, sales of pentaerythritol accounted for 9% of the Company's revenue and 7% of its profit from production.

The main consumers of pentaerythritol are Russian companies engaged in the production of explosives and paint products, including FFE BOZ, CJSC Khimik and CJSC Empils, ABC CJSC Farben and LLC Alnex Belgorod.

## MICRONIZED PENTAERYTHRITOL

We are the only manufacturer of micronized pentaerythritol in Russia and the CIS. In 2019, we produced almost two thousand tons of micronized pentaerythritol, which is 35% higher than the same indicator in 2018.



During the year, we sold 1 942 tons of micronized pentaerythritol, which is 33% higher than in 2018. Most of the micronized pentaerythritol (87%) was sold at the domestic market. In monetary terms, the sales of micronized pentaerythritol increased by more than 41.2% up to 215 million rubles, which is 0.9% of the Company's total revenue for the reporting period. The share of pentaerythritol in the profit from production amounted to 0.9%

Compared to last year, the volume of sales increased by

# 33%

<sup>4</sup> В пересчете на 37-процентное содержание формальдегида

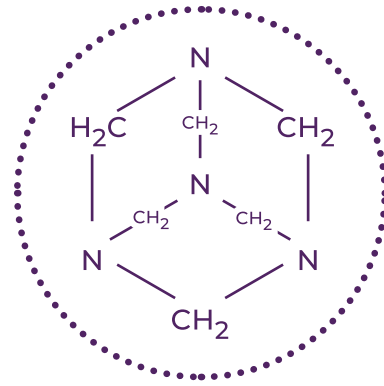
## TECHNICAL HEXAMINE

As of today, we are the only manufacturer of hexamine in Russia and the CIS.



The emergence of new players is hindered by high barriers associated primarily with large-scale investments in production assets. In 2019, we produced about 37.4 thousand tons of hexamine, which is almost the same as in 2018.

During the year, we sold 36 thousand tons of hexamine in the amount of 1 892 million rubles. Therefore, hexamine sales accounted for 8% of revenue and 9% of the Company's profit from production.



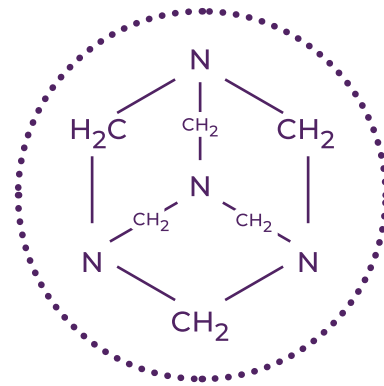
The main consumers of hexamine at the domestic market are major Russian producers of synthetic resins and other chemical products, including LLC YUll-Sibir, PJSC Ural-Khimplast, LLC Metadynea and FFE Ya. M. Sverdlov Plant. About 65% of hexamine was exported to our foreign partners.

## MICRONIZED HEXAMINE

As of today, we are the only manufacturer of hexamine in Russia and the CIS. In 2019, the Company produced 660 tons of micronized hexamine.



During the year, we sold 605 tons of micronized hexamine in the amount of 36 million rubles, which is 0.2% of revenue and 0.2% of the Company's profit from production. Almost all micronized hexamine is sold for export.



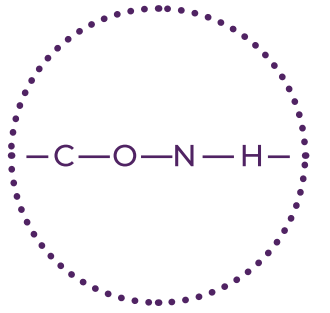
## BULK POLYAMIDE

Russian, Belarusian and Chinese manufacturers actively compete at the Russian polyamide market. We are the largest manufacturer of polyamide in Russia. In 2019, the Company produced 750 tons of polyamide. Our market share is 37%.



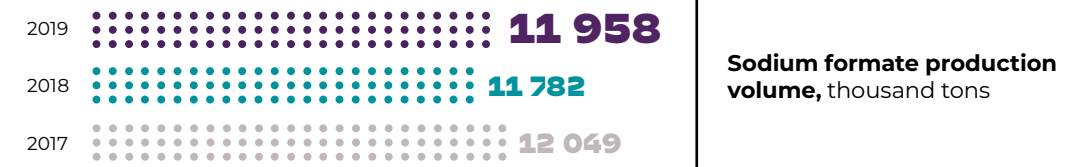
During the year, we sold 751 tons of polyamide in the amount of 185 million rubles, which is 0.8% of total revenue and 0.3% of the Company's profit from production. About 90% of polyamide was sold at the domestic market.

Our main competitive advantage is the availability of a modern high-capacity plant, which allows to meet the needs of customers, both in terms of volume and range. We also actively use dealers located in different regions of the country to increase the efficiency of goods delivery.

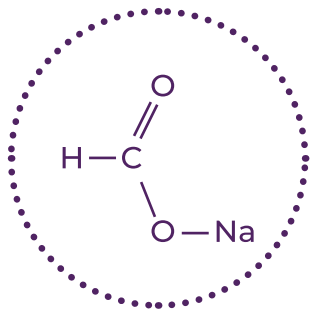


## SODIUM FORMATE

In 2019, we produced almost 12 thousand tons of sodium formate. Compared to 2018, the production volume increased by 1.5%.



During the year, we sold 11.92 thousand tons of sodium formate for a total of 318 million rubles, which is 1.4% of the Company's revenue. Shipments of sodium formate were made only to the domestic market.



# BUSINESS MODEL

## PREREQUISITES FOR GROWTH

- 1. Leadership in the industry**

  - The largest producer of methanol in Russia (annual capacity – 1.19 million tons)
  - The largest exporter of methanol in Russia (more than 20% of the total Russian export volume in 2019)
  - The largest producer of formalin, urea-formaldehyde concentrate (UFC) and polyamide in Russia
  - The only producer of pentaerythritol, dipentaerythritol and hexamine in Russia and CIS
- 2. Unique assets**

  - Engineering and technology center, proprietary park of railway equipment, laboratory in Austria
- 3. Unique technologies**

  - The use of the closed-loop economy principle in our production corresponds to global trends and puts us alongside with global leaders
  - Development of innovative products and solutions opens up new markets and expands the capabilities of the Company and other market participants
- 4. Large-scale investment program**

  - Construction of the first stage of the Ammonia-Urea-Melamine (AUM) production complex
  - Construction of the second melamine plant as part of the Ammonia-Urea-Melamine (AUM) complex at a cost of 19.7 billion rubles
  - Construction of paraformaldehyde and formalin production at a cost of 5.2 billion rubles
- 5. Qualified personnel**

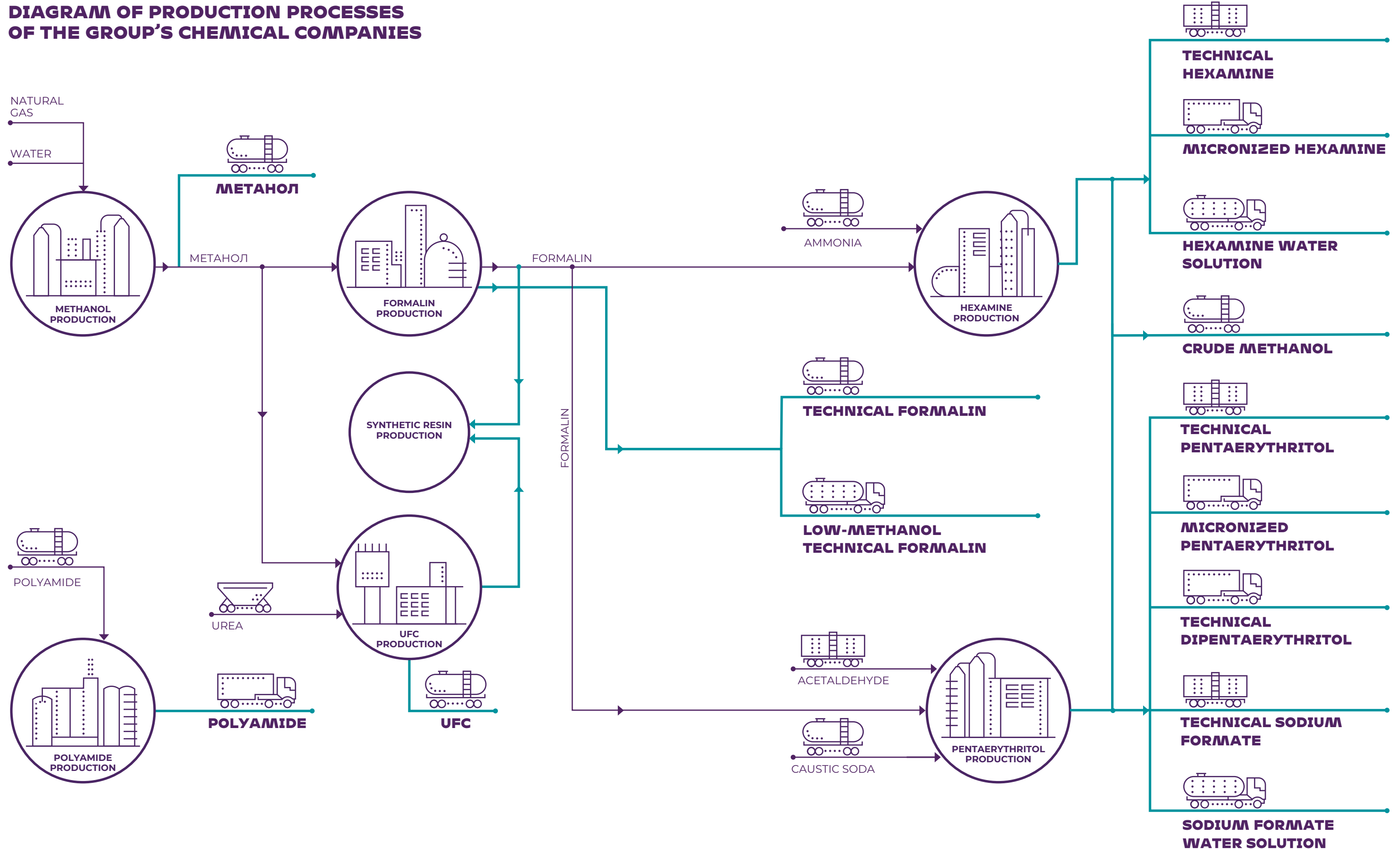
  - 3.5 thousand employees in Metafrax Group
- 6. Excellent reputation in the global market**

  - More than 1000 clients in 50 countries across the world
  - Collaboration with leading European suppliers of technologies and equipment

## СТЕЙКХОЛДЕРЫ



### DIAGRAM OF PRODUCTION PROCESSES OF THE GROUP'S CHEMICAL COMPANIES



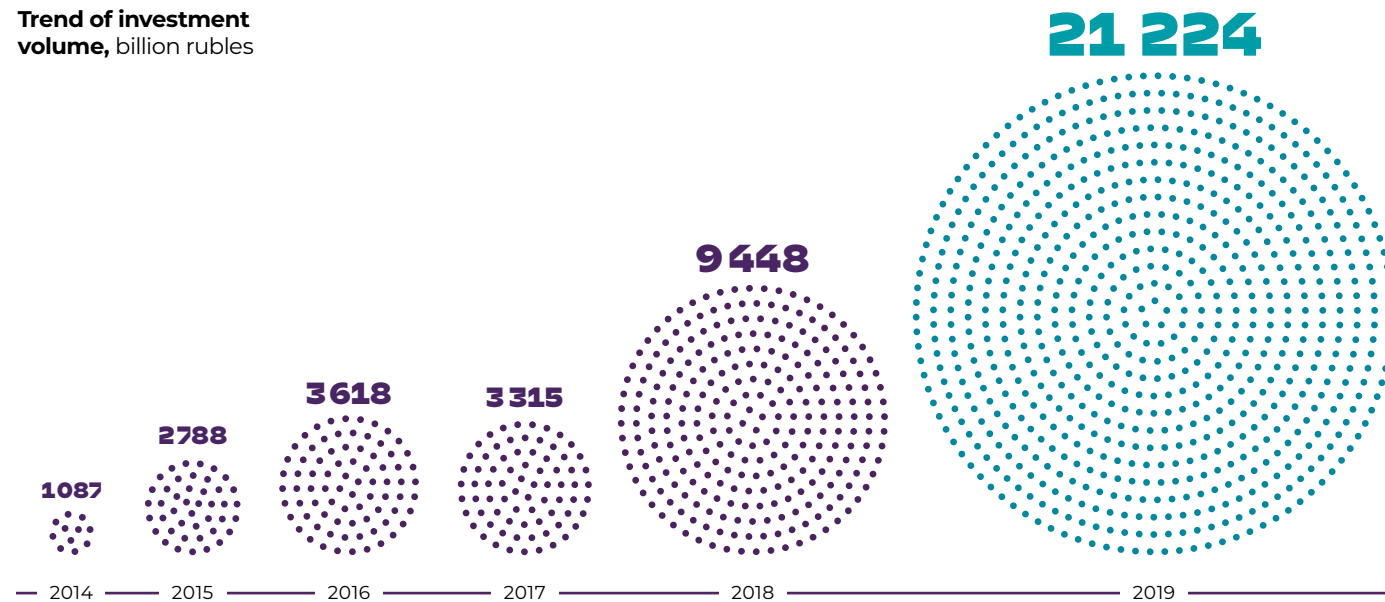


# INVESTMENT PROGRAM

As a leader in the chemical field, we strive to meet the most advanced trends in the industry and constantly work to improve technologies and production processes. Every year, we reinvest our profits in solutions that will ensure our leading position in the world of the future, which will be defined by significant technological challenges.

## THE INVESTMENT PROGRAM OF PJSC METAFRAX

Trend of investment volume, billion rubles



The investment program of PJSC Metafrax includes investments both in the construction of new facilities and in the maintenance of existing production complex.

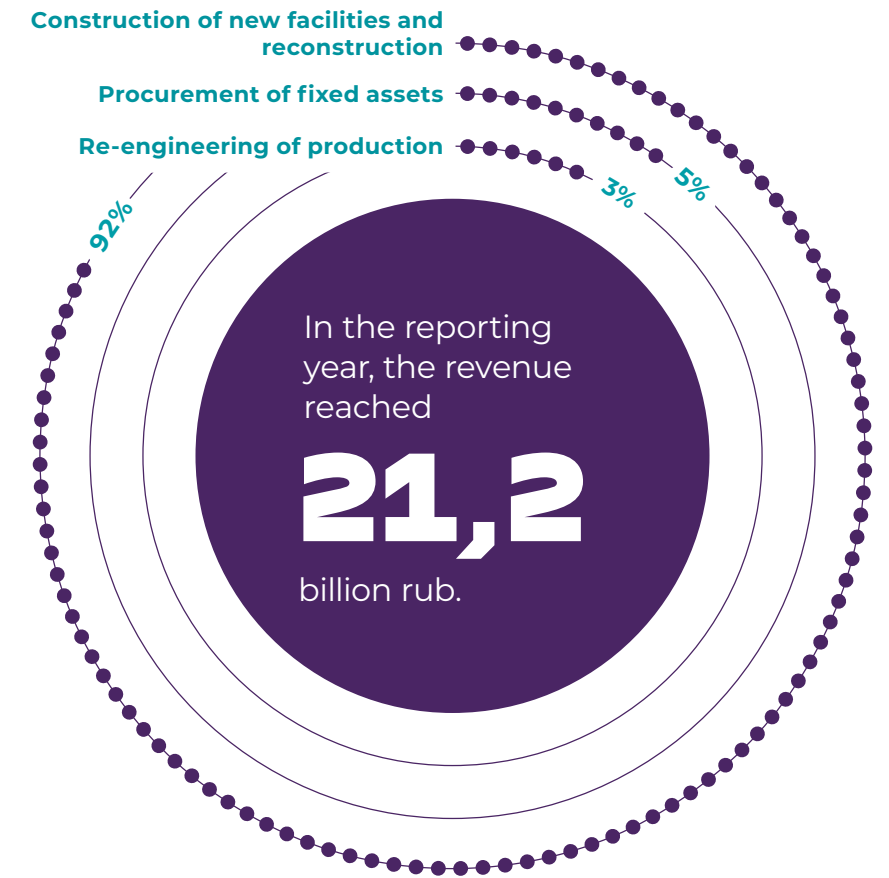
In 2019, the Company's investments in capital stock amounted to about 21.2 billion rubles, which is 2.2 times higher than the same indicator in 2018. The main reason for the increase of the investment program was the further implementation of a largescale project for the construction of the Ammonia-Urea-Melamine production complex (AUM). The investment program was financed by both internal and borrowed funds.

The Company's investments in capital stock increased by

# 124,6%

compared to the previous reporting period

The main direction of investment was the construction of new facilities and reconstruction, which accounted for 19 514 million rubles or 92% of the entire investment program. 620 million rubles were spent on the purchase of fixed assets. Another 1 027 million rubles were invested in re-engineering of existing facilities.



The Board of Directors identified the construction of the Ammonia-Urea-Melamine (AUM) complex as one of the Company's priority areas of activity and development in 2019. As of today, this is the largest investment project of the Company with a budget of 58 billion rubles. The project involves the construction of a production complex capable of producing up to 575 thousand tons of urea, 308 thousand tons of ammonia and 41 thousand tons of melamine per year. As a result of the AUM implementation, 392 jobs will be created.

Creation of AUM started in 2016, when a memorandum of intent was signed with the administration of the Perm region to conclude a special investment contract for the construction of the complex. During 2017, contracts were signed with the main work contractors, and in early March of 2018, the first cubic meter of concrete was laid in the base of the urea prilling tower. In 2019, the first stage of AUM complex construction was completed, as a result of which on 09.07.2019 the power was supplied to the construction site of the complex and the main step-down substation unit (MSS-3) has been put into operation.

