



CORPORATE SOCIAL RESPONSIBILITY REPORT
JSC KALININGRAD AMBER COMBINE

2020

A year of achievements





"Portrait of a Great Lady", John Betts Jr., 1585 (Christie's Auction House, London)

*Those who love their work
turn it into art*



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BUILDING THE FUTURE

Vladimir Litvin

Managing Director for Organising Direct
Management by State Corporation Rostec



Despite all its complications and restrictions, **2020** proved to be a productive and fruitful year for the organisations that make up the State Corporation Rostec. The Kaliningrad Amber Combine's capable team showed impressive results mining and selling amber. But I would particularly like to emphasise that in this year marred by coronavirus, when many organisations had to lay off employees, the combine created more than 150 new positions.

Thanks to the addition of a jewellery subsidiary to the Amber Combine, the combine was able to direct substantial funds towards expanding amber production. Russia's amber industry development strategy up to 2025, which was mandated for development by the head of state, provides for significant growth in the share of domestic sunstone processing, including for the purpose of increasing employment. Having once again become a full cycle company, the combine is dedicated to further increasing amber product development.

The implementation of strategic plans and tasks facing the Kaliningrad Amber Combine means that its social and economic role as one of the largest taxpayers, local job providers, and as town-forming company will grow. There is no doubt whatsoever that all the goals envisioned will be achieved



State Company Rostec is one of the largest industrial companies in Russia. It comprises of more than 800 scientific and manufacturing organisations in 60 regions of Russia. Our key areas of activity are, among others, aircraft construction, radio electronics, medical technology and innovative materials. The corporations portfolio includes many famous brands, such as AvtoVAZ, Kamaz, UAC, Russian Helicopters, UEC, Uralvagonzavod, Shvabe holding and Kalashnikov Concern. Rostec is actively taking part in implementing 12 national projects. The company is a key supplier of Smart City technology, is actively involved in the digitisation of state management, industry and social industries, and is laying out plans for the development of 5G, the industrial internet of things, big data and blockchain systems. Rostec is partnered with leading world manufactures, such as Boeing, Airbus, Daimler, Pirelli and Renault. Products made by the corporation are supplied in more than 100 countries. Nearly a third of the company's proceeds come from exporting hi-tech products.

MIKHAIL ZATSEPIN: ACHIEVEMENTS AND RECORDS IN A YEAR OF WORLDWIDE INSTABILITY

In 2020, the Kaliningrad Amber Combine announced a Year of Achievements. The motto was chosen long before the last pages of the 2019 calendar were turned over, and, of course, nobody could even begin to think that the novel coronavirus disease would change the lives of people throughout the entire world.

The pandemic affected all spheres of the economy, including Russia's amber industry. Due to the lockdown introduced to slow the spread of this new and dangerous virus in March 2020, the Amber Combine was able to begin to mine raw amber only on the 21st of May, two months later than the usual time.

By the 26th of May, the first amber nugget, weighing nearly 2.5kg, was mined. Such large cases, even among the "amber heavyweights", are quite uncommon. The first nugget seen by workers in the Primorsky Quarry, which also had a geological pattern in the form of a crown, was given the name "the Victor". The name was given as a symbol of hope for a swift victory of humanity over COVID-19.

Unfortunately, the pandemic was not able to be defeated in 2020. But Russia, as president Vladimir Putin noted a number of times, has passed this trial honourably, being one of the first countries to create a working vaccine against coronavirus, helping it to move towards victory over the disease. I can confidently state that the Kaliningrad Amber Combine has also honourably passed last year's trial.

The first 100 tonnes of amber were mined at record speeds, a little more than a month after the start of the mining season, with an average monthly criteria set at 50 tonnes. A key performance indicator of 400 tonnes of raw amber was fulfilled by the company on the 25th of October, two months before the planned deadline. This we can consider a victory for sure. A victory of a friendly, professional, hardworking and goal oriented team over the difficulties and complications of 2020.

But we decided to continue our mining operations and we ended 2020 with a record 525 tonnes of amber mined! Never before has such a large volume of sunstone has been produced in Primorsky Quarry, which was first worked in 1976. An increase in volume of amber produced has been provided for by the Amber Industry Development Strategy up to 2025, which was created

in accordance with mandates set by the president of Russia. At the same time, demand for amber on the world market is growing. In 2020, for the first time before the amber production season began, an amount of amber was contracted to be mined which was almost exactly the same as the planned target for the year.

However, last year we made clear steps towards fulfilling our strategic targets in terms of increasing the rate of internal development of raw amber, which was also specified by our head of state. On the 1st of July 2020, the long and complicated procedure of merging a subsidiary with the Kaliningrad Amber Combine was completed. The subsidiary, JSC Yantarny Yuvelirprom, specialises in manufacturing finished and semi finished amber products from raw amber. The unification allowed for additional funds to be directed towards expanding jewellery manufacturing and creating new positions.

In 2020, large scale renovation and construction work began in the combine, which will allow for 5000sq. m. of space to be put into operation to increase the volume of amber production. A large scale recruitment operation was announced to fill the newly-created position. While many companies were forced to lay off and fire employees due to the pandemic, the Amber Combine opened new vacancies and invited specialists from all over Kaliningrad Oblast and also from other regions of Russia.

The Combine, the flagship of Russia's amber industry, faces a very ambitious task - to get the company's share of raw amber production to 50%. This means that work

WHILE MANY COMPANIES WERE FORCED TO LAY OFF AND FIRE EMPLOYEES, THE AMBER COMBINE WAS ABLE TO OPEN UP NEW VACANCIES

on expanding jewellery production and the creation of new positions will keep moving forwards. Work will be carried out to support representatives of the amber industry, Russian manufacturers of amber products,



Mikhail Zatsepin

General Director
JSC Kaliningrad Amber Combine

entrepreneur, artists and jewellers.

Anti-coronavirus disease control and prevention measures have, of course, made their own corrections to our plans. We were unable to run the auctions that we planned for 2020 for local manufacturers, which take place to meet the need for every category of amber processors.

The Fifth International Amber Industry Economic Forum, which takes place in Kaliningrad Oblast as part of the development of Russia's amber industry, did not take place. The anniversary Amberforum should have been the brightest, largest, and most memorable event not only for representatives of the amber industry, but also for residents and guests in the Yantarny region. And the forum will definitely become such an event.

Of course, not all plans came to fruition, but the main manufacturing criteria were fulfilled. Most importantly, we were able to perform concrete actions that allowed the Kaliningrad Amber Combine, which has once again become a full-cycle production company, make clear progress towards reaching new heights.

I can confidently state that the Amber Combine has been blessed with good luck over the past year, despite all the difficulties. The record amount of amber nuggets mined speaks to this. The number of nuggets mined for the season reached 20 for the first time in the company's history. Over the last few years we have been

able to maintain high criteria in mining unique stones weighing more than a kilogramme. In 2017-2019, 17-18 "heavyweights" were mined, meanwhile throughout the company's history, no more than 6 nuggets were found during the best years.

Of course, our performance was improved by the combine's incentive system that encourages these sorts of nuggets to be found, and that also encourages other manufacturing achievements. However, everyone that has dedicated years of work and their life to amber mining knows that nuggets are incredibly rare and are a gift from nature. It's impossible to plan their number. Over the 2020 mining season, the mining of more than one nugget in a shift was recorded for the first time. Over the last few months, this has happened three times - on the 11th of June, the 25th of August and the 16th of September. The 20th nugget was found on the 19th of November, a significant event for the Combine. It was given the name "Rostec" in honour of the State Company, which has brought positive changes both to the Amber Combine and to the amber industry as a whole.

Looking over 2020, a year in which many things were achieved despite great hardships, I think that the "Victor" nugget has become a symbol of the Kaliningrad Amber Combine. Our workforce is capable of fulfilling the most ambitious of plans, and we will implement them for the prosperity of Russia and of Kaliningrad Oblast.