During construction activities in 2019, 21.5 thousand cubic meters of structural concrete were laid, 15.1 thousand tons of steel structures were installed, 180 km of cable were laid and 180 units of equipment with a total weight of more than 4,139 tons were installed. The construction and installation works were completed for the administrative building, CCR, fire-fighting pumping station and water treatment station.

The construction and installation works are coming to a close in the process area of the AUM complex, including the following sections: high-pressure compressor house, ammonia compression section, pressure swing adsorption unit (PSA), CO2 recovery pump house, prilling tower. In October 2019, gas was supplied to the processing facility. In November, the block-modular boiler house (BMB) was put into operation and heat was supplied to the water treatment unit, CCR and administrative complex. In December 2019, operation specialists started commissioning at the water treatment unit. During 2019, 274 equipment units were delivered to the process area of the AUM complex, of which the delivery was completed in full scope for long lead items and large-capacity equipment.

In total, by the end of 2019, 163.69 km of pipelines, 327.5 thousand connecting elements, 448 km of electrical cable and 628.5 km of instrumentation cable as well as 13.7 thousand units of shut-off valves were delivered to the AUM construction site, which is more than 90% of the total supply volume of materials.

As of the end of 2019, the total cost of completed works aimed at the construction of the AUM amounted to 39,791 million rubles. Also, 27 352 million rubles were spent in 2019.

### READINESS OF AUM FACILITIES AS OF THE END OF 2019

67,5%

Water cycle and waste water treatment area

91%

Auxiliary substations

100%

Main step-down substation

62%

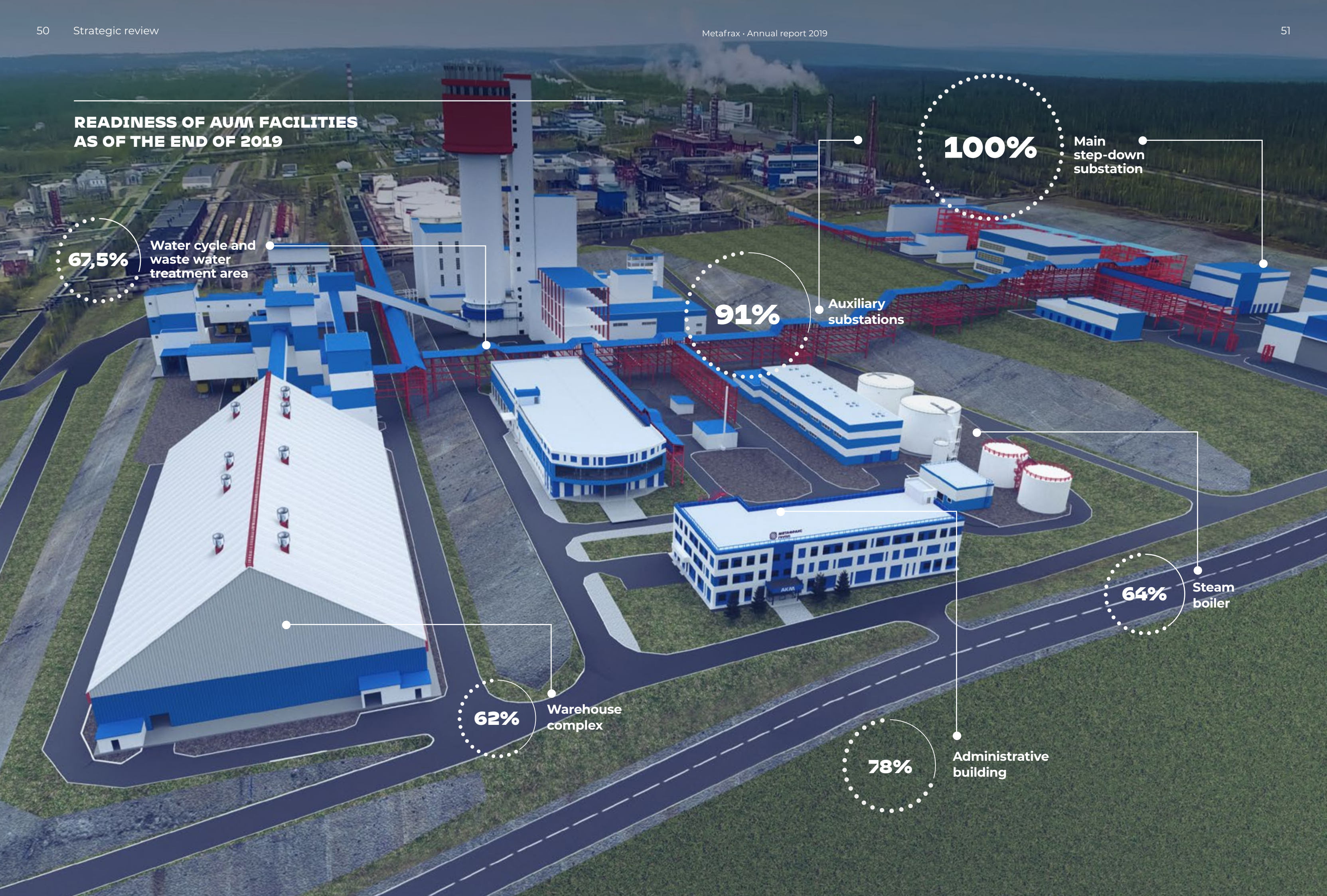
Warehouse complex

64%

Steam boiler

78%

Administrative building



On October 17th, 2019, an additional agreement to the SPIC was signed at the Perm engineering and industrial forum, which provides for the construction of a second melamine production plant and an increase in investment by almost 20 billion rubles. The plant will increase the production of melamine at the company's industrial site by 40 thousand tons per year as well as create an additional 59 qualified jobs.

**After the plant is put into operation, PJSC Metafrax will become one of the largest melamine producers in Europe. It is assumed that about 50% of the produced melamine will be consumed within the Company.**

The new plant will increase the annual output of melamine by

**40** thousand tons



The signing of the agreement provides for an increase in investment volume by almost

**20** billion rubles

Other investment projects	Investment volume in 2019, million rubles
Construction of vehicle infrastructure with access to the Kungur-Solikamsk highway	101,6
Re-engineering of an additional process line for the production of pentaerythritol	106,0
Nine-storey apartment buildings it. №3,4	161,7
Nine-storey apartment buildings it. №5,6	236,5

The reconstruction of the pentaerythritol production is also continuing, which will allow the Company to not only increase the product range, but also to improve the quality of the produced pentaerythritol. In 2019, 106 million rubles were invested in this project.

As part of the ongoing housing program aimed at improving the living conditions of the Company's

employees, the construction of nine-storey apartment buildings for employees of PJSC Metafrax is continuing in Gubakha. The last two houses were completed in October 2019. Currently the Company is constructing two more nine-storey buildings. Their completion is scheduled for October 2020. In total, 398.2 million rubles were spent on the project for housing construction for the Company's employees in 2019.



The project for housing construction for the Company's employees amounted to

**398,2** million rubles



Construction of the AUM complex continues; its official start was in 2018 as the first cubic meter of concrete was laid in the base of the Urea unit (U30) prilling tower.

In 2019, the first stage of AUM complex construction was completed, as a result of which on 09.07.2019 the power was supplied to the AUM construction site and the MSS-3 unit has been put into operation.

During construction activities in 2019, 21.5 thousand m<sup>3</sup> of structural concrete were laid, 15.1 thousand tons of steel structures were installed, 180 km of cable were laid, the installation of process pipelines has started and is ongoing at the entire AUM construction site;

180 units of equipment with a total weight of 4139,3 tons were installed and preparations are underway for their process piping.

In 2019, construction and installation works were completed for the following titles: Administrative building - 1825; CCR - 1837; Fire-fighting pumping station - 1840; Water treatment - 1844.

Construction and installation works are nearing completion at the following titles of the process area of the AUM complex: high-pressure compressor house - 1805 (A16); ammonia compression - 1807 (A20), PSA unit - 1804 (A15), CO<sub>2</sub> recovery pump house - 1801 (B10), prilling tower - 1812 (U30).

# AMMONIA UREA MELAMINE PROJECT



**ADMINISTRATIVE  
COMPLEX**  
100%



**STEAM BOILER**  
64%



**MAIN STEP-DOWN  
SUBSTATION**  
100%



**WATER CYCLE AND WASTE  
WATER TREATMENT AREA**  
70%



**AUXILIARY  
SUBSTATIONS**  
80%



**WAREHOUSE COMPLEX**  
62%

In October 2019, gas was supplied to the gas treatment plant - 1855. In November, the blockmodular boiler house (BMB) - 1856 was put into operation and heat was supplied to: build. 1844 (the water treatment unit), build. 1837 (CCR), build. 1825 (administrative complex) had heating water supplied to it.

In the same month, the following substations were energized: SS06 (1849), SS07 (1837), SS12 (1844). In December 2019, operation specialists started commissioning at the water treatment unit - title 1844.

During 2019, 274 equipment units were delivered to the process area of the AUM complex, of which the delivery was completed in full scope for long lead items and large-capacity equipment.

By the end of 2019, 163.69 km of pipelines, 327.5 thousand connecting elements, 448 km of electrical cable and 628.5 km of instrumentation cable as well as 13.7 thousand units of shut-off valves were delivered to the construction site, which is more than 90% of the total supply volume of materials.

Since the beginning of the project, works amounting to 39 791 million rubles have been completed, including 27 352 million rubles in 2019.

# CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

## Contents of this section

- 58 Personnel policy
- 66 Social investments
- 70 Ecology

# 03

PJSC METAFRAX IS A LARGE EMPLOYER. AS OF DECEMBER 31ST, 2019 THE NUMBER OF EMPLOYEES OF THE COMPANY WAS 2 394 PEOPLE

**40%**

of employees of the Company have higher education

## PERSONNEL POLICY

The personnel policy of PJSC Metafrax is an integrated system of interaction with personnel aimed at ensuring the achievement of the strategic goals of the Company, development of production, implementation of the Company's investment program and improvement of product quality.

The management of PJSC Metafrax makes every effort to effectively use the potential of employees, strengthen the unified corporate culture, increase motivation and ensure professional development of employees.



## PERSONNEL MANAGEMENT

One of the main risks that can significantly affect the Company's operations is the lack of qualified personnel. In order to achieve the goals of production development, improvement of the professional competence of employees and attraction of young employees, the personnel strategy was approved in 2017. The strategy was successfully implemented and showed high efficiency.

In November 2019, the Board of Directors approved a new strategy for working with personnel until 2025, which was a continuation of the Company's implemented activities and it is supplemented by key areas of working with personnel and attracting young specialists to the existing enterprise and new AUM production.

## PRINCIPLES OF WORKING WITH PERSONNEL

The values of the corporate culture determined the following principles of working with personnel:

### THE FORMATION AND DEVELOPMENT OF A TEAM

of dedicated professionals. We strive to become a center of attraction for employees who are focused on professional development in each of our areas of activity. We are ready to help with development, give freedom and responsibility to those who share our values and strive to grow together with us. We want our team to consist of professionally happy people.

### PERSONNEL CARE

We certainly respect the rights of our employees and ensure full compliance with the requirements of labor legislation. We are committed to ensuring material stability of our employees. We are always ready to help our employees.

### DEVELOPMENT OF THE WORLD AROUND US

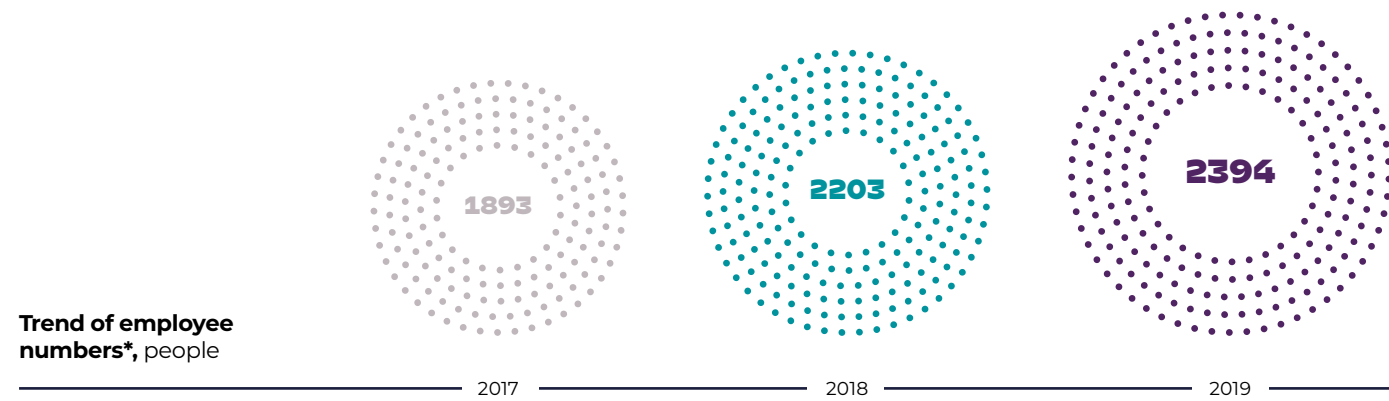
We are from Gubakha, we are from the Perm region. We support initiatives that make the life of our city and our region more comfortable and bright. We give development opportunities to our countrymen. We are making every effort to improve the environment and infrastructure of our territory.

## KEY PRIORITIES

- Staffing of existing and newly built units and production facilities as necessary until 2025.
- «School-University-Enterprise» personnel training path.
- Areas of work with schools and career guidance activities.
- Cooperation with the Ural chemical and technological college
- Support of University students.
- The development of the adaptation processes for the personnel.
- Training and development of personnel, personnel pool.
- Development of social policy.

## PERSONNEL STRUCTURE

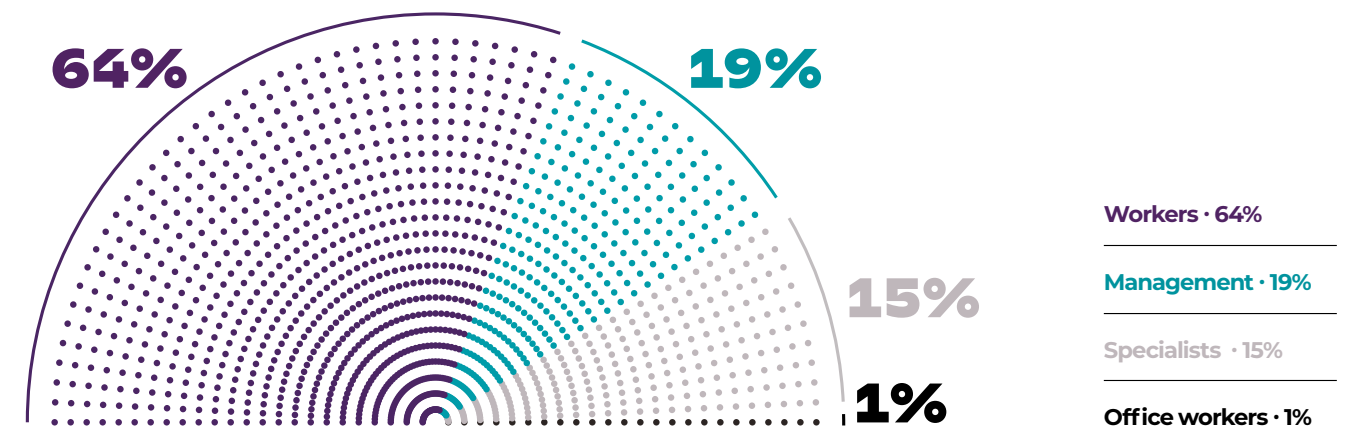
In 2019, the staff listing of Metafrax employees increased by 8.7% and amounted to 2394 people, which is due to an increase in the number of employees of the Management office of the Ammonia-Urea-Melamine complex under construction.



\* the staff listing of personnel is indicated as of 31.12.2019

## Personnel structure by categories

Workers take up the majority in the structure of permanent employees (64%). Specialists and management account for 19% and 15%, respectively.

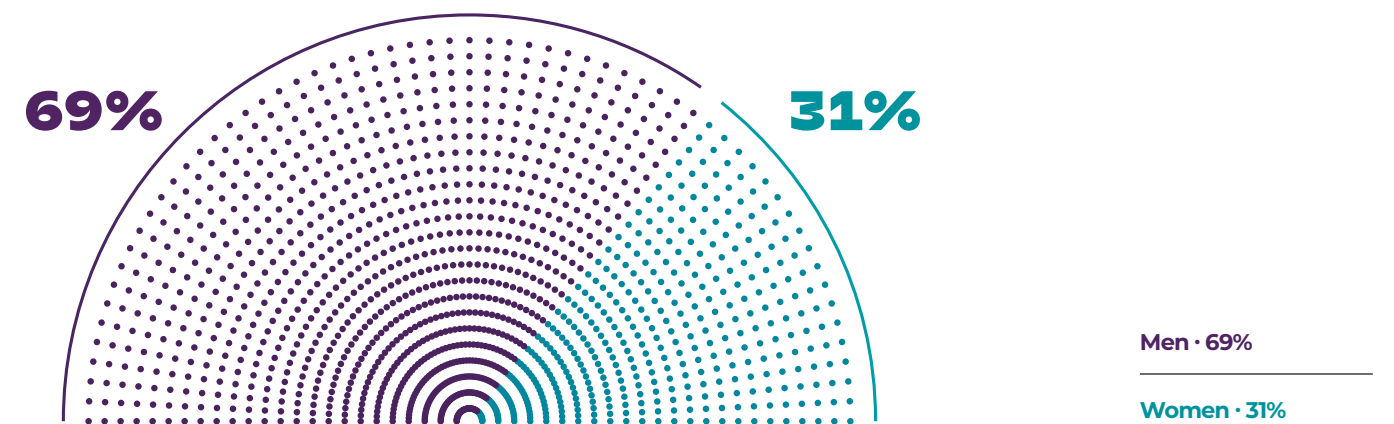


**191**  
**PEOPLE**

accounted for an increase in the number of employees in 2019

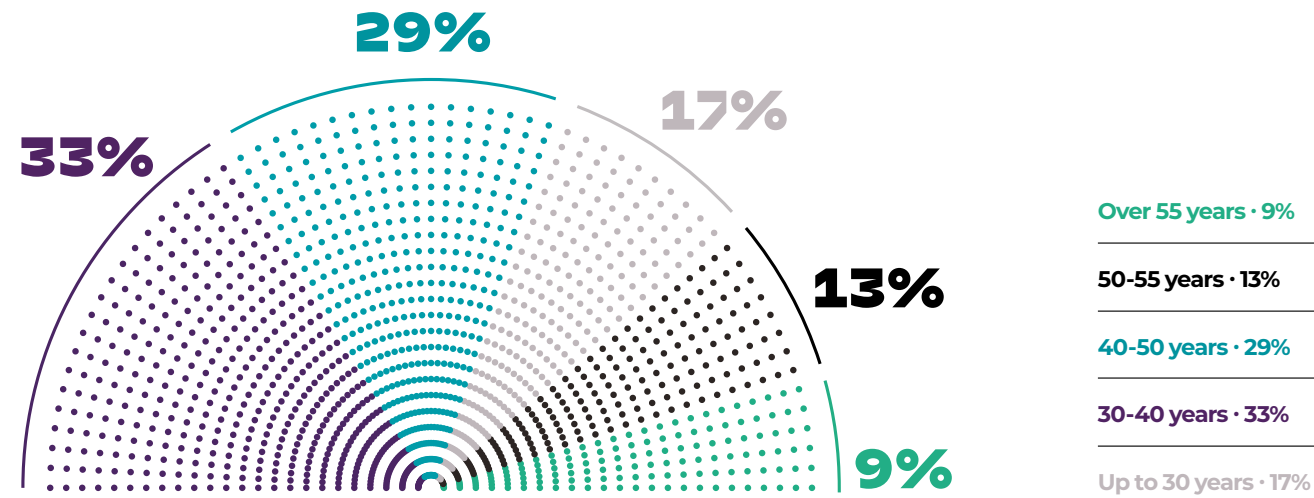
## Personnel structure by gender

As of the end of 2019, men accounted for 69% of the Company's total staff, due to working conditions and the specifics of production activities.



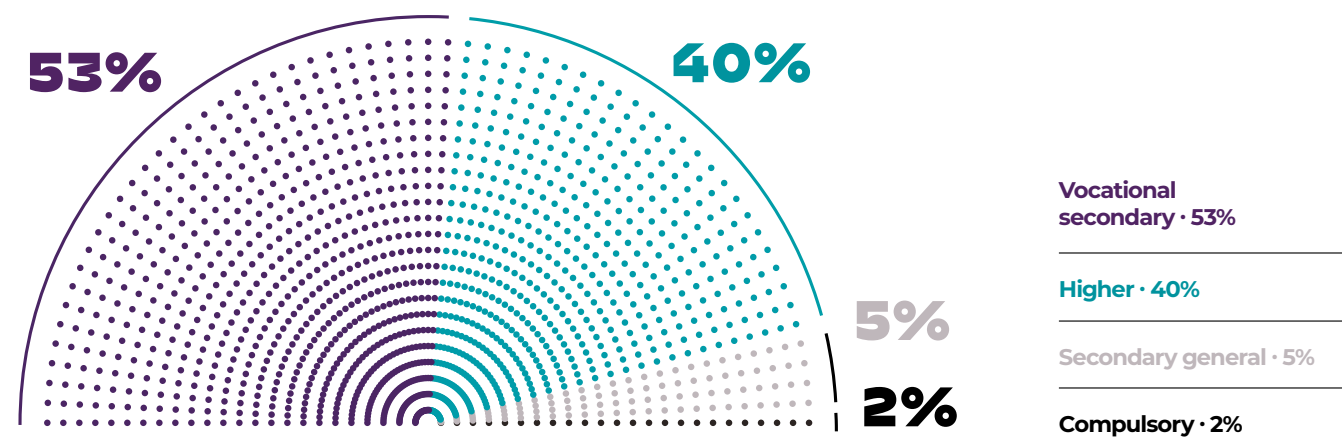
### Personnel structure by age

More than 61% of the Company's employees belong to the age categories of 30-40 and 40-50 years, which have the highest labor potential. The average age of employees of PJSC Metafrax in 2019 is 40 years.



### Personnel structure by education level

The majority of PJSC Metafrax employees (40%) have higher education. Another 53% of the staff has a vocational secondary education. Over the past years, there has been a steady trend towards improving the level of education of the Company's personnel.



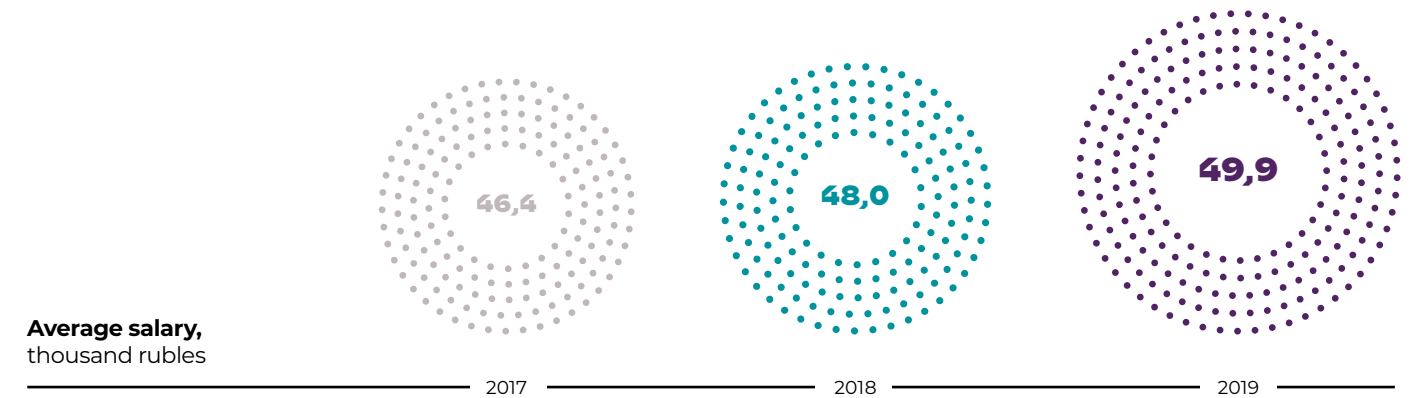
### MOTIVATION

PJSC Metafrax uses modern motivation methods aimed at increasing labor efficiency and stimulating the individual interest of employees in achieving the goals and objectives set for the Company. The Company's motivation system is based on a combination of material and non-material forms of personnel incentives and the use of various social programs.

During 2019, wages were indexed in the following periods:  
 1. From January 2019 by 5%  
 2. From October 2019 by 5%

At the end of the year, the average salary was

**49,9** thousand rubles



### Non-financial motivation

In order to maintain a high level of employee engagement and interest, the Company has adopted a number of corporate awards that recognize the best employees on an annual basis. All awards, including those combined with material incentives for the personnel, contribute to maintaining a high level of corporate culture based on management's attention to the achievements and successes of departments and employees. In 2019, the company's employees were awarded the following honorary distinctions:

- 4 employees of the Company were awarded the title of Honorary chemist and Certificate of Commendation from the Ministry of industry, entrepreneurship and trade of the Perm region.
- 12 employees were awarded a Recognition letter from the governor of Perm region and Certificate of Commendation from the Ministry of industry, entrepreneurship and trade of the Perm region.
- 17 employees received Certificate of Commendation from Gubakha city district of the Perm region.

Corporate awards of Metafrax PJSC were given to

**220** employees

As part of the corporate culture, events were held for the employees who have worked at the company continuously for 15, 20, 25, 30, 35 years (168 employees with experience). The Alley of Honor for worthy employees and veterans of PJSC Metafrax (15 people) has been updated.



## COLLABORATION WITH EDUCATIONAL INSTITUTIONS

A high level of professional competence is one of the Company's key priorities in the field of human capital management. With the current shortage of qualified workers and TE specialists in the chemical industry, we rely on the potential of our region. While constantly working with educational institutions of general, secondary and higher education, we raise the prestige of professions in chemical industry in the region. The «School-University-Enterprise» program is one of the priority areas of the strategy for working with personnel. Every year Metafrax takes part in organisation of professional try-outs for school graduates.

The primary goal of career guidance is to attract the maximum number of graduates of grades 9-11 in the cities of Kizel Coal Basin as students of secondary and higher educational institutions. In this regard, active work is ongoing with students of secondary professional and higher educational institutions along with targeted recruitment among school graduates in high-demand specialties.

**162** students  
are trained under targeted recruitment or are grant-aided students of the Company

Social partnership agreements were signed with leading universities of the region as part of the training of specializations that are in high-demand in the Company. Metafrax annually allocates more than 16 million rubles for training of specialists in high-demand specialties.

In 2019, the number of people sent to study in Universities was

**43**

## YOUNG SPECIALISTS

One of the priority areas of Metafrax's personnel policy is attraction of talented young people. In order to achieve this goal, comprehensive programs are used to attract young professionals, including active interaction with specialized educational institutions; we provide young professionals with comfortable conditions for the stars of professional activities and create an attractive corporate environment for young people.

Young professionals are assigned to an experienced mentor for the most effective entry into the position.

An individual adaptation program is developed for them. Young specialists receive financial support after 3 months of work, incentive payments are paid for three years, and corporate housing is provided.

As part of ongoing programs created to involve youth activists in the process of retaining and attracting young specialists, in 2019, 240 events of various types were held – social, entertainment, career guidance, intellectual, creative and sporting – with 14,000 people taking part in them.



## PERSONNEL TRAINING AND DEVELOPMENT

Metafrax builds transparent and efficient processes in the field of recruitment, training, evaluation and development of its employees. We implement an entire complex of long-term corporate programs in the field of industrial and managerial training, development of managerial potential and leadership, attraction of young people to our enterprises, creation of conditions for professional self-realization and career growth, while working in three main areas: mandatory professional training of workers and specialists, training of managers and training of the personnel pool.

The program of training and development of middle and senior managers of companies is aimed at solving two tasks: training and development of all managers, and targeted development and training of potential young managers to ensure business growth. Currently, 150 managers, for whom the corporate program is applicable, are participating in the program. The program operates in 4 training modules.

During 2019, 2986 employees completed retraining and advanced training programs at the Corporate training center and third-party educational institutions.

In order to ensure staff succession and training of managers for managerial positions, centralized formation and development of the personnel pool are carried out within the Company.

Training expenses in 2019 amounted to

**13,8** million rubles

## PERSONNEL TRAINING AND DEVELOPMENT

The Company's social policy is aimed at creating favourable conditions for all employees of the Company and their families and it significantly expands the programs foreseen by legislation. The majority of the existing social programs is focused on the health of the Company's employees and is designed to provide them with a wide range of opportunities to lead and maintain a healthy lifestyle.

All Metafrax employees are insured under voluntary health insurance (VHI) programs. Preliminary and periodic medical examinations are organized for employees engaged in production with harmful or dangerous working conditions. The Company also takes measures aimed at preventive medical care as well as promotion of sports and healthy lifestyle among employees.

Social policy expenses in 2019 amounted

**230,3** million rubles

The Company takes great care not only of its employees, but also of the employees' family members. Every year, employees' children have the opportunity to improve their health at the country's summer recreation centers and sanatoriums. Throughout the year, employees can undergo the necessary health improvement procedures at the Company's health and recreation resort as well as at a country recreation center.

In 2019, the Company completed several comfortable houses with 281 apartments, in which the Company's employees and young specialists were able to obtain residence.

## SOCIAL INVESTMENTS

Main objective of the social policy of PJSC Metafrax is to provide comfortable social conditions for Company's employees and improve the welfare of their families, which, in turn, favourably affects staff motivation and the results of their work.

The social policy, which is effectively implemented by the company, contributes to the formation of the image of PJSC Metafrax as a conscientious and attractive employer, which allows the Company to attract highly qualified specialists.

### Social policy of PJSC Metafrax includes the following areas:

Insurance and medical services	Organization of health improvement and recreation	Health improvement for employees' children
Housing program	Social support for veterans	Sports and leisure
Youth organization activities	Support for cultural events	Assistance with the development of target regions



## INSURANCE AND MEDICAL SERVICES

PJSC Metafrax is interested in preservation and promotion of personnel health. For this purpose, the Company provides high-quality medical services and treatment of employees:

- annually organizes periodic medical and target examinations of the Company's employees by specialists of the regional oncologic dispensary;
- enters into contracts with insurance companies for the organization and payment of medical services and medicines for employees of the Company who have received occupational diseases;
- organizes specialized offices (physiotherapy and therapeutic massage) in the health center of the enterprise;
- performs vaccination against flu, tick-borne encephalitis and other diseases.

Each employee of the Company is provided with an additional health insurance (AHI) policy with a registration in the medical center «Philosophy of beauty and health» (Perm). In 2019 2 231 employees of PJSC Metafrax were provided with a AHI policy and registered in the «Philosophy of beauty and health» medical center.

Additionally, the Company's employees have the opportunity to have an annual year-round health improvement at the Metafrax sanatorium, while paying only 10% of the voucher price. In 2019, 360 employees of the Company used the services of the sanatorium. The cost of their health improvement amounted to 15.7 million rubles. Another 6.6 million was spent on the health improvement of veterans of PJSC Metafrax.

Expenses for improving the health of the Company's employees in the sanatorium of Metafrax amounted to

**15,7** million rubles

## ORGANIZATION OF HEALTH IMPROVEMENT AND RECREATION FOR EMPLOYEES AND THEIR CHILDREN

Organization of health improvement for employees of PJSC Metafrax and their children is an integral part of working with personnel. The Company's employees have the opportunity to have an annual health improvement at the Metafrax sanatorium. Once every two years, they can undergo rehabilitation treatment in various health sanatoriums in the Perm region, Kirov and Tyumen regions, Bashkiria, Udmurtia, Altai, Krasnodar and Stavropol regions. The Company pays up to 80% of the cost of such treatment.

In 2019, 258 employees of the Company took the opportunity to improve their health in various sanatoriums of the Russian Federation. The total of the Company's expenses for employee health improvement amounted to 13.8 million rubles.

Every year PJSC Metafrax organizes and finances recreation in children's health improvement camps in the Perm and Krasnodar regions for children aged 7 to 16 years inclusive.

In 2019, 194 children of the Company's employees attended children's health improvement camps. The total cost of children's health improvement amounted to 9.8 million rubles. 125 children underwent health improvement treatments in 2019 through «Mother and child» vouchers for the amount of 4 million rubles.

The Company pays up to

**80%**

of the cost of rehabilitation treatment in the sanatorium



## SUPPORT FOR CULTURAL EVENTS

PJSC Metafrax implements a number of initiatives aimed at developing culture and enhancing cultural life in the Perm region and, thus, increasing the tourism appeal of the region.

One of the most significant events in the cultural life of the Perm region is the theatre landscape festival «Secrets of mount Krestovaya». The festival was first held in 2012. It was organized by MBIC Youth studio-theatre «Dominant». As part of the festival, 12 creative works, which were presented by theatres from Russia, Germany, Latvia and Lithuania, were shown in open areas in the most picturesque locations in the vicinity of Gubakha. Since then, the «Secrets of mount Krestovaya» festival has been held annually in Gubakha. More than 60 thousand people attended its performances. «Secrets of mount Krestovaya» was recognized as one of the best theatre festivals in Russia.

In 2019, the «Secrets of mount Krestovaya» festival was held for the eighth time. On June 29, Jesus Christ Superstar, the legendary rock opera, was performed by artists of the Perm academic Theatre at the top of the Rudyansky spoy of Krestovaya mountain. More than 8,000 people came to listen to the famous piece.

There is a cooperation agreement between PJSC Metafrax and the Perm academic opera and ballet theatre named after P. I. Tchaikovsky, which is aimed at coordinating creative and organizational efforts in the development of culture and tourism potential of the Perm region. On May 25, the world premiere of the «Steps» opera took place at the Dyagilev festival. The opera was staged as part of the «Fine chemistry» project, which is part of the educational program of the festival called Women in Art. Women in Art project, which is dedicated to women of rare professions in art, is being implemented for the second year with the support of PJSC Metafrax.

In May, as part of the all-Russian campaign «Night of the Museums 2019», the premiere of a traveling exhibition «Chemistry of Art», which was prepared by the Perm art gallery, took place with the support of PJSC Metafrax.

For the development of culture and tourism potential of the Perm region there is a

## COOPERATION AGREEMENT

between PJSC Metafrax and Perm academic opera and ballet theatre named after P. I. Tchaikovsky



# ECOLOGY

Environmental protection and provision of safe residence of people within it are absolute priorities of PJSC Metafrax. Considering the importance of the chemical industry for the environment, we are aware of a special responsibility in implementation of process solutions and practices that minimize the impact of our activities on the environment. We are committed to creating a more sustainable and clean business for a more sustainable and clean future.