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Company Profile

"Portrait of a Young Great Lady", Johann Heinrich Tischbein Sr., 1762, (Hempel Auction House, Munich)



STRUCTURE AND SYMBOLICS

KALININGRAD AMBER COMBINE

❖ JSC Kaliningrad Amber Combine is the only company in Russia that conducts industrial amber mining and the largest in the world. In 2013, the company came under the control of State Corporation Rostec by order of the president of the Russian Federation.

Kaliningrad Amber Combine is a full cycle company. It is the flagship of Russia's amber industry. The combine is integrated into the international amber and amber product manufacturing and turnaround. The company accounts for 65% of the global amber market.

100%
OF KALININGRAD AMBER COMBINE
SHARES BELONG TO
STATE CORPORATION ROSTEC

The Kaliningrad Amber Combine is located in the settlement of Yantarny in Kaliningrad Oblast, where 90% of the global reserve of amber is concentrated.



AMBER RESERVES IN THE PRIMORSKY DEPOSIT:

BALANCE	OFF-BALANCE
56.1 thousand tonnes	29.5 thousand tonnes

The amber mined is more than 50m years old. Mining is conducted in an open pit mine in Primorsky Quarry, the largest amber Quarry in the world. Every year, the amber combine mines an average of 400 tonnes of raw amber.

The total volume of amber reserves in the Primorsky and Palmnicken deposits is estimated to be 116 thousand tonnes.

As one of the largest regional taxpayers, the Kaliningrad Amber Combine makes a substantial contribution to the sustainable development of Kaliningrad Oblast. The combine is a town-forming company in the settlement of Yantarny, and from the moment of its creation it has determined the municipality's development vectors.

Being aware of its responsibility to society and its influence on the region's socio-economic processes, the company conducts its activities in strict compliance with the law, including in terms of tax regulation, financial control, disease control and prevention standards and labour laws. The combine pursues a multifaceted and diversified social policy, the spectrum of which extends from the implementation of a corporate social package and charity to socially vulnerable sections of the society, to sponsoring regional sport and youth projects on a federal level.

COMPANY SYMBOLICS



ANTHEM OF THE AMBER COMBINE



Music: Aleksandr Stepanenko
Lyrics: Mikhail Zatsepin

The heritage of Russia –
A gift from Mother Earth,
the resin of centuries,
Mining amber stone,
For miner's it's a matter of honour.
In the "blue earth" is hidden,
Our Baltic gem,
The warmest stone in the world,
It gives the gift of sunlight.

Chorus:

It lives for the benefit of the Motherland,
Rich in the people's labour,
It keeps generations linked
The Amber Combine.
It lives for the benefit of the Motherland,
Rich in the people's labour,
Honour and glory it brings
The Amber Combine.
Above the Quarry blow the winds –
The far West, the edge of the country.
Our miners believe in victory, despite all hardships.
Both in the heat and amidst the darkest ours,
We stay true to our traditions, And through the
labour of our dynasties,
We strengthen our country.

Chorus.

Work is done like clockwork by their hands,
Today, like yesterday,
Gold, shining stone
Will come in abundance.
In the "blue earth" it hides,
The legendary gem.
Though this stone is extracted with great effort,
There's no stone more full-blooded!

Here there is great treasure,
Pulp like a river,
And there are no beauties of comfort.
Cubic metres of "blue"
"Shagun" takes it on board.

Chorus:

And we build it all as one,
Countless victories,
Our history goes back,
Seven whole decades
It lives for the benefit of the Motherland, Rich in
the people's labour,
Honour and glory it brings
The Amber Combine.

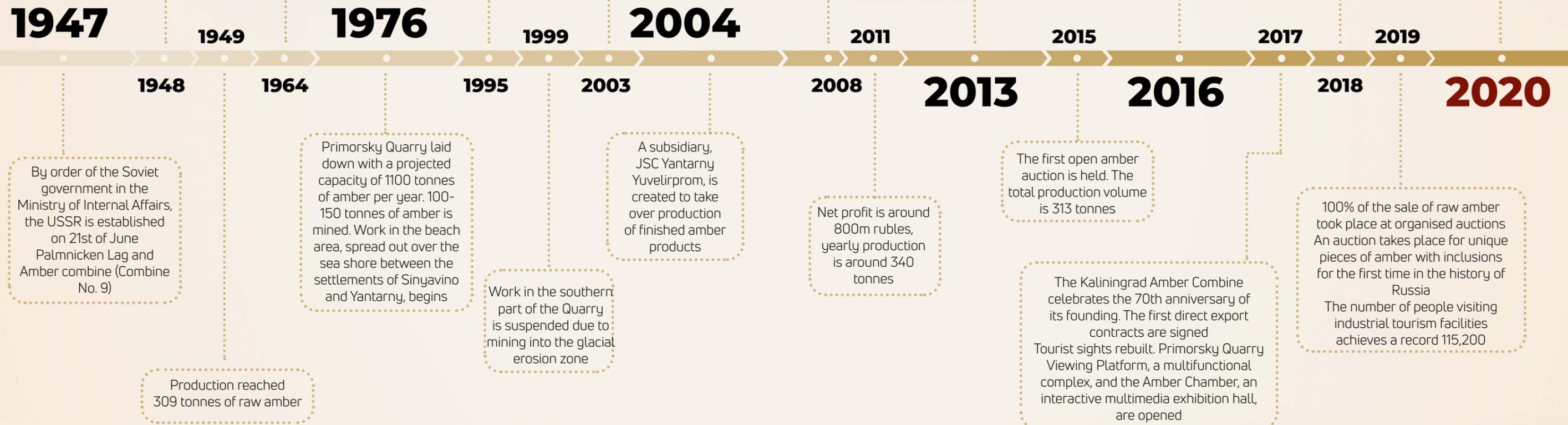


COMPANY STRUCTURE

AND STAGES OF PRODUCTION



OUR HISTORY



DEVELOPMENT GOALS AND PROSPECT

The company conducts its activities within JSC Kaliningrad Amber Combine's Development strategy up to 2025, which has been approved by State Corporation's management board and confirmed by the council of directors on the 29th of November 2016.

The strategy is designed to eliminate the discrepancy between the unique world-class raw material base and the largest volume of industrial mining of raw amber that the combine has, and the company's underdeveloped material and technical base and limited opportunities in raw material processing by strengthening the Russian amber industry's flagship's position in the global trade of amber and amber products.

One of the main tasks in the short and medium term is the expansion of the combine's jewellery production and increasing amber production to 50% of the volume mined. Along with this, the mining company will continue to support other Russian amber manufacturers. The combine's management fully understands its responsibility in developing the domestic amber industry and promoting amber as a national brand of Russia.

STRATEGIC GOALS

-  Multiply the effectiveness and capitalisation of the combine by radically modernising production and globalising activities
-  Increase the combine's mining and manufacturing of amber and amber products as a full-cycle company by with a gradual increase in the share of products with high added value
-  Ensure a stable level of mining of amber of high quality according to a classifier compatible with international trade practice and also to ensure that the goods comply with exchange and auction trading requirements
-  Create a permanent active platform for organised raw amber trading, providing for the sale of products at market prices, transparency, and equal access for market participants
-  Create an amber industry cluster which complies with the requirements of ther Federal Law "On industrial policy in the Russian Federation"
-  Promote the combine's role as a taxpayer in Kaliningrad Oblast and as a town-forming business in the Yantarny settlement with a growing number of new positions.
-  Promote the creation of conditions for the decriminalisation of the amber industry, gradually displacing from the market enterprises and companies that work in raw materials coming from semi-legal and illegal sources.

 - The work continues

 - Done!





"Portrait of a Lady", William Larkin, 1609 (Bonhams Auction House, London)



*A year of
achievements*



RECORDS AND ACHIEVEMENTS IN 2020



IN 2020, THE SUBSIDIARY **JSC YANTARNY YUVELIRPROM** FINISHED MERGING WITH **THE KALININGRAD AMBER COMBINE**



In 2020

525.6

tonnes of amber was mined

A HISTORICAL RECORD!