In 2019, we adopted an environmental policy, the main goal of which is to ensure effective activities to minimize the negative impact on the environment and prevent environmental risks by purposefully conducting organizational, process and technical activities. The implementation of goals and objectives of the environmental protection policy suggests the performance of the following obligations:

- Reduction of the negative impact on the environment and provision of environmental safety by implementation of the best available technologies
- Guarantee of compliance with environmental regulations and requirements established by the legislation of the Russian Federation
- Increase of equipment reliability and safety of production processes in order to avoid emergency risks
- Control of the state of the environment by monitoring its components in order to assess compliance with environmental quality regulations and take into account the negative impact on the environment

- Improvement of production processes, use of equipment and materials that contribute to reducing emissions into the atmosphere, discharges of harmful substances into water bodies and generation of industrial waste
- Prevention of harmful effects on the environment by conducting a preliminary assessment of the consequences of the introduction of new products and the use of new technologies
- Performance of personnel training in order to improve the level of competence in the field of ecological safety, environmental protection and rational use of natural resources
- Support of an open dialogue with involved parties by informing them of the Company's activities in the field of environmental impact and environmental protection

## Areas of environmental protection activities of PJSC Metfrax

### ATMOSPHERIC AIR PROTECTION

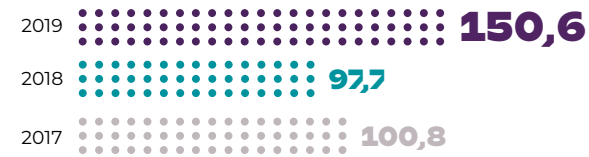
### WATER USAGE

(water usage, water drainage and protection of water bodies)

### WASTE MANAGEMENT

## THE COSTS OF ENVIRONMENTAL PROTECTION

In 2019, the Company's total operating expenses for environmental protection exceeded 150 million rubles.



Trend of operating expenses for environmental protection, million rubles

Source: Company data

Operating costs for operation of treatment facilities in 2019 amounted to almost 136 million rubles. Operating costs for the protection of atmospheric air amounted to about 11 million rubles

During the year, we spent more than 32.3 million rubles on re-engineering of equipment of treatment plants and 2.8 million rubles on protection measures for the air basin.

Investments in fixed assets aimed at environmental protection and rational use of natural resources, exceeded 18 million rubles in 2019.

These funds were spent on the re-engineering of treatment plant networks, technical re-equipment of the waste water thermal treatment plant, construction of a reagent dosing station and strengthening of the shoreline slope.

In 2019, we also invested almost 150 million rubles in the reconstruction of water supply networks. In the nearest future, this should significantly reduce water losses during transportation.

## ATMOSPHERIC AIR PROTECTION

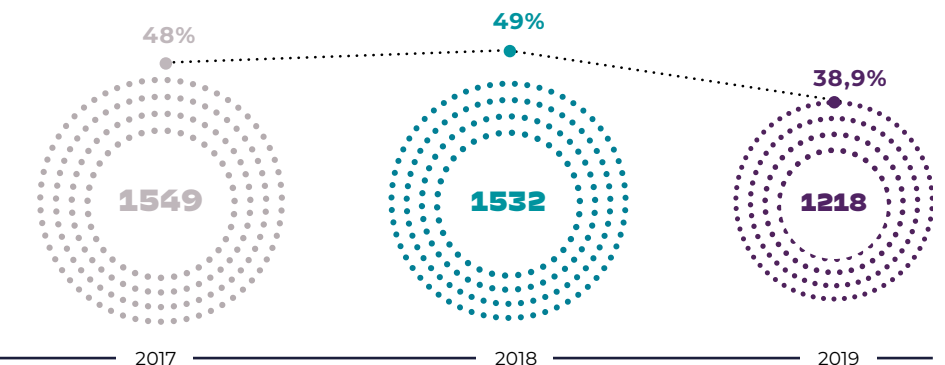
At the Company's production sites, more than 20 emission sources are equipped with gas treatment and dust-collecting units, thanks to which 18 thousand tons of pollutants, including 10.6 thousand tons of carbon monoxide and 6.8 thousand tons of methanol, were not released into the atmosphere in 2019.



Trend of volumes of pollutant collection, million tons

Source: Company data

All emission sources are accounted for in the Department of Rosprirodnadzor of the Russian Federation for the Perm region. The Company has all the necessary permits to release pollutants into the atmosphere. In 2019, our enterprises released 1.2 thousand tons of pollutants into the atmosphere, which is 38.9% of the permissible amount of emissions per year.



Trend of volumes of pollutant emissions into the atmosphere, million tons and % of the permissible amount per year

Monitoring of compliance with the established regulations for emission sources is carried out by a certified laboratory according to an approved schedule. In 2019, no excess emissions were registered at the emission sources.

We regularly perform quality control of atmospheric air at the limit of the design sanitary protection area. Moreover, the sanitary laboratory monitors the state of atmospheric air in the nearest residential structures - Severniy settlement and the city of Gubakha. In particular, 3 854 samples were taken in the Severniy settlement in 2019, in which no excess of the maximum permissible concentration of pollutants was detected. During the year, 150 samples were collected in Gubakha, which were analysed for the content of a special substance of PJSC Metafrax – methanol. Excess of hygienic regulations for methanol for the quality of atmospheric air in Gubakha was also not detected. As part of air monitoring at the limit of the established sanitary protection area, 150 samples were selected and analysed for methanol content in 2019. According to the results of monitoring, there was no excess of hygienic regulations for atmospheric air quality in control points.

In order to ensure the quality of atmospheric air at the limit of the sanitary protection area and timely response of the enterprise to possible exceeding of the maximum permissible concentration of harmful substances in the air of settlements, the Company annually enters into a contract with the Perm center of hydrometeorology and environmental monitoring. In case information about adverse weather conditions (AWC) is received, the activities established by the plan of «Measures for regulating emissions of pollutants into the atmosphere during AWC» are carried out. During 2019, 5 warnings were received about expected adverse weather conditions with a total duration of 178 hours. As a result of organizational and technical measures, the emission of pollutants decreased by a total of 14 tons.

### No emergency emissions were registered in 2019.

As part of our efforts to reduce the atmospheric air load in 2019, we purchased a platinum catalyst as a replacement at the off-gas catalytic treatment reactor at the methanol plant. Replacement of the catalyst is planned for 2020.

During 2019,

**5,4** million cubic meters  
of waste water were treated

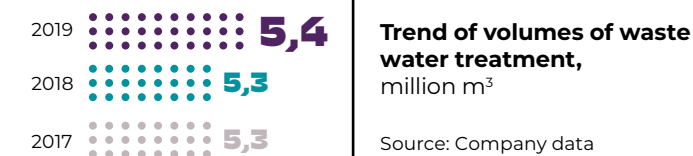
## WATER USAGE

In 2019, 6.2 million cubic meters of water were supplied from the Shirokovsky storage reservoir to support the production activities of PJSC Metafrax and the needs of the population of Severniy settlement.

In 2019, the reconstruction of water supply and drainage networks was completed, which made it possible to reduce water consumption from the Shirokovsky storage reservoir by more than 1 million cubic meters per year over the past 3 years.

Reconstruction of the water supply and drainage system allows to not only reduce the loss of supplied water, but to also increase the efficiency of water supply to the Company's production sites and increase the reliability of the fire extinguishing system.

We use our own biological treatment facilities to treat not only our own industrial waste water, but also all domestic waste water from the city of Gubakha. In 2019, we treated 5.4 million cubic meters of waste water.



### Activities aimed at preserving water resources include:

production quality control of waste water and natural water

morphometric and hydrobiological research of the Kosva river for the purpose of protection of biological water sources

re-engineering of equipment at the waste water treatment department



## WASTE MANAGEMENT

PJSC Metafrax has the right to generate and temporarily accumulate 51 types of industrial and consumer waste of hazard classes 1-5 in the amount of 3 195 tons per year.

Actual waste generation in 2019 amounted to 2 094 tons, of which 387 tons were disposed of, 1 308 tons were transferred to third-party organizations for disposal and neutralization, 346 tons were transferred for landfill depositing of non-hazardous and low-hazardous wastes. The regional operator received 53 tons of solid municipal waste.

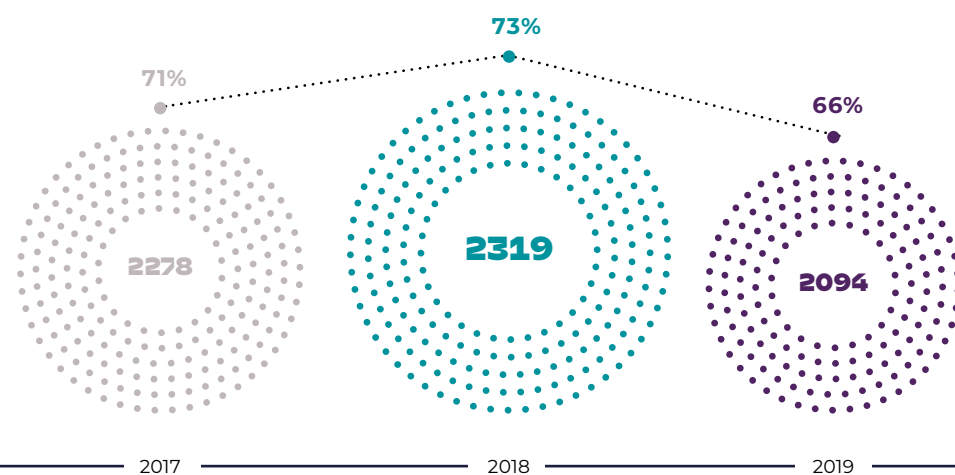
Mercury and medical waste were transferred for neutralization by specialized organizations that have a license.

Waste such as waste batteries, catalysts, waste oils, scrap of ferrous and non-ferrous metals, etc. are regularly transferred for disposal. In order to reduce the amount of waste disposed in the natural environment, in 2019 we introduced a system of separate accumulation of waste, which is secondary material resources – paper, polyethylene and glass. For this purpose, special containers were installed at the waste sources and a schedule for the removal of these wastes was developed.

Actual generation of waste in 2019 amounted to

# 66%

of the permissible amount of waste per year



**Trend of the amount of waste,**  
tons and % of the permissible  
amount per year

## REPORT ON THE ACQUISITION AND USE OF ENERGY RESOURCES IN 2019

### Energy resources purchased from other suppliers:

Name of the energy resource	Units	Physical terms	Monetary terms (rub., without VAT)	Note
Natural gas	thousand m <sup>3</sup>	1 114 235, 661	4 249 998 357,27	Gas purchased for production, facilities of social area and railway centers
Steam for water heater	Gcal	908	1 289 742,42	
Electric energy	kWh	245 244 661	795 960 502,41	Electric energy used for production, facilities of social area and leaseholder facilities

### The energy resources used for production:

Name of the energy resource	Units	Physical terms	Monetary terms (rub., without VAT)	Note
Natural gas	thousand m <sup>3</sup>	1 113 278, 994	4 245 589 145,09	Does not include gas for facilities of social area and railway centers
Electric energy	kWh	244 760 443	793 649 787,41	Electric energy used for production
Thermal energy	Gcal	45 067	53 220 218,42	Total amount (thermal energy for heating and hot water supply)
Steam of PJSC Metafrax production	Gcal	4 420 996	1 555 950 891,21	Total amount of steam produced by methanol production, UFC units, UF units and GSC
Steam for water heater	Gcal	908	1 289 742,42	As of 14.05.2019, the procurement and usage of steam for water heater are discontinued

# CORPORATE MANAGEMENT

## Contents of this section

- 78** Principles and structure of corporate management
- 81** General Shareholder Meeting
- 82** Board of Directors
- 88** Report of the Board of Directors on development results for priority areas of activity
- 91** Executive authorities
- 98** Internal control and audit
- 102** Remuneration system for members of management authorities
- 104** Share capital and dividend policy
- 106** Risk management system

## CORPORATE MANAGEMENT SYSTEM OF METAFRAX IS AIMED AT:

- ENSURANCE OF LONG-TERM GROWTH OF THE COMPANY'S BUSINESS VALUE,
- ENHANCEMENT OF ITS REPUTATION AND INVESTMENT APPEAL,
- PROVISION OF BALANCE OF THE INTERESTS OF ALL RUSSIAN AND INTERNATIONAL GROUPS OF STAKEHOLDERS.

# 044

# PRINCIPLES AND STRUCTURE OF CORPORATE MANAGEMENT

In our corporate management practice, we comply with the requirements of the Russian Federation legislation in the field of corporate management, including the Federal law «On joint-stock companies», the Federal law «On the securities market» and regulations of the Bank of Russia.

We follow the recommendations of the corporate management Code recommended by the Bank of Russia's Letter No. № 06-52/2463 dated April 10, 2014. We rely on world experience and align with high interna-

tional standards in the field of corporate management, follow changes in the regulatory framework and practice as well as strive to quickly adapt to changes.

## The corporate management system of PJSC Metafrax is based on the following principles:

provision of shareholders' rights and equal conditions for shareholders subject to the exercise of their rights

organization of the Board of Directors' activities

organization of activities of the Board of Directors' Secretary

functioning of the internal control system

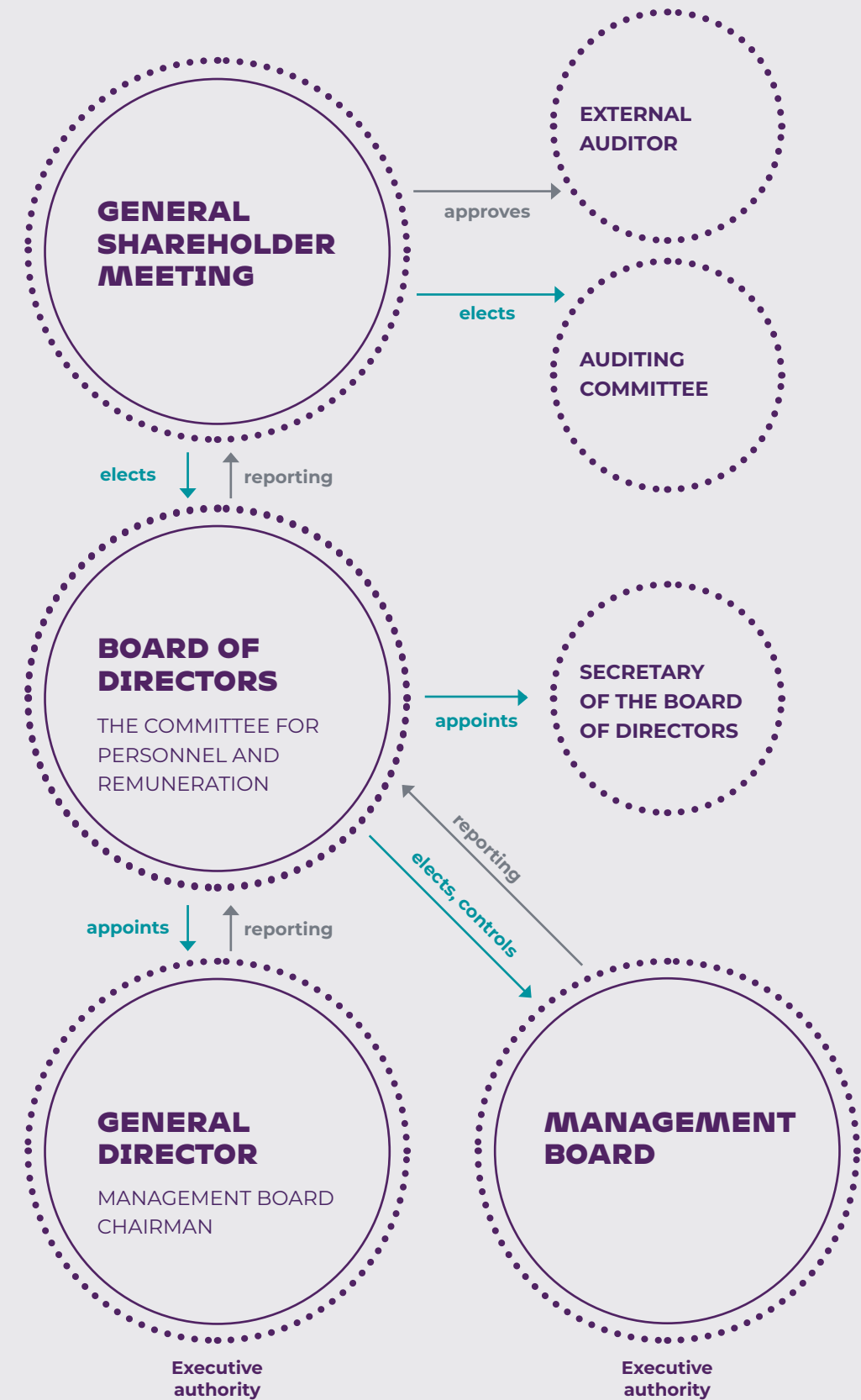
functioning of the remuneration system for members of the Board of Directors, executive authorities and other key managers of the Company

organization of disclosure of information about the Company, information policy of the Company

performance of significant corporate actions

In accordance with the Charter, the Company's management authorities are:

- General Shareholder Meeting;
- Board of Directors;
- Management Board (collective executive authority);
- General Director (individual executive authority).





The most large-scale decisions related to the Company's activities are made by the General Shareholder Meeting. Decisions related to the day-to-day management of the Company's current operations are made by its executive authorities.

Definition of the Company's development strategy and control over activities of its executive authorities is within the competence of the Board of Directors, which is elected annually at the General Shareholder Meeting. The Board of Directors approves the annual budget of the Company, controls its implementation, performs general management of the Company's activities in accordance with its authority and is held responsible for improper performance of its duties.

The legislation imposes the Board of Directors to determine the priority areas of the Company's development on the Board of Directors. By defining these areas, the Board of Directors sets the main guidelines for the Company's long-term activities and determines the Company's strategy. The Board of Directors reviews and approves investment projects and solves the most important tasks, including approval of the Company's personnel policy as well as making global decisions that affect not only the Company, but also the entire Group.

### List of the most important decisions made by the General Shareholder Meeting in 2019:

1. Election of the Board of Directors and the Auditing Committee.
2. Approval of major transactions related to construction and financing of the AUM Project.
3. Reduction of the authorized capital.
4. Payment of dividends.