With a planned production rate of 400 tonnes



THE MINING SEASON HAS BEGUN

21 MAY 2020

TWO MONTHS LATER

Subsoil amber content was **1.5kg/m³**



THE NUMBER OF EMPLOYEES WAS

829

PEOPLE



Awards given to

135

employees



The first **100 tonnes** mined in

RECORD TIMES - by 30th of June

The average amount of raw amber mined is around 50 tonnes per month

IN 2020

FOR THE FIRST TIME IN THE COMPANY'S HISTORY, CASES OF MORE THAN ONE NUGGET BEING MINED

PER SHIFT

WERE RECORDED



20

UNIQUE
NUGGETS
WEIGHING
MORE THAN 1KG



11TH OF JUNE

"Russian Man 2020", "Russian Lady 2020" and "Little Amber"
**Little Amber was excluded from the nugget list due to losing weight*



25TH OF AUGUST

"Primorsky" and "Palmnickensky"



16TH OF SEPTEMBER

"Bowman" and "Cortege"



BY **41%**

HOW MUCH THE NUMBER OF EMPLOYEES AT THE STAFF ROSE BETWEEN 2019 AND 2020

AVERAGE WAGE

61.9

thousand rubles



New

153

POSITIONS

created

MAIN FINANCIAL INDICATORS

AMBER COMBINE'S INVESTMENTS

In 2020, the total amount spent on investment was **308m rubles**, which is **1.5 times more than 2019's** indicators. The lion's share of funds were directed towards the modernisation and expansion of production, involving construction, large-scale repairs for buildings and premises, and the acquisition and reconstruction of technology and equipment.

INCOME

3.1

bn rubles

GROSS PROFIT

620

m rubles

EBITDA

932

m rubles

INVESTMENTS

308

m rubles

TAXES TO BUDGET OF ALL LEVELS

893

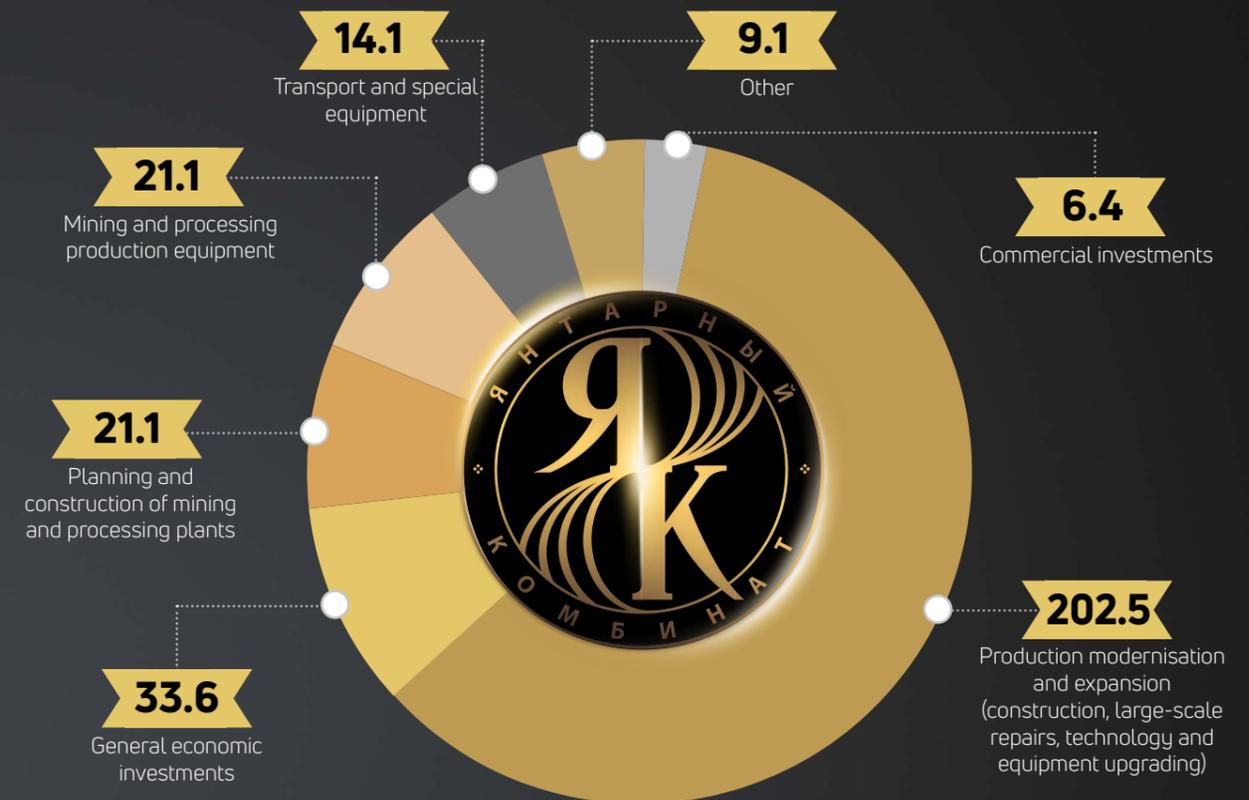
m rubles

PAYMENTS TO BUDGETS OF DIFFERENT LEVELS:

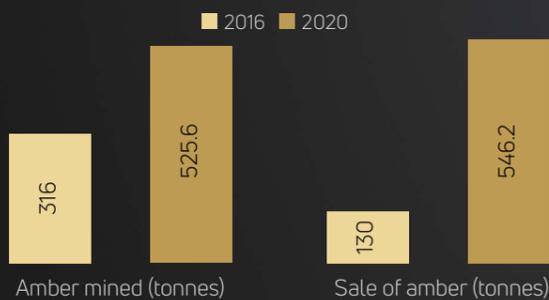
- Federal - **411m rubles**
- Regional - **476m rubles**
- Municipal - **6.6m rubles**

AMBER 5 YEAR PLAN

Over the past five years the Amber Combine has achieved significant positive dynamic by all key indicators. At the same time, the most important indicator is considered to be progressive growth in investment in the modernisation of the manufacturing complex and in technical upgrades. In 2016 a total of **1.19bn rubles** was invested for purposes relating to the combine development strategy.



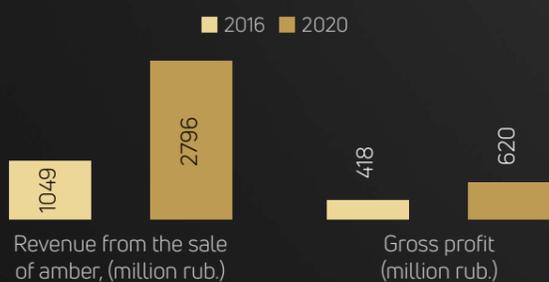
MINING AND SALE OF AMBER



AMBER PRICE



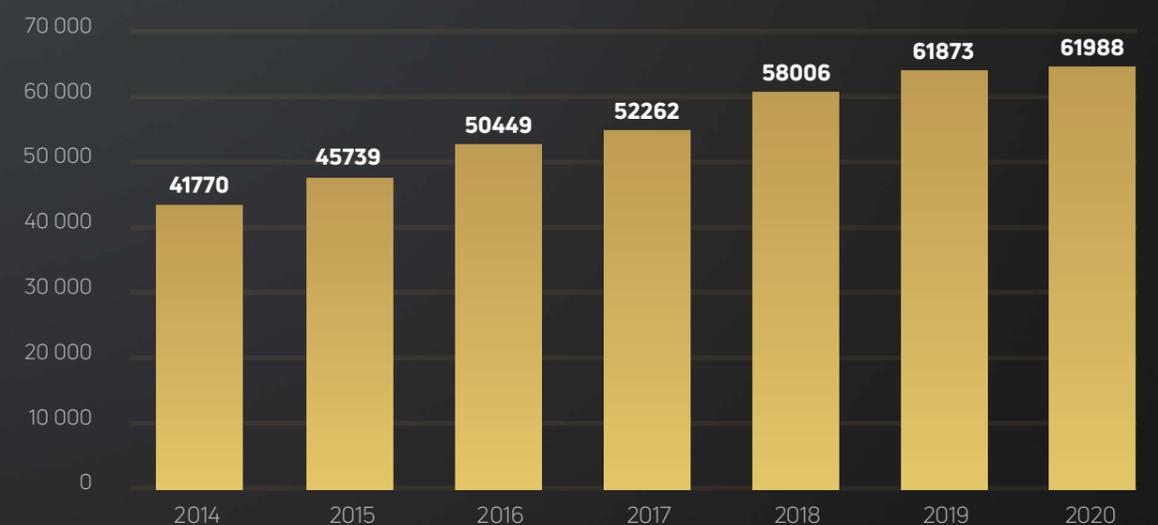
REVENUE AND PROFIT



AMBER PROCESSING



AVERAGE WAGES AT THE AMBER COMBINE 2014-2020 (RUB.)



SALE OF AMBER

IN 2020,
546.2 TONNES
OF RAW AMBER WAS SOLD
FOR 2.8BN RUBLES
WITHOUT VAT

100% of raw amber sales
took place at organised auctions –
at the JSC St Petersburg Exchange
electronic trading platform
and at auctions for processors.

STOCK EXCHANGE TRADING

The combine sells raw amber at the St Petersburg exchange every day. Every day, 15-20 tonnes of amber on average from all fractions are put on sale at the electronic trading platform. In 2020, **296 contracts were made at the exchange.** Packers put together 444 prepared orders at the exchange lot organisation centre.



INTERNAL MARKET

Russian processors bought more than 69 tonnes of amber for 181m rubles



EXPORT

Foreign buyers acquired 466 tonnes of amber for 2.5bn rubles. The geography of delivery includes the Baltic states, Poland and Turkey



AUCTIONS

In 2020, 12 auctions were planned, 4 for each category of amber processor - company representatives, micro-businesses and artists. Every year the combine increases the number of auctions taking place to as part of the policy to support local amber product manufacturers. However, coronavirus has forced changes to be made to auction trading.

3 AUCTIONS TOOK PLACE
UNDER CORONAVIRUS RESTRICTIONS:
2 - for micro-business representatives
1 - for artists and jewellers

A total of more than 8 tonnes of amber was sold for 14.8m rubles **at auctions for local processors.**



In the first auction, which took place on the 25th of March 2020, 15 companies took part

JEWELLERY PRODUCTION

On the 1st of July 2020, the procedure of merging a subsidiary with the Kaliningrad Amber Combine was completed. The subsidiary, JSC Yantarny Yuvelirprom, specialises in manufacturing products from raw amber. Thanks to this the combine was once again able to become a full cycle producer, and the jewellery area of business was given extra investment.



ALL JEWELLERY AND SOUVENIR PRODUCTION IS DONE UNDER ONE BRAND **THE KALININGRAD AMBER COMBINE**

The Amber Combine produces jewellery, including jewellery made from silver and gold, various souvenirs and also semi-finished products for further production. The combine supplies industry representatives with workpieces (for calibration balls and plating of various sizes), pressed amber and cabachons (different shapes of jewellery inserts), and amber crumbs and pebbles. The range of products is around 40,000 items.

THE JEWELLERY INDUSTRY IN NUMBERS



Production volume – **2 tonnes of finished products**



Product range – **more than 40,000 items**

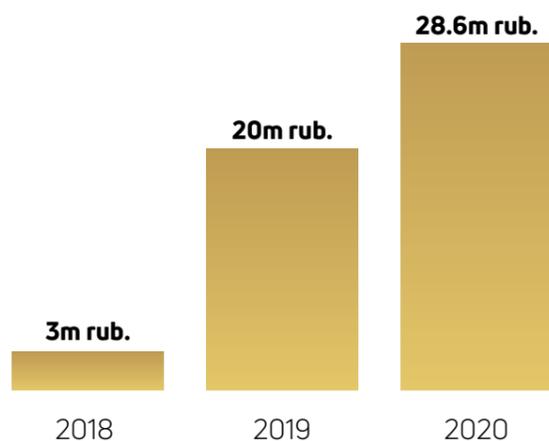


Income – **238m rubles**

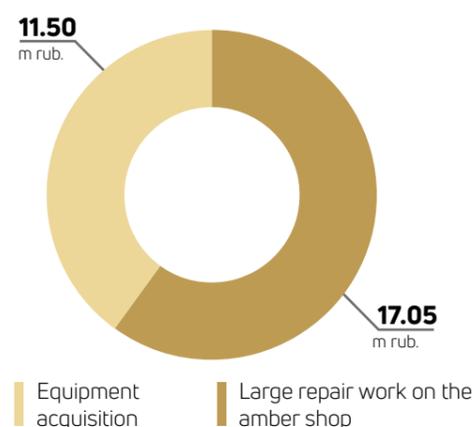


Investments – **28.6m rubles**

INVESTMENT IN JEWELLERY PRODUCTION



INVESTMENT STRUCTURE



ARTS COUNCIL

In 2020, the Arts Council and the art department resumed work. The department handles the processing of sketches and planning new jewellery models. Young artists, who bring their fresh takes on jewellery manufacturing and souvenir production, take part in the process. The selection of sketches and samples is done by the Arts Council.



ACHIEVEMENT - 2020

In 2020, the plant launched production of its own range of galvanised metal fittings.



NEW COLLECTIONS

New technologies are being introduced into jewellery production, while also saving the best traditions developed by the Amber Combine experts over a period of seven decades. Along with manual work, which is irreplaceable in the amber industry, modern equipment for creating new collections is being used.



Jewellery products from silver and jewellery made from amber from the new Orthodox themed collection are made using CNC technology. The pattern, which is programmed by a specialist, is made automatically. The machine outlines complex silhouettes and patterns on amber with the utmost precision



Thanks to the use of special furnaces, the amber is given an ideal colour, and baking sunstone gives it an unusual, volcanic look and allows fantastic combinations to be created



Smart machines can't replace hard work. Creating complicated products requires talent and artistic flair, not just perfect precision and movement.



In 2020, new collections, "Spirit of the Earth" and "Signs of the Zodiac" were created. The first of which is dedicated to the symbol of 2021 in the Eastern horoscope and echoes the souvenir products, which are also dedicated to the year of the Bull.



Among the newcomers of 2020, the collection of amber jewellery and accessories for men stands out particularly well. These are more than just the usual rings and bracelets, made in a strict, Spartan style, but also designer amber ties.



ART IN AMBER

Another important new innovation in 2020 is the opening of a site for producing amber paintings. The technology used to produce such paintings makes requires a lot from the master, but the products are in high demand.





"Russian Beauty",
Konstantin Makovsky, 1900
(Municipal Art Museum, Gorlovka)



A year of
DONE
achievements



UNIFICATION OF THE KALININGRAD AMBER COMBINE AND JSC YANTARNY YUVELIRPROM

On the 1st of July 2020, the procedure of merging a subsidiary to with the Kaliningrad Amber Combine was completed. The subsidiary, JSC Yantarny Yuvelirprom, specialises in manufacturing finished and semi finished amber products from raw amber. The unification allowed for additional funds to be directed towards expanding jewellery production and creating new positions. Jewellery production is done under the brand of Kaliningrad Amber Combine.



EXPANDING JEWELLERY PRODUCTION

In 2020, wide scale repair and construction works began, allowing for more than 5000 sq. m. of production space for expanding jewellery production to but put into use.



CREATING AN AMBER FASHION HOUSE

Last year, work began to renovate the former industrial control system building. A fashion house focusing on making Russian amber a full-fledged part of the fashion industry will be created.