### List of the most important decisions and internal documents approved by the Board of Directors in 2019:

1. Approval of the Company's budget for 2019 as well as its adjustments.
2. Making decisions on opening new production facilities, approving business plans and project concepts.
3. Making decisions about rebranding of the Metafrax»Group of companies and review of the results of the new brand implementation.
4. Opening of the project «Standardization of accounting of Metafrax Group companies.
5. Approval of the acquisition of shares in the authorized capital of MetaTransStroy LLC and Metafrax Trading International SA.
6. Approval of the Information security Policy of Metafrax Group companies.

## GENERAL SHAREHOLDER MEETING

The highest management authority of the Company is the General Shareholder Meeting. The procedure for preparing, convening and holding the General Shareholder Meeting is determined by Law and other legal acts of the Russian Federation, the Company's Charter as well as the Regulations of the General Shareholder Meeting of the Company.

The company holds an annual General Shareholder Meeting in accordance with the requirements of the Law. The annual General Shareholder Meeting summarizes the results of the Company's work in the reporting year, elects the Board of Directors, the Auditing Committee, approves the auditor, approves the annual report, annual accounting (financial) statements, and, as necessary, it may resolve other issues related to the competence of General Shareholder Meeting. General Shareholder Meetings held in addition to the annual meeting are extraordinary.

Issues related to the competence of the General Shareholder Meeting are set out in the Company's Charter. Issues related to the competence of the General Shareholder Meeting cannot be transferred for resolution to the executive authority, Board of Directors, except for issues stipulated by the legislation of the Russian Federation and the Charter. The General Shareholder Meeting does not have the right to review and make decisions on issues not related to its competence.

**Participation of shareholders in the annual General Shareholder Meeting in 2019: 94,77%**

## THE BOARD OF DIRECTORS

The Board of Directors of PJSC Metafrax is responsible for the overall management of the Company, determines the strategic directions of its development and provides control over the Company's financial and economic activities.

The Board of Directors acts in accordance with the legislation of the Russian Federation and the Company's Charter and is authorized to make decisions affecting all aspects of activities, with the exception of issues referred by legislation and the Charter to the competence of the General Shareholder Meeting.

Members of the Board of Directors are elected at the annual General Shareholder Meeting by cumulative vote until the next annual General meeting. The shareholders of PJSC Metafrax, who are the holders of not less than 2% of voting shares in total, have the right to nom-

inate candidates to the Board of Directors, the number of which may not exceed the number of members of the Board of Directors of the Company, as defined in the Company's Charter.

Decisions of the Board of Directors are made by a simple majority in an open vote, unless otherwise specified by law, the Charter and the Regulation on the Company's Board of Directors. Each member of the Board of Directors has one vote.

According to the Company's Charter, the number of members of the Board of Directors is 7. In 2019, the Company's Board of Directors consisted of the following members:

1.

**Garslyan  
Armen Gayosovich**

2.

**Gordienko  
Oleg Mikhailovich**

3.

**Daut  
Vladimir Alexandrovich**

4.

**Startseva  
Natalia Sergeevna**

5.

**Maier  
Viktor Viktorovich**

6.

**Pronina  
Nadezhda Nikolaevna**

7.

**Startseva  
Natalia Sergeevna**

The specified members were elected by the annual General Shareholder Meeting held on 31.05.2018 (MOM № 1/38), the annual General Shareholder Meeting held on 31.05.2019 (MOM № 1/39)

## BRIEF BIOGRAPHIES OF MEMBERS OF THE BOARD OF DIRECTORS OF METAFRAX IN 2019

CHAIRMAN OF THE BOARD OF DIRECTORS

**GARSLYAN  
ARMEN GAYOSOVICH**



<b>Date of birth:</b>	January 21, 1968
<b>Position:</b>	Member of the Board of Directors since 2001, held a Chairman position since April of 2002. Position at the primary employment: Deputy General Director of PJSC Metafrax.
<b>Education:</b>	Graduated from Perm state University with a degree in Law and Moscow international higher school of economics and business, majoring in «Finance and credit», «MBA: master of business administration»  Was awarded with Certificate of Commendation of Ministry of industry and energy of the Russian Federation, order of the Orthodox Church «St.Sergius of Radonezh», the medal «Merit for the Motherland» of the II degree.  Member of the Legislative Assembly of the Perm region.
<b>Authorized capital and ordinary shares of the Company:</b>	Share in the authorized capital of the Company – 0%. Share of owned ordinary shares of the Company – 0%.

## MEMBER OF THE BOARD OF DIRECTORS

**GORDIENKO  
OLEG MIKHAILOVICH**

**Date of birth:** June 19, 1962

**Position:** Member of the Board of Directors since 2008.

Position at the primary employment:  
Deputy General Director for Economics and Finance of Metafrax Trading LLC (formerly TH Metafrax LLC).

**Education:** Graduated from the Perm Polytechnic Institute with a degree in «Oil and gas field development» and the Moscow state institute of international relations (university) of Ministry of foreign affairs of the Russian Federation, majoring in «Finance and credit».

PhD in Technical Sciences.

**Authorized capital and ordinary shares of the Company:** Share in the authorized capital of the Company – 0%.  
Share of owned ordinary shares of the Company – 0%.

## MEMBER OF THE BOARD OF DIRECTORS

**DAUT  
VLADIMIR ALEXANDROVICH**

**Date of birth:** December 20, 1950

**Position:** Member of the Board of Directors since 2002.

Position at the primary employment:  
General Director of PJSC Metafrax.

**Education:** Graduated from the Perm Polytechnic Institute with a degree in «Chemical process engineering» and the Academy of national economy under the USSR Council of Ministers as «Leading management specialist».

PhD in Technical Sciences.

Holds a title of Honoured Chemist of Russian Federation.

**Authorized capital and ordinary shares of the Company:** Share in the authorized capital of the Company – 0,495%.  
Share of owned ordinary shares of the Company – 0,495%.

## MEMBER OF THE BOARD OF DIRECTORS

**KRAVCHEK  
DMITRY DMITRIEVICH**

**Date of birth:** February 10, 1967

**Position:** Member of the Board of Directors since 2000.

Position at the primary employment:  
Commercial Director of LLC Metafrax Trading (formerly LLC TH Metafrax).

**Education:** Graduated from the Open University in UK with a degree in «Managing customer and client relations», Moscow international higher school of business with a degree in «Finance and credit», and «MBA: master of business administration».

**Authorized capital and ordinary shares of the Company:** Share in the authorized capital of the Company – 0%.  
Share of owned ordinary shares of the Company – 0%.

## MEMBER OF THE BOARD OF DIRECTORS

**MAIER  
VIKTOR VIKTOROVICH**

**Date of birth:** December 13, 1954

**Position:** Member of the Board of Directors since 2008.

Position at the primary employment:  
Executive Director – first Deputy General Director of PJSC Metafrax.

**Education:** Graduated from the Perm Polytechnic Institute with a degree in «Chemical process engineering».

Holds a title of Honoured Chemist of Russian Federation.

**Authorized capital and ordinary shares of the Company:** Share in the authorized capital of the Company – 0,01%.  
Share of owned ordinary shares of the Company – 0,01%.

MEMBER OF THE BOARD OF DIRECTORS

**STARTSEVA  
NATALIA SERGEEVNA**



**Date of birth:** August 16, 1976

**Position:** Member of the Board of Directors since 2013.  
Position at the primary employment: Financial Director of LLC Metafrax Trading (formerly LLC TH Metafrax).

**Education:** Graduated from Perm state university with a degree in «Economics and mathematics» majoring in «Mathematical methods of operations research in economics».

**Authorized capital and ordinary shares of the Company:** Share in the authorized capital of the Company – 0%.  
Share of owned ordinary shares of the Company – 0%.

MEMBER OF THE BOARD OF DIRECTORS

**PRONINA  
NADEZHDA NIKOLAEVNA**



**Date of birth:** September 28, 1977

**Position:** Member of the Board of Directors since 2017.  
Position at the primary employment: General Director of LLC Consulting company Ukey.

**Education:** Graduated from Perm state University with a degree in Law.  
In 1999, graduated from the law faculty of the PSU HVE and received a honours degree in Law.  
In 2003, graduated from the economics faculty of the PSU HVE and received a degree in «Finance and credit».  
In 2003, received the auditor's certificate, is a member of NP AAC.  
In 2006, completed specialized courses in English law.  
In 2011, received a diploma from the Saint Petersburg state university within the program «Mediation. Basic course».

**Authorized capital and ordinary shares of the Company:** Share in the authorized capital of the Company – 0%.  
Share of owned ordinary shares of the Company – 0%.

**KEY COMPETENCIES OF MEMBERS OF THE BOARD OF DIRECTORS\***



\* According to the self-assessment of members of the Board of Directors

**INFORMATION ON PARTICIPATION OF MEMBERS OF THE BOARD OF DIRECTORS IN MEETINGS**

During 2019, 13 meetings of the Board of Directors were held, including 6 in-person ones and 7 remote ones. **Attendance (participation) – 100%.**

**THE COMMITTEE FOR PERSONNEL AND REMUNERATION**

The Committee for personnel and remuneration determines the principles of working with the Company's personnel and organizes the development of medium- and long-term programs for working with the Company's personnel.

The task of the Committee for personnel and remuneration is to also prepare recommendations to the Board of Directors on determining the fundamental terms of contracts with the Company's top management.

Members of Committee for personnel and remuneration:

- Garslyan Armen Gayosovich
- Shakirov Rashid Saidovich
- Feoktistov Ivan Valeryevich
- Startseva Natalia Sergeevna
- Daut Vladimir Aleksandrovich

# REPORT OF THE BOARD OF DIRECTORS ON DEVELOPMENT RESULTS FOR PRIORITY AREAS OF ACTIVITY

## Implementation of priority actions for 2019

Nº	Name	Status / completed activities
<b>1</b>	<b>Implementation of TEP approved by the Company's budget for 2019</b>	<b>Implemented (execution of production plan and sales plan with minor deviations)</b>
<b>2</b>	<b>Implementation of the Company's development Program for 2015-2020:</b>	
2.1	Implementation of project «Construction of Ammonia-Urea-Melamine (AUM) production complex based on purge gas from methanol production»	Implementation per schedule
2.2	Implementation of project «Implementation of preparatory works for the integration of methanol production with the AUM complex» during the shutdown of methanol production»	Implementation per schedule
2.3	Performance of commissioning activities at facilities of OSBL area according to Commissioning Program for AUM complex in 2019	Water cycle (WC) – Mechanical availability Water treatment unit (1st stage) – Mechanical availability Main step-down substation N°3 (MSS N°3) (Implemented)
2.4	Implementation of Program «Technology upgrade of pentaerythritol production». Third stage, project implementation, construction and installation work performance	Implemented
2.5	Implementation of project «Technology upgrade of building 1516, railway tank handling point»	Implemented
2.6	Implementation of the third stage of reconstruction of the water supply and drainage system	Implemented

2.7	Development of the Company's vehicle and railway infrastructure	Implementation of project activities for reengineering of railway infrastructure (Implemented) Implementation of the «Reconstruction of vehicle infrastructure» project (Implemented)
2.8	Implementation of basic design for the Melamine-2 unit construction	Implemented
2.9	Preparation of contracts for construction of new production facilities: Paraformaldehyde and Formalin-3	Implemented
<b>3</b>	<b>Expansion of range of manufactured products, organization of production of a commercial product, dipentaerythritol</b>	<b>Implemented</b>
<b>4</b>	<b>Implementation of activities included in order N°1, in the amount of at least 95% of their total number</b>	<b>Implemented</b>
<b>5</b>	<b>Implementation of Personnel training Program until 2020</b>	<b>Staffing according to the Personnel training Program for maintenance of process units of the AUM Complex</b>
<b>6</b>	<b>Increasing the effectiveness of work for community facilities</b>	<b>Achieving break-even operation of the following facilities: sanatorium of the wellness center and hotel (Implemented)</b>
<b>7</b>	<b>Preparing a feasibility study for implementation of Technical development program of the Company until 2030</b>	<b>Development of a Program for provision of energy resources to the enterprise (Implemented)</b>

## Priority areas for 2020

Nº	Name
<b>1</b>	<b>Implementation of TEP approved by the Company's budget for 2020</b>
<b>2</b>	<b>Implementation of the Company's development Program for 2020-2025</b>
2.1	Implementation of project «Construction of Ammonia-Urea-Melamine (AUM) production complex based on purge gas from methanol production»
2.2	Implementation of project «Implementation of preparatory works for the integration of methanol production with the AUM complex» during the shut-down of methanol production»
2.3	Performance of commissioning activities at facilities of OSBL and ISBL area according to Commissioning Program for AUM complex
2.4	Implementation of Program «Technology upgrade of pentaerythritol production». Third stage, project implementation, construction and installation work performance
2.5	Development of the Company's vehicle and railway infrastructure Implementation of the project «Reconstruction of railway infrastructure. First stage»
2.6	Implementation of the project: «Construction of Paraformaldehyde and Formalin unit»
<b>3</b>	<b>Implementation of activities included in order N°1, in the amount of at least 95% of their total number</b>
<b>4</b>	<b>Implementation of Personnel training Program for 2020-2025</b>
4.1	Staffing according to the Personnel training Program for maintenance of process units of the AUM Complex and existing production facilities
4.2	The completion of construction of residential buildings it. 5 and 6

## GENERAL DIRECTOR

In accordance with the Charter of PJSC Metafrax, the powers of the individual executive authority are exercised by the General Director. The General Director manages the Company on a daily basis, except for issues that fall within the competence of the General Shareholder Meeting, the Board of Directors and the Management Board.

The General Director is elected by the Company's Board of Directors for a one-year term and can be re-elected to this position an unlimited number of times.

In 2019, the functions of the individual executive authority – the General Director of the Company – in accordance with the decisions of the Board of Directors of the Company (MOM N° 8/18 dd. 24.04.2018 and MOM N° 4/19 dd. 19.04.2019) were performed by:

**Daut**  
**Vladimir Alexandrovich**

## MANAGEMENT BOARD

The Management Board makes decisions on the most important issues of the Company's current business activities, implements the Company's financial and economic policy and develops proposals for the Company's development strategy. The Management Board acts in accordance with the Charter, decisions of the General Shareholder Meeting, the Board of Directors and internal documents of the Company and is authorized to make decisions on the operational management of the Company's economic activities, with the exception of issues referred by legislation and the Charter to the competence of the General Shareholder Meeting and the Board of Directors.

The quantitative and personnel composition of the Management Board is approved by the Board of Directors per the proposal of the Company's General Director for a term determined by the Company's Board of Directors. As a general principle, the Management Board is elected for the term of office of the General Director. Members of the Management Board may be re-elected an unlimited number of times.

Management Board decisions are made by a simple majority of votes. Each Management Board member has one vote. In the event of a tie vote, the vote of the Chairman of the Management Board is decisive.

Management Board meetings are held on a planned basis and shall be convened by the Chairman of the Management Board on their own initiative or at the request of any member of the Management Board, Board of Directors, Auditing Committee or Company's auditor.

The management of the Management Board is performed by the General Director, who is a Chairman of the Management Board by virtue of position.

## MANAGEMENT BOARD MEMBERS

In 2019, from the beginning of the year until April 28, 2019, the Management Board operated in the following format (minutes of the Board of Directors meeting №8/18 dd. 24.04.2018):

1.	2.	3.
<b>Vetluzskih Elena Mikhailovna</b>	<b>Vikhnin Simon Iosifovich</b>	<b>Davydov Andrey Valerianovich</b>
4.	5.	6.
<b>Daut Vladimir Alexandrovich</b>	<b>Ilyukhin Nikolai Alexandrovich</b>	<b>Sitnikov Sergey Leonidovich</b>
7.		
<b>Shakirov Rashid Saidovich</b>		

By decision of the Board of Directors (MOM № 4/19 dd. 19.04.2019) the Management Board was elected as follows:

1.	2.	3.
<b>Vdovin Alexandr Sergeevich</b>	<b>Vetluzskih Elena Mikhailovna</b>	<b>Vikhnin Simon Iosifovich</b>
4.	5.	6.
<b>Davydov Andrey Valerianovich</b>	<b>Daut Vladimir Alexandrovich</b>	<b>Sitnikov Sergey Leonidovich</b>
7.		
<b>Shakirov Rashid Saidovich</b>		

## BRIEF BIOGRAPHIES OF MEMBERS OF THE MANAGEMENT BOARD OF METAFRAX PJSC IN 2019

MANAGEMENT BOARD CHAIRMAN

**DAUT  
VLADIMIR ALEXANDROVICH**



**Date of birth:** December 20, 1950

**Position:** Member of the Board of Directors since 2002.

Position at the primary employment: General Director of PJSC Metafrax.

**Education:** Graduated from the Perm Polytechnic Institute with a degree in «Chemical process engineering» and the Academy of national economy under the USSR Council of Ministers as «Leading management specialist».

PhD in Technical Sciences.

Holds a title of Honoured Chemist of Russian Federation.

**Authorized capital and ordinary shares of the Company:** Share in the authorized capital of the Company – 0,495%.  
Share of owned ordinary shares of the Company – 0,495%.

MANAGEMENT BOARD MEMBER (FROM APRIL 28, 2019)

**VDOVIN  
ALEXANDR SERGEEVICH**



**Date of birth:** August 31, 1976

**Position:** Position at the primary employment: Technical Director of PJSC Metafrax.

**Education:** Graduated from Tomsk state university, and received a degree in «Environmental protection and rational use of natural resources», with qualification of «Environmental Chemist»

**Authorized capital and ordinary shares of the Company:** Share in the authorized capital of the Company – 0%.  
Share of owned ordinary shares of the Company – 0%.