IN 2019, THE GENERAL DIRECTOR OF THE KALININGRAD AMBER COMBINE, MIKHAIL ZATSEPIN, ANNOUNCED THE CREATION OF 150 NEW POSITIONS IN THE NEAR FUTURE LIVE ON "VESTI.PODOBNOSTI" (TELEVISION PROGRAMME, LIT. NEWS.IN DEPTH). AT THE FIRST STAGE, 50 VACANCIES WERE OPENED. THROUGHOUT 2020, 78 NEW POSITIONS WERE CREATED IN JEWELLERY PRODUCTION AND ANOTHE 35 WERE CREATED TO RENOVATE THE JEWELLERY STORE



Before construction work began, the future Fashion House was visited by Aleksandr Vasilyev, honorary member of the Russian Academy of Arts, fashion historian, art connoisseur, interior decorator, collector, and television presenter



DISASSEMBLING THE BUILDING OF THE OLD PROCESSING PLANT

In 2020, the process of dismantling the combine processing plant's old building, which was started a year earlier, was finished. The multi-floor complex, built in the mid 1970s in time for the launching of work in the Primorsky Quarry, stopped being used in 2013. In 2019, the old plant building began to be disassembled. The last wall was taken down effectively using cables attached to excavator shovels.



MODERNISING THE WALKING EXCAVATOR

After the electrical equipment in the ASH 10/70 walking excavator with more energy efficient equipment, electricity consumption was reduced by 15% compared with 2019



MODERNISING THE HEAT SUPPLY SYSTEM

Last year, approximately 30% of the Amber Combine's outdoor heating network was fully repaired by its own employees. More than 600 heat supply pipes were replaced



LAUNCHING A NEW SUBSTATION

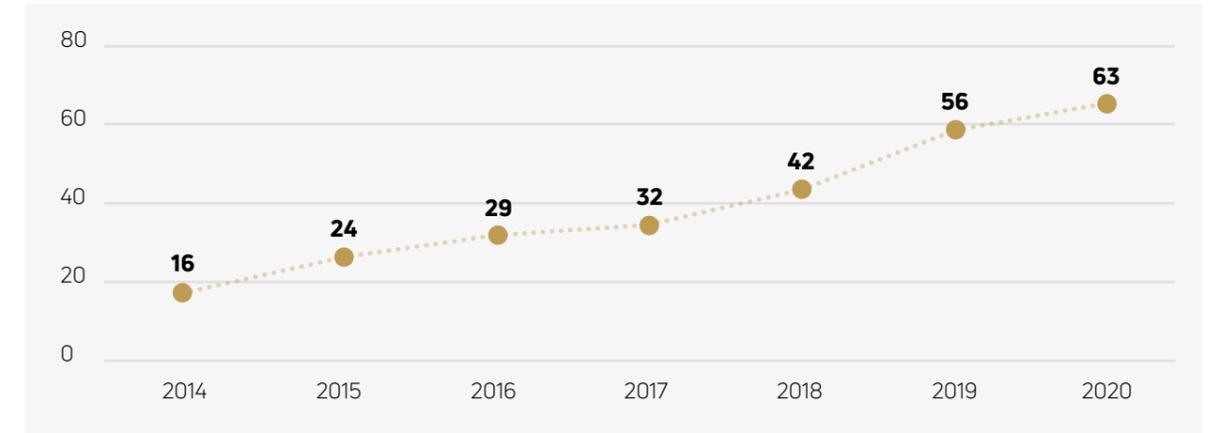
In 2020, the 110 kV "Quarry" substation was given permission to be put into use. Following reconstruction, the substation's capacity was significantly increased in accordance with plans to expand company production.



RENOVATION AND RECONSTRUCTION

Over the previous year more than 63 buildings and premises for production, administration and storage on the territory of the combine were renovated.

REPAIR WORK PACE



EXPANDING THE CORPORATE MUSEUM

In 2020, construction work began on the creation of new exhibition space at the Amber Palace exhibition hall. The 270 sq. m. annexe will house an exhibition dedicated to the production of jewellery, souvenirs and other amber products.



CONSTRUCTING A CAR PARK

A space to organise car parking for company employees was built, and on non working days, the car park can be used by visitors to Yantarny. The car park will come into operation in 2021.



OPENING SPORTS FIELDS

Last year, the multi-functional sports ground, which was built towards the end of 2019, was provided with the necessary sporting inventory, as well as rows of seats for supporters. The ground was opened at a ceremony with a joint training session with the main members of FC Baltika.





"Tea Drinking",
Konstantin Makovsky, 1914 (Ulyanov Oblast Art Museum, Ulyanovsk)



*Corporate
social
responsibility*



HR POLICY

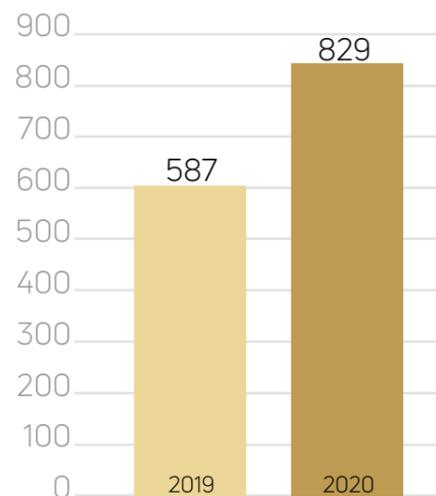
As one of the largest regional employers, the Kaliningrad Amber Combine recognises its responsibility to create attractive working conditions, provide respectable pay for work, and professional and personal development of its employees.

The company adheres strictly to high standards of corporate social policy by recognising a qualified working team as a highly important resource and a clear advantage in the global amber market. As part of this approach, the combine has systems for employee training, incentivising labour achievements, attracting rare specialists, and social support and health care.

EMPLOYEE OVERVIEW

The company's personnel composition has changed due to a subsidiary merging with the amber combine and the expansion of jewellery production. In particular, the number of female employees is practically the same as male employees. At the same time, the average age of workers has not changed, the number of specialists with higher education has changed a small amount, it remains quite high.

NUMBER (PEOPLE)*



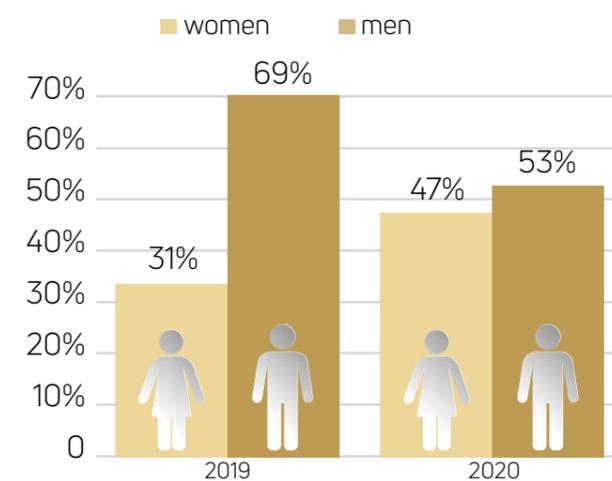
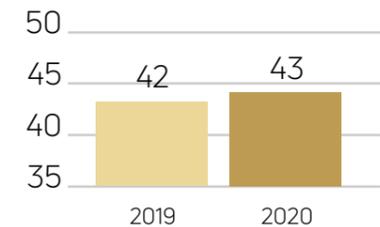
*As of 31st of December 2020

IN 2020 THE EFFECTIVE NUMBER OF EMPLOYEES AT THE AMBER COMBINE ROSE BY 41% OR 242 PEOPLE, COMPARED WITH 2019

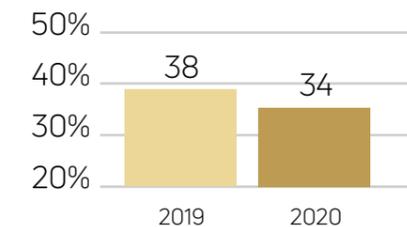
153 new positions were created at the company last year, which are now occupied by:

- 78 jewellery production specialists;
- 35 builders to restore the jewellery store;
- 40 workers in other divisions.

AVERAGE WORKER AGE



PROPORTION OF WORKERS WITH HIGHER EDUCATION



A TEAM OF PROFESSIONALS



142 employees passed various types of training in 2020:

- 5** have mastered a new profession
- 31** have raised their qualifications
- 106** have passed training to receive the required admission into their area of expertise



HOUSING PROGRAMME

To attract and keep highly qualified workers, there is a housing programme, through which support is provided for workers needing improved living conditions. The company covers part of the cost of a mortgage loan.



Since the programme came into action in November 2018, 55 workers have received support for amounting to 11.3m rubles.



IN 2020, 42 EMPLOYEES BECAME PARTICIPANTS IN THE AMBER COMBINE'S HOUSING PROGRAMME. THE TOTAL AMOUNT OF FINANCIAL AID PROVIDED WAS 6.2M RUBLES, 23% MORE THAN IN 2019

SOCIAL SUPPORT

Every Amber Combine worker is able to choose every part of their social packet independently, in accordance with the unified standards for implementing social policy which have been in force at the company since 2018. A number of types of financial support are provided for - payment towards spa treatment, additional insurance, voluntary pension payments, and aid in various situations of a personal, familial or emergency nature.

The funds were directed to support 50 company workers in connection with various situations in their personal life and for spa treatment, and also to pay for coronavirus testing.

PROTECTING HEALTH

Given the pandemic in 2020, worker health, which the company has traditionally paid a significant amount of attention to already, became a higher priority. All measures to prevent the spread of the new virus both required and recommended by Rospotrebnadzor and the Kaliningrad Oblast government were taken. As part of a unified social policy, the company compensated combine workers for expenses needed for medical testing for Covid-19.



540 EMPLOYEES ALSO TOOK PART IN THE VACCINATION PROGRAMME AGAINST INFLUENZA, VERNAL ENCEPHALITIS AND MEASLES



TOGETHER AGAINST CANCER

The Amber Combine social packet includes medical examines paid for by the employer, as well as voluntary medical insurance (VMI), which provides for partial or full coverage for expenses from paid medical services.

From 2019, all company employees have also been insured with the "Onkopomoshch" programme (meaning Oncological Aid), in case malignant tumours are discovered. After the merging of the subsidiary company with the combine, all workers from the former subsidiary, Yantarny Yuvelirprom, were also insured through the VMI contract.

Combine workers have regular medical examinations paid for by the employer. A highly specialised examination for the appearance of malignant skin tumours was organised at the company for the first time in 2020. More than 70 company workers came to the Specialised Medical Centre for an appointment with the invited doctor.



IN 2020, FINANCIAL SUPPORT PROVIDED AMOUNTED TO MORE THAN

3.5
m rubles

THIS IS MORE THAN TWICE AS HIGH AS THE SAME EXPENDITURES IN 2019

INCLUSION IN SPORTS

In 2020, the number of sporting events at the company was much smaller than normal. Despite this, the most important planned events could still take place, complying with Rospotrebnadzor's requirements.

As such, the combine's mini-football squad battled it out with players from the main FC Baltika team during the opening of the sports ground. The combine's women's volleyball team players met with volleyball players from the regional branch of the VSK insurance house. Both male and female combine employees took part in the regional stage of the "Shock Ten" hitting force tournament, organised by State Corporation Rostec.



AWARDS AND INCENTIVES

At the combine there are incentive systems both for labour and sporting achievements. Company managers in particular identify the best workers in production and the most qualified, motivated workers. In 2020, 135 Kaliningrad Amber combine workers received various awards.

- 1 Gratitude of the President of the Russian Federation
- 1 Medal of the Order of Services to the Motherland, Second Class
- 1 Order of Services to Kaliningrad Oblast
- 16 Gratitude and Certificates of Merit from State Corporation Rostec
- 1 Chest Pin of the Russian Ore Mining and Smelting Union for Social Partnership
- 14 Letters of gratitude from the governor of Kaliningrad Oblast, the Kaliningrad Oblast Duma, the administration of the Yantarny Municipal District, the Baltic Fleet's Officers' Club and Russia's Ministry of Defence.
- 68 General Director's Certificate
- 33 Veteran Commemorative Token

In 2020, the general director of the Kaliningrad Amber Combine, Mikhail Zatsepin, was awarded with the order of "services to Kaliningrad Oblast". This higher award was presented by the governor, Anton Alikhanov.





Senator Aleksei Korotkov brought a certificate of gratitude from Valentina Matvienko to the combine

Since 2017, the company has awarded employees for 25, 20, and 15 years of service at the amber combine. Veterans are awarded commemorative tokens with their names on, made of gold, silver or bronze. Owners of such awards also receive prize money. In 2020, Class I commemorative tokens were awarded to 13 people, Class II tokens were awarded to 5, and Class 3 tokens were awarded to 15.



Nikolai Korolev, controller of measuring equipment and special instruments was awarded the order "of service to the Motherland", Class II.



WALK OF FAME 2020

Every year, the combine's walk of fame is updated with portraits of high performing workers in production. 18 of the best workers receive a bonus of 10% of their official yearly salary.



Natalya Viktorovna Alekseeva

Overseer of the production section of the production shop



Nikolai Nikolaevich Krivchuk

Mining overseer at Primorsky Quarry



Anna Vladimirovna Zhigela

Handler of amber products in the drilling department



Aleksandr Vasilievich Efremova

Electrical/gas welder at Primorsky Quarry



Olga Anatolievna Politsyna

Handler of amber products in the drilling department



Galina Viktorovna Evdokimova

Production shop warehouse manager



Konstantin Gennadievich Kholzinev

Excavator operator at Primorsky Quarry



Svetlana Viktorovna Levashova

Amber burner at the amber discoloration and tempering department



Svetlana Fedorovna Troshneva

Senior chef at the social and commercial department



Evgeny Akhmedovich Abakarov

Security department checkpoint controller



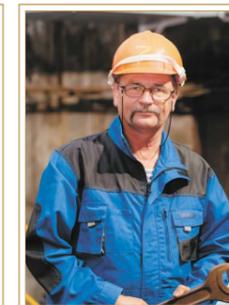
Tatyana Sergeevna Abramenkot

Amber product assembler at the Amber Product Assembly department



Galina Ivanovna Obukhova

Handler of amber products in the calibration department



Aleksandr Vitalievich Zubkova

Pumping unit driver employed in drainage works at Primorsky Quarry



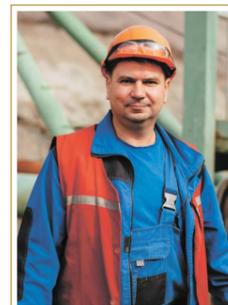
Tatyana Ivanovna Kozyreva

Handler of amber products in the calibration department



Tatyana Vladimirovna Firsova

Finished product warehouse manager



Sergey Ivanovich Kugas

Dredging plant engineer at Primorsky Quarry



Lydmila Lvovna Samoilo

Processing plant finishing unit production site overseer



Mikhail Sergeevich Grigoriev

Excavator driver assistant at Primorsky Quarry

SOCIAL ACTIVITY

As one of the largest companies in the region and as a town-forming company in Yantarny, the Kaliningrad Amber Combine carries a significant social responsibility. The company sponsors large sporting and cultural projects, and also provides charitable funds for various organisations and representatives for socially vulnerable sections of society including veterans, children and adults with disabilities, orphans and large families.

Despite the coronavirus restrictions, which forced many events to be postponed and massively reduced contact with other people, the plant had many social activities in 2020.

SUPPORT FOR YOUTH, CULTURE AND SPORT

Over the course of several years, the Amber Combine has sponsored various organisations on a federal, regional and municipal level in areas significant to both the state and society and that provide for the development of regional sport, youth movements and spiritual and moral education.

FC Baltika

Since 2018, the Amber Combine has been the main sponsor of FC Baltika. Last year, support was provided in full, too. Cooperation with regional professional football clubs is regarded as an investment in Russian sport and popularising healthy lifestyles above all. Many combine employers are active supporters of the Kaliningrad club, serving in the National Football League championship.