## MANAGEMENT BOARD MEMBER

**VETLUZHSKIH  
ELENA MIKHAILOVNA**

**Date of birth:** December 31, 1972

**Position:** Position at the primary employment: Deputy General Director – Finance and Economy Director of PJSC Metafrax.

**Education:** Graduated from the Institute of economic and mathematical support of business with a degree in «Economics and management at the enterprise (by industry)» and Russian open state railway technical university majoring in «Economics and management in transport».

**Authorized capital and ordinary shares of the Company:** Share in the authorized capital of the Company – 0%.  
Share of owned ordinary shares of the Company – 0%.

## MANAGEMENT BOARD MEMBER

**VIKHNIN  
SIMON IOSIFOVICH**

**Date of birth:** August 24, 1978

**Position:** Position at the primary employment: Legal Affairs Director of PJSC Metafrax.

**Education:** Graduated from the Perm state university majoring in Law; International management institute LINK majoring in MBA LINK «Organization management».

**Authorized capital and ordinary shares of the Company:** Share in the authorized capital of the Company – 0%.  
Share of owned ordinary shares of the Company – 0%.

## MANAGEMENT BOARD MEMBER

**DAVYDOV  
ANDREY VALERIANOVICH**

**Date of birth:** January 22, 1959

**Position:** Position at the primary employment: Deputy General Director – Commercial Director of PJSC Metafrax.

**Education:** Graduated from Perm Polytechnic Institute with a degree in «Chemical process engineering».

**Authorized capital and ordinary shares of the Company:** Share in the authorized capital of the Company – 0%.  
Share of owned ordinary shares of the Company – 0%.

## MANAGEMENT BOARD MEMBER (UP TO APRIL 28, 2019)

**ILYUKHIN NIKOLAI  
ALEXANDROVICH**

**Date of birth:** July 2, 1960

**Position:** Position at the primary employment: General Director of ETC Metafrax, Adviser to General Director for technical development of PJSC Metafrax.

**Education:** Graduated from Perm Polytechnic Institute with a degree in «Chemical process engineering».

**Authorized capital and ordinary shares of the Company:** Share in the authorized capital of the Company – 0%.  
Share of owned ordinary shares of the Company – 0%.



MANAGEMENT BOARD MEMBER

**SITNIKOV  
SERGEY LEONIDOVICH**



**Date of birth:** February 5, 1956

**Position:** Position at the primary employment: Head of methanol production of PJSC Metafrax.

**Education:** Graduated from Perm Polytechnic Institute with a degree in «Chemical process engineering».

**Authorized capital and ordinary shares of the Company:** Share in the authorized capital of the Company – 0%.  
Share of owned ordinary shares of the Company – 0%.

MANAGEMENT BOARD MEMBER

**SHAKIROV  
RASHID SAIDOVICH**



**Date of birth:** February 8, 1960

**Position:** Position at the primary employment: Deputy General Director for personnel and social affairs of PJSC Metafrax.

**Education:** Graduated from Perm state University as a Historian.

**Authorized capital and ordinary shares of the Company:** Share in the authorized capital of the Company – 0%.  
Share of owned ordinary shares of the Company – 0%.

**KEY COMPETENCIES OF MANAGEMENT BOARD MEMBERS\***

	Strategy	Finance, Economics, audit	Industry experience (chemistry)	Law, corporate management	Personnel management	Risk-management	Corporate social responsibility	Commercial activities and sales	GR/IR	Work experience as a member of the management authority
Elena Vetluzhskih		•								3
Simon Vikhnin	•			•		•				7
Vladimir Daut	•		•						•	23
Andrey Davydov			•					•		11
Nikolay Ilyukhin (up to 29.04.2019)	•		•							14
Sergey Sitnikov			•							17
Rashid Shakirov	•				•		•		•	9
Alexandr Vdovin (from 29.04.2019)										1

\* According to the self-assessment of Management Board members

**INFORMATION ON PARTICIPATION OF MANAGEMENT BOARD MEMBERS IN MEETINGS**

During 2019, 4 Management Board meetings were held.

	1	2	3	4
Elena Vetluzhskih	•	•	•	•
Simon Vikhnin	•	•	•	•
Vladimir Daut	•	•	•	•
Andrey Davydov	•	•	•	•
Nikolay Ilyukhin (up to 29.04.2019)				
Sergey Sitnikov	•	•	•	•
Rashid Shakirov	•		•	•
Alexandr Vdovin (from 29.04.2019)		•	•	•

# INTERNAL CONTROL AND AUDIT

The auditing committee, the internal audit service and an auditor, who is not related to the Company or its shareholders via property interests, all have control over the financial and economic activities of PJSC Metafrax.

## AUDITING COMMITTEE

In accordance with the legislation and the Company's Charter, the Auditing Committee controls the financial and economic activities of PJSC Metafrax and is elected by the General Shareholder Meeting for a period of one year and consists of at least three people. Members of the Auditing Committee cannot also be members the Board of Directors as well as hold other positions in the Company's management authorities. The audit of the Company's financial and economic activities is carried out imminently on the basis of results of the activities for the year, and additionally per the initiative of the

Auditing Committee, the decision of the General Shareholder Meeting, the Board of Directors or the request of shareholders holding at least 10% of the voting shares of PJSC Metafrax.

Competence of the Auditing Committee regarding the issues, which are not foreseen by the Charter, is determined by the Regulation on the Auditing Committee of PJSC Metafrax.

The members of the Auditing Committee are:

	Bakaldina Irina Anatolyevna	Ivanova Elvira Erikovna	Okoneshnikova Natalya Petrovna
Year of birth	1966	1989	1970
Education	Higher	Higher	Higher
Position, position at the primary employment	Chairman of the Auditing Committee. Head of the AD of LLC Metafrax Trading (formerly– LLC TH Metafrax)	Member of the Auditing Committee. Specialist of the project evaluation department of LLC Metafrax Trading (formerly– LLC TH Metafrax)	Member of the Auditing Committee, Leading accountant for IFRS of PJSC Metafrax
Share in the authorized capital of the Company/ordinary shares	None	None	None
The nature of any kinship with other persons who are members of the Company's management authorities and/or control authorities for the Company's financial and economic activities	None	None	None
Information about imposition of administrative sanctions for offences in the field of finance, taxes and fees, the securities market, or criminal liability (criminal record) for crimes in the field of economics or for crimes against state power	None	None	None

## INTERNAL AUDIT SERVICE

The internal audit service is an internal structural division of the Company.

The purpose of the IAS is to provide the management of the joint-stock company with control information on various issues of interest in order to improve the efficiency of enterprise management.

### Functions of the internal audit service

Control over compliance with laws and other regulatory acts as well as requirements of accounting policies, instructions, regulations, decisions and instructions of management

Analysis of the activity of structural divisions of the enterprise

Performance of checks of the efficiency and cost effectiveness of monetary resources expenditure, including the operational collaboration with the internal control department (ICD)

Implementation of audits of the company's trade and procurement activities

Special investigations of individual cases, such as suspected abusive practices (together with the ICD)

Verification of operational information, including examination of the means and methods used to identify, evaluate and classify such information and issuance of reports on its basis as well as special study of individual reporting items, including detailed verifications of operations

Analysis of internal control systems, their monitoring and development of recommendations for improvement of these systems

Development and submission of proposals for elimination of discovered deficiencies and recommendations for improvement of management efficiency, preparation of orders and instructions based on the results of service inspections

Direct participation in unscheduled inventory checks

Participation in the development and implementation of activities for strengthening contractual, financial and labour discipline, and ensuring the safety of the Company's property

Performance of special audits for separate issues of financial and economic activities of subsidiaries (on behalf of the General Director of the jointstock Company)

## Members of the internal audit service

	Kozmenko Marina Yuryevna	Mishtal Nina Matveevna	Mafenbeyer Natalia Vyacheslavovna	Melnikova Lyudmila Gennadievna
Year of birth	1968	1962	1975	1975
Education	Higher	Higher	Higher	Higher
Position, position at the primary employment	Head of the service	Leading specialist	Specialist	Specialist
Share in the authorized capital of the Company/ordinary shares	None	None	None	Не имеет
The nature of any kinship with other persons who are members of the Company's management authorities and/or control authorities for the Company's financial and economic activities	None	None	None	Не имеет
Information about imposition of administrative sanctions for offences in the field of finance, taxes and fees, the securities market, or criminal liability (criminal record) for crimes in the field of economics or for crimes against state power	None	None	None	Не привлекалась

## Information on the amount of remuneration and (or) compensation of expenses for control authority for the Issuer's financial and economic activity

For each control authority for the Issuer's financial and economic activity (with the exception of an individual who holds the position (performs the functions) of the Issuer's auditor), all types of remuneration are described with an indication of the amount, including salaries of members of the control authority for the Issuer's financial and economic activity who are (were) its employees, including those who work in secondary employment, bonus payments, commission charges, remunerations

paid separately for participation of the work of control authority for the Issuer's financial and economic activity, other types of remuneration that were paid by the Issuer during the relevant reporting period, as well as the expenses described with the amount, which are related to the performance of function of members of the control authority for the Issuer's financial and economic activity and which are compensated by the Issuer during the corresponding reporting period.

## Auditing Committee. Remuneration for participation in the work of control authority, rub.

Indicator	2019
Remuneration for participation in the work of control authority for the Issuer's financial and economic activity	395 169
Salary	559 160,27
Bonus payments	155 369,32
Commission charges	0
Other types of remuneration	4 700
<b>TOTAL</b>	<b>1 114 398,59</b>

## Internal audit service. Remuneration for participation in the work of control authority, rub.

Indicator	2019
Remuneration for participation in the work of control authority for the Issuer's financial and economic activity	0
Salary	2 141 953,37
Bonus payments	590 931,43
Commission charges	0
Other types of remuneration	48 680
<b>TOTAL</b>	<b>2 781 564,8</b>

## INDEPENDENT AUDITOR

In accordance with the legislation, the General Shareholder Meeting of PJSC Metafrax approves an independent auditor for the audit of the Company's accounting (financial) statements on an annual basis. For the audit of the accounting (financial) statements of PJSC Metafrax, which was prepared in accordance with RAS, in 2019, the Company approved LLC UKEY-Audit and for IFRS – JSC KPMG.

## REMUNERATION SYSTEM FOR MEMBERS OF MANAGEMENT

### REMUNERATION FOR MEMBERS OF THE BOARD OF DIRECTORS

In 2019, remuneration to members of the Board of Directors was paid in accordance with the Regulation on the Board of Directors of PJSC Metafrax approved by the decision of the Company's General Shareholder Meeting dated July 3, 2017. (MOM № 1/35).

In 2019, the Company did not compensate members of the Board of Directors for expenses related to their performance of functions within this management authority.

Indicator	Remuneration in 2019, rub.
Remuneration for participation in the work of the Board of Directors	6 103 218
Salary of members of the Board of Directors who were key employees of the Company in the reporting year (with the exception of the General Director)	8 702 587,19
Bonus payments of members of the Board of Directors who were key employees of the Company in the reporting year (except for the General Director)	90 886 289,75
Commission charges	0
Other payments of members of the Board of Directors who were key employees of the Company in the reporting year (except for the General Director)	824 164,76
<b>TOTAL</b>	<b>106 516 259,7</b>

### REMUNERATION AND COMPENSATION OF EXPENSES FOR MEMBERS OF EXECUTIVE AUTHORITIES

In 2019, remuneration to the General Director and members of the Management Board was paid on the basis of official salaries and the Regulation on the remuneration of employees of PJSC Metafrax.

Remuneration of the individual executive authority is defined as a fixed amount (monthly salary) in accordance with the employment contract as well as a variable amount (bonus payment) at the end of each month.

The amount of remuneration of the individual executive authority is not disclosed, taking into account the

confidentiality regime established in the Company with respect to information on remuneration of the individual executive authority.

In 2019, the Company did not pay bonus payments, commission charges and remunerations for participation in the work of the Management Board as well as compensation to members of the Management Board for expenses related to their performance of functions in this management authority.

Indicator	Remuneration in 2019, rub.
Remuneration for participation in the work of management authority, rub.	0
Salary	15 798 788
Bonus payments	79 395 537,13
Commission charges	0
Other types of remuneration	1 474 607,62
<b>TOTAL</b>	<b>96 668 932,75</b>

## SHARE CAPITAL AND DIVIDEND POLICY

As of December 31, 2019, the authorized capital of PJSC Metafrax was 300 120 423 rubles and consisted of 300 120 423 registered uncertified shares with a nominal value of 1.00 rubles each.

In 2019, the General Shareholder Meeting decided to reduce the authorized capital by redeeming the Company's shares.

The specified amount of the authorized capital was registered on 16.10.2019. The decision to reduce the authorized capital was made on 31.05.2019 by the General Shareholder Meeting of PJSC Metafrax (MOM №1/39 dd. 04.06.2019).

The total number of people registered in the Company's shareholder register as of 31.12.2019 is 363, including nominee holders - 1.

As of the end of 2019, 93.85% of the authorized capital of PJSC Metafrax belongs to the MetaHolding joint-stock company, 100% of which belongs to Sorcy Investments Trust, New York, USA, the final beneficiary of which is the trust manager Rustamov Seifeddin Ziyaddinovich.

## SHAREHOLDERS THAT HOLD SHARES OF THE COMPANY AS OF DECEMBER 31, 2019

Name of the entity	Registered address	Share of the entity in the authorized capital, %	Share of the entity-owned ordinary shares, %	Number of shares
MetaHolding	614000 RF, Perm, 67 Sovetskaya st.	93,85	93,85	281 672 929
Daut Vladimir Alexandrovich	-	0,495	0,495	1 486 000
Maier Victor Viktorovich	-	0,01	0,01	21 000
Metafrax Trading LLC (formerly – TH Metafrax LLC)	-	0,267	0,267	802 299
Treasury shares	-	0,003	0,003	9 001
Other	-	5,375	5,375	16 129 194

## REPORT ON PAYMENT OF DECLARED (ACCRUED) DIVIDENDS PER THE COMPANY'S SHARES

At the Annual General Shareholder Meeting of PJSC Metafrax that took place on 31.05.2019, it was decided to pay dividends to the Company's shareholders for the full fiscal year of 2018 (MOM №1/39 dd. 04.06.2019) in the amount of 6 rubles 70 kopecks per ordinary share.

The date on which the persons entitled to receive dividends were determined is 15.06.2019. The total amount of dividends to be paid amounted to 2 833 010 634,10 rubles, of which as of 31.12.2019, 1 965 114 973, 63 rubles were actually paid, which is 97.7% of the declared amount of dividends. The source of the dividend payment is the net profit for 2018. The share of declared dividends from net profit was 20.1%.

In 2018, it was also decided to pay annual dividends. These dividends continued to be paid in 2019.

At the Annual General Shareholder Meeting of PJSC Metafrax that took place on 31.05.2019, it was decided to pay dividends per ordinary shares of the Company in the amount of 10 rubles per 1 share, in the amount of 3 001 244 230 rubles. (MOM №1/38 dd. 04.06.2018). Of them, dividends paid as of 31.12.2019 at the end of 2017 were 2 989 321 583.33 rubles, which amounted to 99.6% of the declared amount. The source of the dividend payment is the net profit for 2017. The share of declared dividends from net profit was 46.95%.

In 2017, no decisions were made on the payment of dividends.

## REGISTAR DATA

<b>Full company name</b>	<b>Joint-stock company Registrator Intrako</b>
<b>Abbreviated company name</b>	<b>JSC Registrator Intrako</b>
<b>Registered address</b>	<b>614990, Russia, Perm, 64 Lenin st., office 209</b>
<b>INN</b>	<b>5903027161</b>
<b>OGRN</b>	<b>1025900763063</b>
<b>Phone/Fax number</b>	<b>(342) 233-01-63, 233-01-64</b>
<b>License number</b>	<b>№ 057-14025-000001</b>
<b>The period of validity</b>	<b>Without limitation of the validity period</b>
<b>Authority that issued the license</b>	<b>Federal service for financial markets</b>
<b>General director</b>	<b>Pomortseva Olga Viktorovna</b>

# RISK MANAGEMENT SYSTEM

## Risk category and description

## Risk control measures

### Geopolitical and country risks

Geopolitics are increasingly affecting the economy. Sanctions and restrictions on foreign trade between countries are increasingly being used as a non-economic tool of coercion. These tools are often used by leading developed countries contrary to their obligations under international trade agreements (WTO, NAFTA, etc.). This can potentially create additional barriers to the access of Company's products to the markets of individual countries.

Metafrax is a company registered in the Russian Federation, which operates in several federal districts. In this regard, general changes of the state and regional development have a significant impact on the Company's activities.

The Russian economy is not protected from market downturns and slowdown of global economic development. Currently, the instability of world prices for natural gas and oil has a significant impact on the Russian economy along with the volume of foreign investment. These factors may limit access of Metafrax to the capital market and adversely affect the purchasing power of product consumers. Within the conditions of gradual overcoming of the crisis phenomena in the global financial market and the emerging recovery of industrial production, the risk of demand reduction becomes lower. This lowers the risk of reduced sales and reduced revenue of the Company as well as the risk of increased accounts receivable.

Country risk exposure can be indirectly assessed by credit rating (without taking into account political risks for business) In 2019, the International rating agency **S&P Global Ratings** confirmed the longterm **rating of the Russian Federation** on foreign currency liabilities at the level of «BBB-» with a «stable» outlook. As a result, Russia currently has an investment-grade rating from two foreign agencies, including Fitch Ratings agency. The country has a speculative-grade credit rating only according to Moody's Investors Service agency.

Assessments of the credit quality level of the Russian Federation and companies from Russia assigned by Western credit rating agencies cannot be considered completely free from the influence of anti-Russian sanctions policy. Alternative assessments of borrowing power, and, therefore, other assessments of country risk of Russia and Russian companies should be provided by the «Analytical Credit Rating Agency» (ACRA) and «Expert RA» agencies, which are accredited in Russia, as well as credit rating agencies from other major economically developed countries, such as China (Dagong Global Credit Rating, China Lianhe Credit Rating Co., China Chengxin International Credit Rating Co.).