Shouting KiViN

The combine has been a partner of the KVN team's musical festival, Shouting KiViN, since 2015, when one of the youth humour club's greatest events was decided to be held not in Jurmala in Latvia, but in Kaliningrad Oblast, in the resort town of Svetlogorsk. Sponsoring the festival is an investment by the company in both the further development of the KVN youth movement, and in the development of the Yantarny area's attraction to tourists. In 2020, one of the greatest events for millions of KVN took place partly due to support from the combine, with restrictions on the number of spectators in the hall.



PATRIOTIC UPBRINGING AND INTERGENERATIONAL CONTINUITY

Supporting intergenerational continuity is extremely important in the eyes of the combine, both in the broad sense of this concept, and also within the framework of corporate policy.

Support for veterans

Particular attention is paid to veterans of the Second World War. Company employees give their best wishes and provide help to veterans on Victory Day and on other special occasions. Combine representatives take part in commemorative occasions dedicated to victory in Yantarny every year. The combine works closely with the Yantarny Veteran's Council, and also interacts with regional veteran organisations. Support and attention is also given to veterans at the combine.



Baltic fleet

The Kaliningrad Amber Combine has supported friendly relations with the Baltic Fleet over many years, and is a patron of the crew of the flagship, the destroyer "Persistent". In 2020, representatives from the combine presented the Baltic Fleet Officer's Club three panels featuring coats of arms made from amber. An amber coat of arms of the Russian Federation, the Armed Forces and the Navy decorated the heraldic hall of the museum of the 11th general troops army, where meetings with veterans and various military and patriotic events for young people take place.



Amber combine in Perm

The Perm regional public organisation for the protection of disabled children's rights, Happiness to Live, decided to follow on from the experience of the Teremok centre. The manager, Anastasia Gileva, contacted the general director of the Amber Combine, requesting 240kg of fine amber be allocated to create an amber sensory room in Perm. The company gave the public organisation amber free of charge. The amber will have a positive effect on the health and development of Perm children with special requirements for years to come.



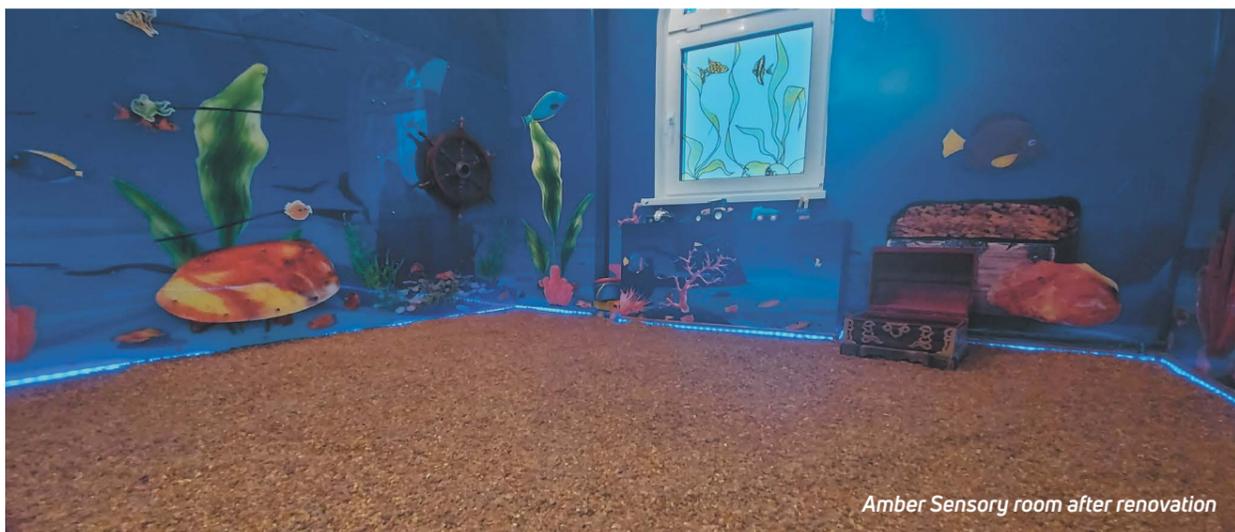
HELP FOR CHILDREN AND MEDICAL ORGANISATIONS

Cooperating with regional healthcare organisations has become a tradition for the combine. At the same time, corporate social policy extended beyond the borders of the Yantarny region last year.

Teremok Children's Neuropsychiatric Health Centre

As part of its charitable aid in 2020, the combine allocated 250kg of fine amber to the state run institution of the Russian Ministry of Health, the Teremok Children's Neuropsychiatric Health Centre, with the combine has cooperated since 2014.

Young patients from all regions of Russia come to the Zelenogradsk based health centre in Kaliningrad Oblast. Amber is used successfully as part of the official therapeutic and rehabilitation course at the health centre, which admits children with serious illnesses, such as infantile cerebral palsy, psychological disorders, skull and brain trauma, and neurological infections.

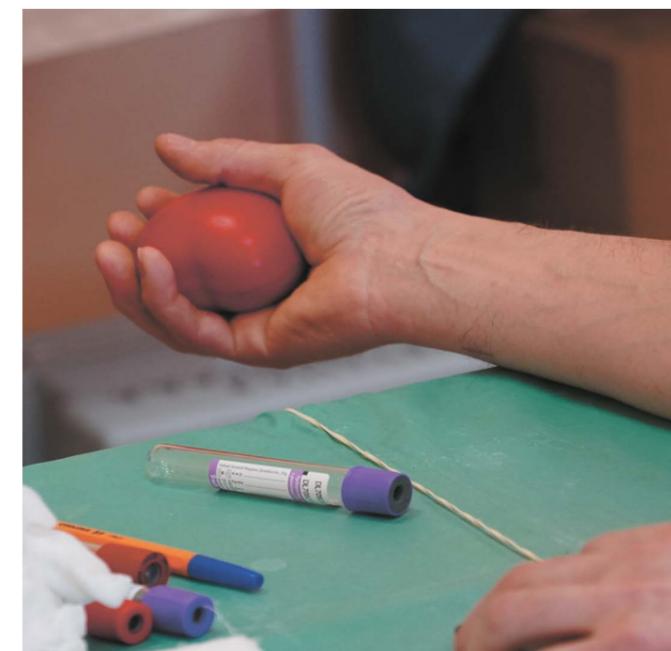


Amber Sensory room after renovation

Kaliningrad blood transfusion station

Beginning in 2014, Bloodgiving Day takes place at the amber combine every quarter. For many workers, giving blood has become a fact of life. The number of honoured donors among staff is growing. This honour is given after 40 blood donations and 60 plasma donations. This allows for stocks at the regional blood transfusion station to be replenished.

The coronavirus pandemic has prevented Bloodgiving Days from taking place, only the first day could take place, in January 2020. Blood and blood components were given by 56 people.





"Portrait of Eleanor Vandeleur"
Donat Nonotte, 1760 (Bonhams Auction House, London)