In the event of an adverse impact on the Company's activities from situation changes in the exporting countries, there is a possibility of reorienting the direction of product sales to the domestic market, and in the event of an adverse impact from the domestic market – of orientation to export.

The Company intends to implement all actions aimed at reducing the impact of such events on its operations by optimizing the use of credit resources.

Depending on the trend of the anti-Russian sanctions policy (escalation or cancellation), the country risk level assessment of the Russian Federation will be revised. As the situation develops, the risks of failure to fulfil obligations by individual foreign suppliers and contractors, contraction of sales markets and revision of contract terms will also change.

### Industry risks

The main industry risk in the foreign market is related to the instability of world prices for products exported by the Company, primarily for methanol. The main industry risks in the domestic market are related to the limited demand for methanol.

The volume of production of formalin, UFC and pentaerythritol is affected by the intensity of development of the construction industry in Russia.

Changes in prices for raw materials, natural gas, and railway fares have a significant impact.

The Company is working on expanding the range of methanol processing products for sale both within the territory of the Russian Federation and abroad.

The limitation of Russian hexamine market is overcome by the search for customers in new markets of the non-CIS countries and entry into these markets.

### Operational risks

The Company's activities are subject to the risks of accidents and breakdowns of the main production equipment. Production processes depend on process equipment, failures of which can lead to disruption in functioning of the entire production system, up to the shutdown of production.

To reduce the risks of production activities, the Company analyses unscheduled shutdowns of technological processes, determines risk categories and develops measures to prevent incidents and accidents.

The Company carries out a set of preventive measures for equipment upgrading. The basis for operational risk reduction is a clear differentiation of the managers' authorities and provision of the economic feasibility of managerial decisions. The orderly assignment of areas of responsibility ensures the personal responsibility of office-holders at all levels of management.

### Risks at the stage of construction and start-up of new industrial facilities

The Company started implementing a large-scale industrial project, the cost of which is 794 million euros (excluding VAT) – the construction of the Ammonia-Urea-Melamine (AUM) industrial complex in the city of Gubakha.

After putting this complex into operation, the Company will become one of the largest enterprises in the Perm region.

Equipment and materials for the construction of the complex will be supplied from Europe as well as Japan, India and Russia. Their cost will amount to more than 400 million euros.

With the aim of reducing the risks that arise in the construction of such a massive complex, before the start of construction the Company and its partners have signed a long-term insurance contract, which remains in force, for all types of works that are carried out during the construction of AUM with additional warranties for the following types of works: design, construction, delivery, storage and installation of equipment as well as an agreement with German insurance company Allianz, which provides for total liability insurance of general contractors for the project.

The project continuously monitors compliance with industrial safety techniques as well as checks the quality and serviceability of new supplied equipment.

### Financial risks

Metafrax carries out foreign trade activities, and therefore, currency risks are quite high. Contracts with foreign counterparts are valued in euros and US dollars. If their exchange rate drops against the national currency, the Company's revenue may decrease in ruble terms.

Activities of Metafrax are also accompanied by liquidity risk, which depends on exports, volatility of world prices for products, including those at stock and commodity exchanges, exchange rates and supplier prices.

Part of the Company's expenses depends on the general level of prices in Russia, in particular, prices for energy resources, raw stock and materials as well as services. The prices of natural gas in Russia are subject to state regulation. Gas prices have been gradually rising over the past few years. Despite this growth, the price of gas in Russia remains quite low in comparison with prices in Europe and North America, thus making it possible to significantly reduce the cost of production in comparison with foreign producers.

Electricity prices in Russia are also subject to state regulation. Further increase in electricity prices may have a negative impact on the Company's financial indicators.

Therefore, the impact of inflation on the Company's operations can be quite significant.

As a supplier of goods, the Company takes into account the risk of default/bankruptcy of the counterpart and non-payment by the counterpart. Default events of the counterparts may result in a non-receipt or a late, incomplete receipt of revenue for the supplied goods, or, in relation to financial counterparts, non-return or partial non-return of funds placed on their accounts, which may negatively affect the Company's financial results and entail the necessity to attract additional financial resources to meet the Company's obligations.

In order to minimize the adverse impact of currency risk, the Company provides for the allocation of currency earnings for payment for imported equipment, raw stock and materials.

Measures to maintain/ensure liquidity include building long-term relationships with suppliers and customers with price fixation by entering into longterm contracts as well as conducting price analysis of chemical products (including methanol and its derivatives) and analysis of external and internal impact factors that affect their price formation.

In order to reduce the impact of cost-push inflation, Metafrax carries out activities for improvement of production efficiency, including reduction of resource consumption and enhancement of current asset turnover.

Moreover, the Company is able to purchase electricity at the federal wholesale electricity and capacity market at wholesale prices.

Since a significant share of the Company's revenue is accounted for by exports, the Company's products, which are sold on foreign markets, ensure its financial and economic stability even within conditions of high inflation rates. Therefore, the excess of the actual inflation rate over the planned one will not have a significant impact on the Company's stable activities.

In order to minimize the risk of default/ bankruptcy of the counterpart as well as non-payment by the counterparts, the Company carries out continuous internal control, including proper verification of counterparts, development and implementation of compliance control.

### Legal risks

Currently, Russia is in the process of updating and improving its legislation, regulatory by-laws, and, in particular, acts regulating the activities of commercial organizations.

The main legal risks are:

- changes in tax legislation;
- changes in customs legislation;
- changes in licensing requirements.

The Company operates a system for monitoring changes in legislation that affect its areas of activity. The engagement of qualified auditors and consultants as well as other specialized organizations allows to take timely measures aimed at minimizing the negative consequences for the Company related to changes in current legislation.

# APPENDICES

## Contents of this section

- 112** Disclaimer and report limits
- 112** Contacts and main information
- 114** Appendix 1. Diagram of subsidiaries and affiliates
- 116** Appendix 2. Financial statements
- 125** Appendix 3. Corporate management code

# 05



## DISCLAIMER AND REPORT LIMITS

The information contained in this annual report was prepared by the PJSC Metafrax. The conclusions presented here are based on general information collected at the time of writing and are subject to change without further notice. PJSC Metafrax relies on information obtained from sources that it believes to be credible. These materials may contain statements regarding future events and clarifications that provide a forecast of such events. Any statements in these materials that are not statements of historical facts are forecast statements that involve known and unknown risks, uncertainties and other factors in relation to which actual results, outcomes and achievements may differ materially from any future results, outcomes or achievements reflected or anticipated by such forecast statements.

PJSC Metafrax does not undertake any obligation to update any forecast statements contained herein to reflect actual results, changes in assumptions or changes in factors that have affected such statements. This annual report does not constitute a sale offer or encourage any offer to subscribe to and/or purchase any securities. It is understood that no provision forms the basis of any contract or obligation of any nature. The information contained in this annual report should not be assumed for any purpose to be complete, accurate or impartial. The information in this annual report is subject to review, finalizing and revision.

PJSC Metafrax does not make any representations or warranties, either express or implied, on behalf of its shareholders, directors, office-holders, employees or any other persons regarding the accuracy, completeness or objectivity of the information or opinions contained in the annual report.

None of the Company's directors, shareholders, office-holders, employees, or any other persons accepts any responsibility for any losses of any kind that may be incurred as a result of any use of the information from this annual report or its contents or otherwise in connection with the publication of this annual report.

### About the report

The information in the annual report, including financial and economic indicators, is calculated on the basis of audited financial statements in accordance with Russian accounting reporting standards. This Annual report has been prepared on the basis of information available to PJSC Metafrax as of the date of the report. The annual report provides an overview of the Company's results for 2019 as well as the trends of indicators prepared on the basis of the Company's data for the period from 2017 to 2019.

## CONTACTS AND MAIN INFORMATION

<b>Full company name in Russian</b>	Публичное акционерное общество Метафракс
<b>Full company name in English</b>	Public Joint Stock Company Metafrax
<b>Registered address</b>	618250, Russia, Perm region, Gubakha
<b>Jurisdiction</b>	Russian Federation (Russia)
<b>Phone/Fax number</b>	+7 (34248) 4-08-98 / +7 (34248) 4-71-21
<b>Email address and website on the Internet</b>	metafrax@permonline.ru, www.metafrax.ru
<b>Entity type</b>	Joint stock company

<b>Form of ownership</b>	Private ownership
<b>Main economic activity type</b>	OKVED code – 20.14.
<b>INN, KPP</b>	INN 5913001268, KPP 660850001/ 592101001
<b>Year of establishment of the enterprise</b>	1955
<b>Date of registration of the Company</b>	July 9, 1993
<b>Registration authority</b>	The city administration of Gubakha of the Perm region
<b>OGRN and the date of entry into the unified state register of legal entities</b>	1025901777571, September 23, 2002
<b>Average staff listing</b>	2281

### Company's Auditor for RAS

<b>Full company name</b>	Limited liability company UKEY-Audit
<b>Registered address</b>	614000, Perm, 67 Sovetskaya st., room 22.23
<b>INN, OGRN</b>	5902018816, 1155958066175
<b>Phone/Fax number</b>	+7 (342) 218-1298; +7 (342) 218-1299
<b>Email address</b>	info@ukey.biz
<b>General Director</b>	Yuzhaninov Evgeny Leonidovich

**Data on the auditor's membership in self-regulating organizations of auditors:** A member of self-regulating organization of auditors titled Non-commercial Partnership «Auditor Association Commonwealth» (NP AAC) (certificate № 7231 dd. August 24, 2015) and included in the Register of auditors and audit organizations of NP AAC with the main registration number of 11506036983.

### Company's Auditor for IFRS

<b>Full and abbreviated company name</b>	Joint-stock company KPMG (JSC KPMG)
<b>Registered address</b>	Russian Federation, Moscow
<b>INN, OGRN</b>	7702019950, 1027700125628
<b>Email address</b>	moscow@kpmg.ru, perm@kpmg.ru
<b>Data on the auditor's membership in self-regulating organizations of auditors</b>	Self-regulating organization of auditors «Russian Union of Auditors» (Association). 107031 Russian Federation, Moscow, 8 Petrovsky pereulok build. 2

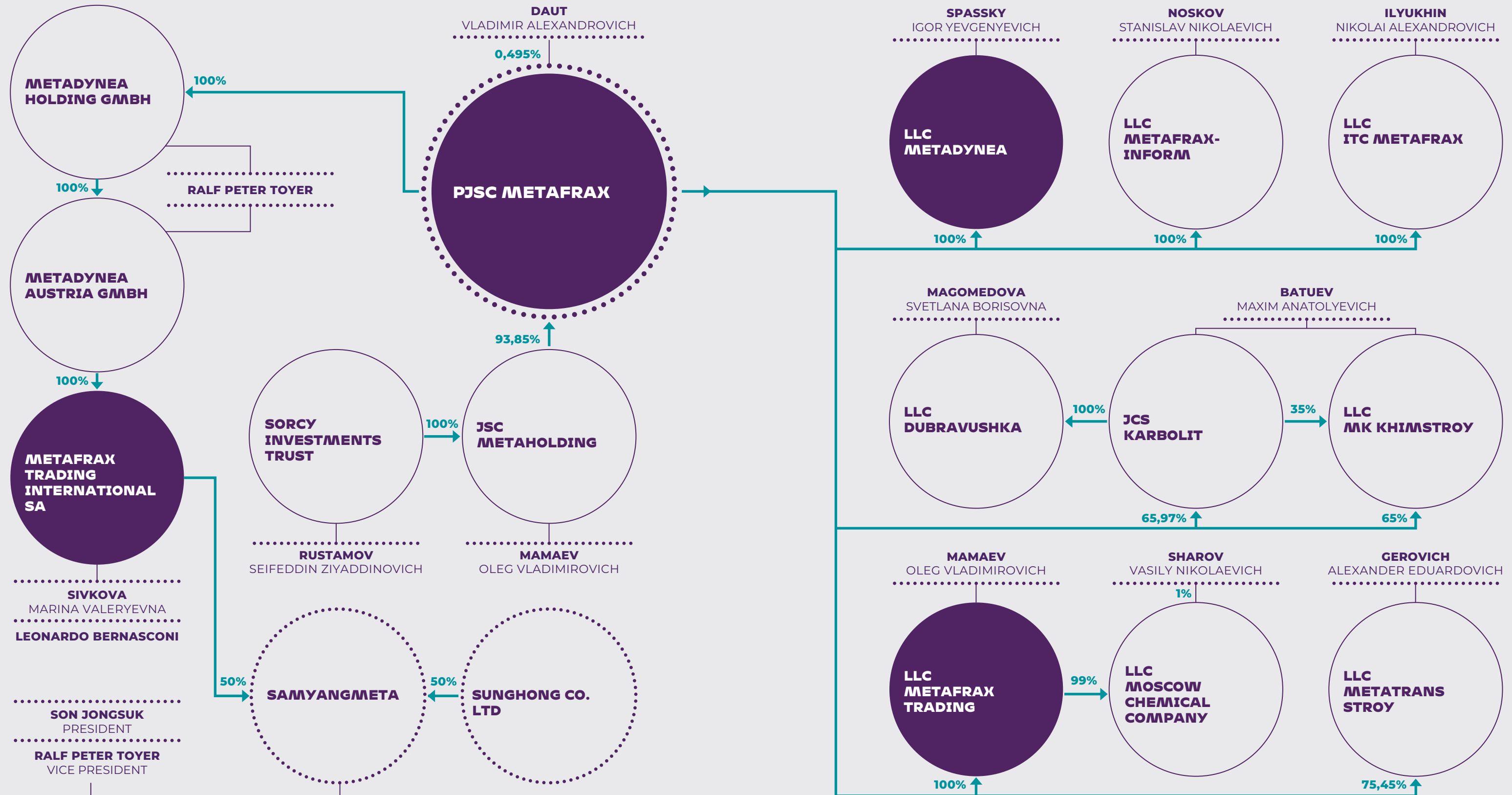
**On the issue of access to information for shareholders and dividend payment, shareholders should contact:** Phone: +7 (34248) 9-21-46  
Secretary of the Board of Directors of PJSC Metafrax  
Belyakova Margarita Valerievna

Address: 618250, Russia, Perm region, Gubakha, PJSC Metafrax

Phone: +7 (34248) 9-20-99  
Head specialist for information disclosure of PJSC Metafrax  
Lesenchuk Angelina Vladimirovna

Appendix 1.

**DIAGRAM OF SUBSIDIARIES AND AFFILIATES OF PJSC METAFRAX AS OF 31.12.2019**



## Appendix 2.

# FINANCIAL STATEMENTS

## INDEPENDENT AUDITOR'S REPORT

To the shareholders of Metafrax public joint stock company

### Opinion

We have audited the attached annual accounting statements of Metafrax Public joint stock company (PJSC Metafrax, OGRN 1025901777571, Russian Federation, 618250, Perm region, Gubakha), which are comprised of the balance sheet as of 31.12.2019, the statement of financial results for 2019, appendices to the balance sheet and the statement of financial results including the statement of changes in capital for 2019, the statement of cash flows for 2019, and notes to accounting balance sheet and statement of financial results for 2019.

In our opinion, the attached annual accounting (financial) statements fairly reflects, in all material respects, the financial position of Metafrax Public joint stock company as of 31 December 2019, the financial results of its operations and cash flows for 2019 in accordance with the accounting (financial) reporting rules established in the Russian Federation.

### Basis for expression of opinion

We conducted the audit in accordance with International Standards on Auditing (ISA). Our responsibility in accordance with these standards is described in the section «Auditor's responsibility for the audit of annual accounting (financial) statements» of this report. We are independent from the audited entity in accordance with the Independence rules for auditors and auditor organizations and the Code of professional auditor ethics, in accordance with the Code of ethics for professional accountants developed by the Union of international ethics standards for professional accountants, and we have performed other duties in accordance with these professional ethics requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for expression of our opinion.

### Responsibility of the management and members of the Board of Directors of the audited entity for the annual accounting (financial) statements

Management is responsible for the preparation and reliable presentation of these annual accounting (financial) statements in accordance with the accounting (financial) reporting rules established in the Russian Federation and for the internal control system that management considers necessary for the preparation of annual accounting (financial) statements that are free from material misstatements, whether due to fraud or errors.

During preparation of the annual accounting (financial) statements, the management is responsible for evaluating the ability of the audited entity to uphold its operation continuously, for disclosing, as appropriate, information related to continuous operation and for preparing the statements based on assumption regarding continuous operation, except when management intends to liquidate the audited entity, terminate its operations or when it has no viable alternative other than liquidation or termination. Members of the Board of Directors are responsible for supervision of the preparation of the audited entity's annual financial statements.

### Auditor's responsibility for the audit of the annual accounting (financial) statements

Our objectives are to obtain reasonable assurance about whether the annual accounting (financial) statements are free from material misstatements, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high degree of confidence, but it is not a guarantee that an audit conducted in accordance with International standards on auditing will always detect material misstatements, if any. Misstatements may be the result of fraud or error and are considered material if, individually or in the aggregate, they can reasonably be assumed to affect the economic decisions made by users on the basis of these annual accounting (financial) statements.

As part of an audit conducted in accordance with International standards on auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. In addition, we perform the following:

1. identify and assess the risks of material misstatement of the annual accounting (financial) statements, whether due to fraud or error; design and perform audit procedures in response to these risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for expression of our opinion. The detection risk of material misstatement as a result of fraud is higher than the detection risk of material misstatement as a result of error, since fraud may include collusion, forgery, intentional omission, misrepresentation of information or acts that circumvent internal control system;
2. obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the audited entity's internal control;
3. evaluate the propriety of applied accounting policies and the feasibility of accounting estimates and related information disclosures prepared by the management of the audited entity;
4. draw a conclusion on rightfulness of the audited entity management to apply the assumption of continuous operation and based on the audit evidence obtained, draw a conclusion on whether there is a material uncertainty in relation to events or conditions that may result in significant doubts about the ability of the audited entity to continue its operation continuously. If we come to a conclusion that there is a material uncertainty, then we should draw attention in our audit report to the relevant information disclosures in the annual accounting (financial) statements or modify our opinion if such information disclosures are inappropriate. Our conclusions are based on audit evidence obtained prior to the date of our audit report. However, future events or conditions may cause the audited entity to lose the ability to keep operating continuously;

5. evaluate the overall presentation of the annual accounting (financial) statements, their structure and content, including the disclosure of information, and whether the annual accounting (financial) statements present the underlying transactions and events in a manner that ensures their fair presentation.

We communicate with the people responsible for the corporate management of the audited entity, informing them, among other things, of the planned scope and term of the audit as well as of significant comments on the audit results, including significant deficiencies in the internal control system that we identify during the audit process.

### Head of audit engagement,

based on the results of which an audit report was drawn up (auditor's qualification certificate № K 02-000415 dd. 06.03.2013, member of the SRO Association «Commonwealth» PNRE 21606012854)

A. G. Kosterin

### Audit organization:

**Limited liability company «UKEY-Audit»,**  
OGRN 1155958066175,  
614000, Perm, 67 Sovetskaya st., Member of selfregulating organization of auditors Association «Commonwealth», PNRE 11506036983

March 25, 2020

**BALANCE SHEET AS OF 31.12.2019 (THOUSAND RUB.)**

Indicator	Code	As of 31.12.2019	As of 31.12.2018	As of 31.12.2017
<b>ASSET</b>				
<b>I. NON-CURRENT ASSETS</b>				
Intangible assets	1110	549 399	546 745	593 713
The results of research and development	1120	0	0	0
Intangible development assets	1130	0	0	0
Tangible development assets	1140	0	0	0
Fixed assets	1150	60 096 538	38 778 960	20 545 798
Income-bearing investments into tangible assets	1160	386 481	283 231	210 165
Financial investments	1170	3 644 446	5 158 705	5 071 855
Deferred tax assets	1180	116 636	151 699	146 165
Other non-current assets	1190	49 077	82 555	116 033
<b>Total for section I</b>	<b>1100</b>	<b>64 842 577</b>	<b>45 001 895</b>	<b>26 683 729</b>
<b>II. CURRENT ASSETS</b>				
Stocks	1210	1 253 408	1 435 170	1 022 221
Input value added tax	1220	193 615	234 734	168 715
Accounts receivable	1230	4 467 486	7 250 254	3 298 891
Financial investments (with the exception of cash equivalents)	1240	5 644 964	1 042 059	0
Cash and cash equivalents	1250	5 350 879	6 168 783	5 547 556
Other current assets	1260	264 126	264 046	264 046
<b>Total for section II</b>	<b>1200</b>	<b>17 174 478</b>	<b>16 395 046</b>	<b>10 301 429</b>
<b>BALANCE</b>	<b>1600</b>	<b>82 017 055</b>	<b>61 396 941</b>	<b>36 985 158</b>

Indicator	Code	As of 31.12.2019	As of 31.12.2018	As of 31.12.2017
<b>LIABILITY</b>				
<b>III. CAPITAL AND RESERVES</b>				
Authorized capital (joint capital, authorized fund, contributions of partners)	1310	300 120	300 124	304 946
Own shares repurchased from shareholders	1320	(522)	(211)	(29 035)
Revaluation of non-current assets	1340	465 141	468 112	474 478
Additional capital (without revaluation)	1350	0	0	0
Reserve capital	1360	75 912	75 913	76 636
Retained earnings (uncovered loss)	1370	46 938 138	40 453 231	33 473 287
<b>Total for section III</b>	<b>1300</b>	<b>47 778 789</b>	<b>41 297 169</b>	<b>34 300 312</b>
<b>IV. LONG-TERM LIABILITIES</b>				
Borrowed funds	1410	30 285 29	16 250 294	0
Deferred tax liabilities	1420	909 373	616 323	417 798
Estimated liabilities	1430	0	0	0
Other liabilities	1450	44 745	90 375	155 656
<b>Total for section IV</b>	<b>1400</b>	<b>31 239 415</b>	<b>16 956 992</b>	<b>573 454</b>
<b>V. SHORT-TERM LIABILITIES</b>				
Borrowed funds	1510	1 135 392	972 813	810 988
Accounts payable	1520	1 544 723	1 894 785	1 078 445
Deferred revenue	1530	158 739	172 483	142 306
Estimated liabilities	1540	102 360	90 086	79 653
Other liabilities	1550	57 637	12 613	0
<b>Total for section V</b>	<b>1500</b>	<b>2 998 851</b>	<b>3 142 780</b>	<b>2 111 392</b>
<b>BALANCE</b>	<b>1700</b>	<b>82 017 055</b>	<b>61 396 941</b>	<b>36 985 158</b>

## STATEMENT OF CHANGES IN CAPITAL FOR 2019

Indicator	Code	Authorized capital	Own shares repurchased from shareholders	Additional capital	Reserve capital	Retained earnings (uncovered loss)	Total
-----------	------	--------------------	------------------------------------------	--------------------	-----------------	------------------------------------	-------

### 1. CAPITAL MOVEMENT

CAPITAL VALUE AS OF 31.12.2017	3100	304 946	(29 035)	474 478	76 636	33 473 287	34 300 312
<b>The increase in capital – total:</b>	<b>3210</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2 669</b>	<b>10 005 785</b>	<b>10 008 454</b>
including:							
net profit	3211	0	0	0	0	10 005 785	10 005 785
revaluation of property	3212	0	0	0	0	0	0
income directly related to increase of capital	3213	0	0	0	0	0	0
additional share issue	3214	0	0	0	0	0	0
increase of the nominal value of shares	3215	0	0	0	0	0	0
reorganization of a legal entity	3216	0	0	0	2 669	0	2 669
<b>The reduction of capital – total:</b>	<b>3220</b>	<b>(4 822)</b>	<b>(-28 824)</b>	<b>0</b>	<b>0</b>	<b>(3 035 599)</b>	<b>(3 011 597)</b>
including:							
loss	3221	0	0	0	0	10 005 785	10 005 785
revaluation of property	3222	0	0	0	0	0	3 298 891
expenses directly related to reduction of capital	3223	0	0	0	0	0	0
reduction of the nominal value of shares	3224	0	0	0	0	0	0
reduction of number of shares	3225	(4 822)	(-28 824)	0	0	0	(-24 002)
reorganization of a legal entity	3226	0	0	0	0	(34 355)	34 355
dividends	3227	0	0	0	0	(3 001 244)	3 001 244
<b>Change of the additional capital</b>	<b>3230</b>	<b>0</b>	<b>0</b>	<b>(6366)</b>	<b>0</b>	<b>6 366</b>	<b>0</b>
<b>Change of the reserve capital</b>	<b>3240</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3 392)</b>	<b>3 392</b>	<b>0</b>

Indicator	Code	Authorized capital	Own shares repurchased from shareholders	Additional capital	Reserve capital	Retained earnings (uncovered loss)	Total
-----------	------	--------------------	------------------------------------------	--------------------	-----------------	------------------------------------	-------

### CAPITAL VALUE AS OF 31.12.2018

	3200	300 124	(211)	468 112	75 913	40 453 231	41 297 169
<b>The increase in capital – total:</b>	<b>3310</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8 492 742</b>	<b>8 492 742</b>
including:							
net profit	3311	0	0	0	0	8 492 742	8 492 742
revaluation of property	3311	0	0	0	0	0	0
income directly related to increase of capital	3311	0	0	0	0	0	0
additional share issue	3311	0	0	0	0	0	0
increase of the nominal value of shares	3311	0	0	0	0	0	0
reorganization of a legal entity	3311	0	0	0	0	0	0
<b>The reduction of capital – total:</b>	<b>3320</b>	<b>(4)</b>	<b>(311)</b>	<b>0</b>	<b>0</b>	<b>2 010 807</b>	<b>2 011 122</b>
including:							
loss	3321	0	0	0	0	0	0
revaluation of property	3322	0	0	0	0	0	0
expenses directly related to reduction of capital	3323	0	0	0	0	0	0
reduction of the nominal value of shares	3324	0	0	0	0	0	0
reduction of number of shares	3325	(4)	(311)	0	0	0	(315)
reorganization of a legal entity	3326						
dividends	3327	0	0	0	0	(2 010 807)	(2 010 807)
<b>Change of the additional capital</b>	<b>3330</b>	<b>0</b>	<b>0</b>	<b>(2 971)</b>	<b>0</b>	<b>2 971</b>	<b>0</b>
<b>Change of the reserve capital</b>	<b>3340</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1)</b>	<b>1</b>	<b>0</b>
<b>ВЕЛИЧИНА КАПИТАЛА НА 31.12.2019</b>	<b>3300</b>	<b>300 120</b>	<b>(522)</b>	<b>465 141</b>	<b>75 912</b>	<b>46 938 138</b>	<b>47 778 789</b>

## CASH FLOW STATEMENT FOR JANUARY–DECEMBER OF 2019 (THOUSAND RUB.)

Indicator	Code	As of 31.12.2019	As of 31.12.2018
<b>CASH FLOWS FROM CURRENT OPERATIONS</b>			
<b>Proceeds – total</b>	<b>4110</b>	<b>26 254 365</b>	<b>24 533 483</b>
including:			
from the sale of products, goods, works and services	4111	25 535 414	24 399 321
lease payments, license payments, royalties, commission charges and other similar payments	4112	52 074	56 295
from resale of financial investments	4113	0	0
other proceeds	4119	666 877	77 867
<b>Payments – total</b>	<b>4120</b>	<b>(14 961 463)</b>	<b>(17 195 968)</b>
including:			
to suppliers (work contractors) for raw materials, materials, works, services	4122	(11 216 784)	(11 008 020)
in connection with employee labour compensation	4123	(1 810 937)	(1 774 550)
interest on debt obligations	4124	0	(20 454)
corporate income tax		(1 524 346)	(1 851 725)
other payments	4129	(409 396)	(2 541 219)
<b>Cash flow balance from current operations</b>	<b>4100</b>	<b>11 292 902</b>	<b>7 337 515</b>
<b>CASH FLOWS FROM INVESTMENT OPERATIONS</b>			
<b>Proceeds – total</b>	<b>4210</b>	<b>894 593</b>	<b>499 707</b>
including:			
from the sale of non-current assets (except for financial investments)	4211	8 638	26 656
from the sale of shares of other organizations (participation shares)	4212	0	0
from repayment of granted loans, from sale of debt securities (rights of requirement of monetary funds to other persons)	4213	680 580	308 273
dividends, interest on debt, financial investments and similar proceeds from share participation in other organizations	4214	205 375	164 778
other proceeds	4219	0	0
<b>Payments – total</b>	<b>4220</b>	<b>(26 212 631)</b>	<b>(20 849 141)</b>
including:			
to suppliers (work contractors) for raw materials, materials, works, services	4221	(20 937 260)	(19 120 045)

Indicator	Code	As of 31.12.2019	As of 31.12.2018
in connection with employee labour compensation	4222	(13 670)	(5 515)
interest on debt obligations	4223	(1 846 770)	(20 000)
corporate income tax	4224	(1 280 723)	(316 717)
other payments	4229	(2 134 208)	(1 386 864)
<b>Cash flow balance from current operations</b>	<b>4200</b>	<b>(25 318 038)</b>	<b>(20 349 434)</b>
<b>CASH FLOWS FROM FINANCIAL OPERATIONS</b>			
<b>Proceeds – total</b>	<b>4310</b>	<b>19 426 805</b>	<b>16 587 455</b>
including:			
obtaining loans and borrowings	4311	19 420 630	16 587 455
cash deposits of owners (participants)	4312	0	0
from the issue of shares, increase of participation shares	4313	0	0
from issue of bonds, notes and other debt securities, etc.	4314	0	0
other proceeds	4319	6175	0
<b>Payments – total</b>	<b>4320</b>	<b>(5 328 551)</b>	<b>(3 708 068)</b>
including:			
to owners (participants) in connection with the purchase of shares (participation shares) of the organization from them or their withdrawal from the membership	4321	(522)	(224 290)
for payment of dividends and other payments for distribution of profits in favour of the owners (participants)	4322	(1 960 091)	(3 001 272)
in connection with the payment (redemption) of notes and other debt securities, repayment of loans and borrowings	4323	(3 325 686)	(430 000)
other payments	4329	(42 252)	(52 506)
<b>Cash flow balance from financial operations</b>	<b>4300</b>	<b>14 098 254</b>	<b>12 879 387</b>
<b>Cash flow balance for the reporting period</b>	<b>4400</b>	<b>73 118</b>	<b>(132 532)</b>
<b>Balance of cash and cash equivalents at the beginning of the reporting period</b>	<b>4450</b>	<b>6 168 783</b>	<b>5 547 556</b>
<b>Balance of cash and cash equivalents at the end of the reporting period</b>	<b>4500</b>	<b>5 350 879</b>	<b>6 168 783</b>
The impact of changes in the foreign currency exchange rate in relation to ruble	4490	-891 022	753 759

## STATEMENT OF FINANCIAL RESULTS FOR JANUARY-DECEMBER OF 2019 (THOUSAND RUB.)

Indicator	Code	For 12 months of 2019	For 12 months of 2018
Revenue	2110	23 344 482	25 817 441
Cost of sales	2120	(10 303 212)	(10 371 009)
<b>Gross profit (loss)</b>	<b>2100</b>	<b>13 041 270</b>	<b>15 446 432</b>
Commercial expenses	2210	(2 462 630)	(2 457 207)
Management expenses	2220	(924 565)	(975 714)
<b>Profit (loss) from sales</b>	<b>2200</b>	<b>9 654 075</b>	<b>12 013 511</b>
Income from participation in other organizations	2310	0	0
Interest receivable	2320	254 558	201 873
Interest payable	2330	0	(18 899)
Other income	2340	4 155 519	3 337 710
Other expenses	2350	(3 801 680)	(3 446 356)
<b>Profit (loss) before tax</b>	<b>2300</b>	<b>10 262 472</b>	<b>12 087 839</b>
Current income tax	2410	(1 438 468)	(1 892 156)
including permanent tax liabilities (assets)	2421	47 996	92 259
Change in deferred tax liabilities	2430	(293 050)	(197 735)
Change in deferred tax assets	2450	(9 786)	3 139
Other	2460	(28 426)	4 698
<b>Net profit (loss)</b>	<b>2400</b>	<b>8 492 742</b>	<b>10 005 785</b>
<b>FOR REFERENCE</b>			
Result from revaluation of non-current assets, not included in net profit (loss) for the period	2510	0	0
Result from other operations not included in net profit (loss) for the period	2520	0	0
Total financial result of the period	2500	8 492 742	10 005 785
Base profit (loss) per share	2900	0.028	0.033
Diluted profit (loss) per share	2910	0.028	0.033

### Appendix 3.

## CORPORATE MANAGEMENT CODE

The Company does not have an approved corporate management code or another similar document, however, Metafrax provides shareholders with all opportunities to participate in the management of the Company and obtain information about the Company's activities in accordance with the Federal law «On joint-stock companies», the Federal law «On the securities market» and the regulations of the Bank of Russia.

The Company strives to follow the principles and recommendations of the corporate management Code recommended by the Letter of the Bank of Russia dated April 10, 2014 № 06-52/2463.

The main principle of building the Company's relations with shareholders and investors is a reasonable balance of interests of the Company as an economic entity and as a joint-stock company interested in protecting the rights and legitimate interests of its shareholders. In this regard, the Company adheres to the following approaches:

- shareholders are provided with reliable and efficient share entitlements methods, and the Company's register of shareholders is maintained by an independent organization that has a statutory licence - JSC Registrar Intrako;

- shareholders have the right to participate in the management of the Company by making decisions on the most important issues of the Company's activities at the General Shareholder Meeting;

- shareholders are promptly notified of the holding of General Shareholder Meeting;

- shareholders have the right to get acquainted with information about the Company upon request, including its financial position, results of operations, lists of affiliates, information about the Company's management and control authorities, the Company's registrar and other information provided for by the legislation of the Russian Federation;

- shareholders are entitled to receive regular and timely information about activities of Metafrax. The Company, in accordance with the legislation of the Russian Federation, discloses information in accordance with the requirements established by the Regulation on disclosure of information by issuers of issue-grade securities approved by the Bank of Russia on December 30, 2014 № 454-P in the news feed and on the Internet on the web-page of the agency accredited to perform actions on disclosure of information about securities – LLC Interfax-CRKL at <http://www.e-disclosure.ru/portal/company.aspx?id=3770>;

- shareholders are granted the right to participate in profit distribution by making decisions on profit distribution at the annual and extraordinary General Shareholder Meeting;

- the Company provides shareholders with the necessary information, publishes decisions of shareholder meetings on the payment of dividends and their amount as well as on the receipt procedure, which eliminates unnecessary difficulties in obtaining them;

- the Company provides assistance to shareholders for updating personal data in the register of shareholders, assistance for receiving accrued dividends;

- the Board of Directors of the Company is elected by cumulative voting, which allows shareholders who own a small stock of shares to appoint their representatives to the Board of Directors;

- the control over the Company's financial and economic activities is carried out by the Auditing Committee and an Auditor, who is not related to the Company or its shareholders via property interests;

- the secretary of the Board of Directors is responsible for observing the procedures for ensuring the rights of shareholders in the Company. The Company provides shareholders with the necessary information, publishes decisions of shareholder meetings on the payment of dividends and their amount as well as on the receipt procedure, which eliminates unnecessary difficulties in obtaining them.