*Responsibility
to the state
and to society*



PROTECTING THE ENVIRONMENT

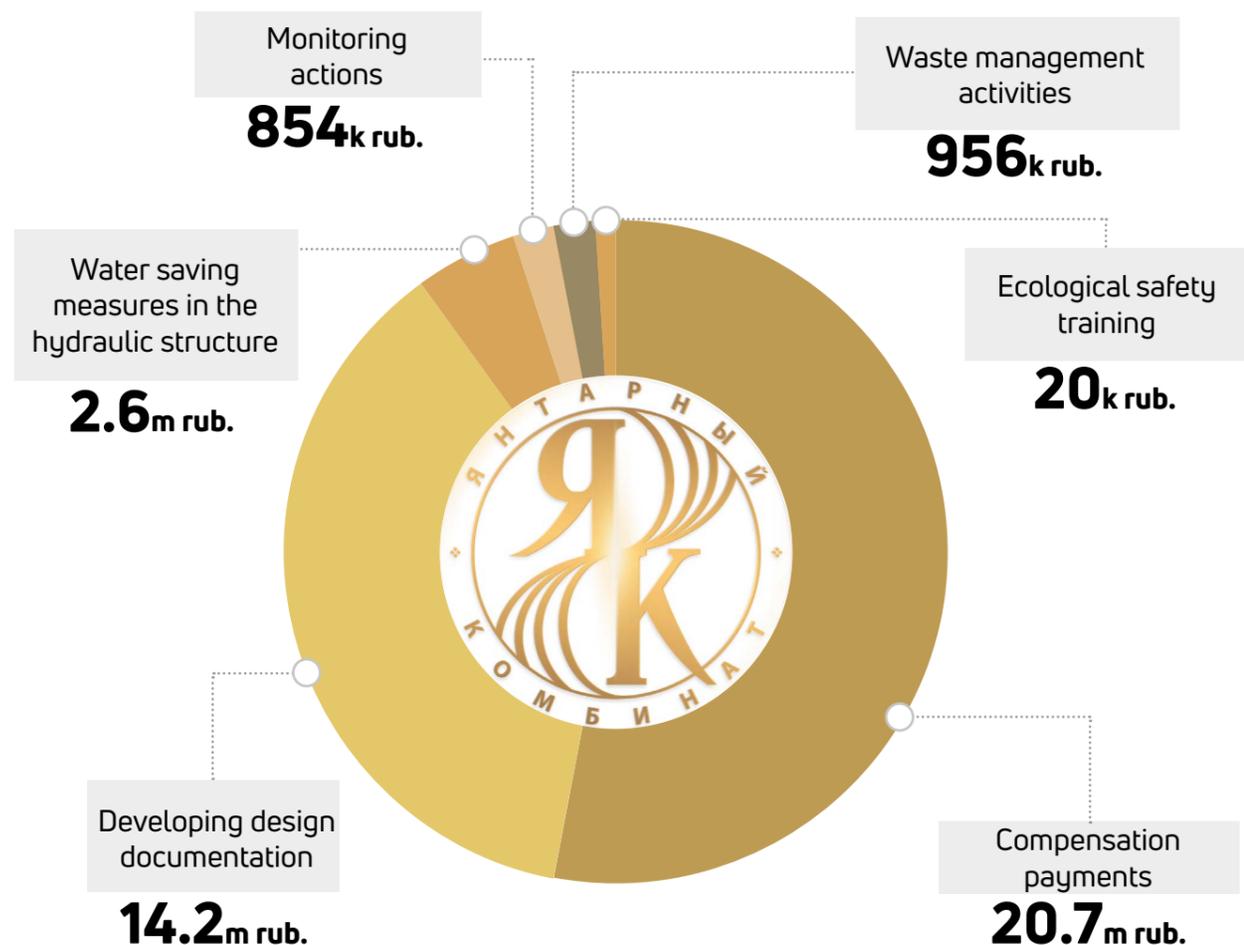
The Kaliningrad Amber Combine has an ecological policy based on the understanding of its responsibility to current and future generations in terms of rational use of natural resources and the desire to maintain a favourable environmental situation.

ENVIRONMENT COSTS

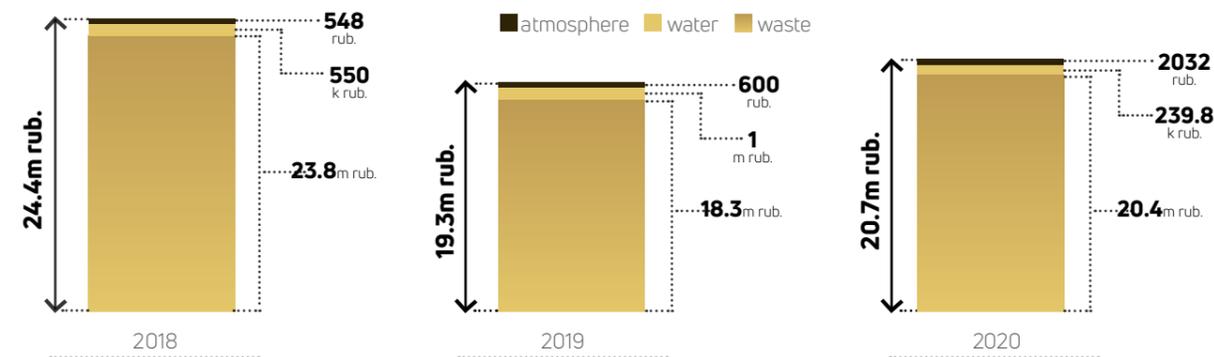
In 2020, costs relating to the company's ecological activities were more than **39.1m rubles**. These funds are directed towards required payments for effects on the environment, developing shoreline disposal area protection projects, and measures relating to waste.

At the same time, proceeds from the sale of waste passed 6.1m rubles in 2020. Besides the standard practice of selling used batteries and handing over waste paper, last year used car oil was sold for recycling. Handing over scrap metal has also contributed to protecting the environment.

COST BREAKDOWN



PAYMENT FOR ENVIRONMENTAL IMPACT



KEY ECOLOGICAL POLICY PRINCIPLES

Following the requirements of Russian legislation and international agreements relating to environmental protection

The combine's production facilities are classified as having a negative impact on the environment. But none of them are included in the first, most dangerous category.

Ensuring citizens have a right to a favourable environment

Monitoring the state of the environment is done both at the combine's production facilities and in territories close to the recreational area. Together with specialised laboratory worker, the absence of a negative impact on the environment in areas bordering residential and recreational areas has been confirmed.

Responsibility for ecological consequences of combine actions and reducing the negative impact on the environment

The company adheres firmly to progressively reducing negative environmental impact. When making decisions, potential risks to the environment are always taken into account.

Openness of environmental information

Information about yearly volumes of polluting substance emissions, as well as waste from production and consumption, including waste transferred for disposal, are provided to Rosprirodnadzor, Nevsko-Ladoga Basin Water Administration, Rosnedra and Rosstat.

Committing to the principles of sustainable development

An unbreakable rule exists at the combine - economic indicators should not be achieved at the expense of the environment, quality of life and the population health. The company's development strategy is aimed at reasonable use of natural resources.

Developing corporate environmental culture

Company staff are trained in industrial safety and dealing with waste, and take part in seminars dedicated to applying environmental legislation. Every month, environmental campaigns take place to improve the territory.



Plant employees took part in the All-Russian Ecological Recital

More than 20 employees from various divisions demonstrated their knowledge in environmental protection 10 people received Class II and Class III winner's certificates.





"Portrait of Louise of Mecklenburg-Strelitz",
Josef Maria Grassi, 1802 (Charlottenburg Palace, Berlin)



*Promoting
the amber
brand*



AMBER TOURISM

◆◆◆◆◆ The Kaliningrad Amber combine is actively developing industrial tourism. Two tourist display facilities are open to the public at the company. The Amber Chamber interactive exhibition hall, and the Primorsky Quarry viewing platform.

In 2020, tourist facilities were closed from the 28th of March to the 26th of June, and have also been opened with restrictions for a year, due to conditions caused by the coronavirus pandemic. Nevertheless, **79,657** tourists visited the Amber Combine.

The absolute record for number of visitors to the company was broken in 2019, when the number of tourists was more than 115,000 people. In 2018, that number was more than 70,000 people.

◆◆◆◆◆ **8014 PEOPLE VISITED TOURIST FACILITIES FREE OF CHARGE IN THE REPORTING YEAR.**

The company runs free tours for orphans, school groups, vocational colleges, people with disabilities, representatives of regional and federal public socially-oriented non-profits, and also for members of official delegations.

In 2020, a project to create a second hall at the Amber Chamber exhibition space with an area of around 270sq. m. was started. This tourist facility was opened in 2017, in time for the combine's 70th anniversary. It is located in the building of the Kaliningrad Amber Combine's former tool shop, which has undergone major renovations. The exhibition hall, which is dedicated to Baltic amber and the mining business, has received the highest ratings from experts and tourists using modern multimedia technologies. The second hall is planned to be opened in 2021.



A large scale reconstruction at the Primorsky Quarry viewing platform also took place in the jubilee year. A multifunctional complex with attractions, dioramas and art facilities, a cafeteria, and a company shop, where products made from mined amber are sold. In the centre of the viewing platform there is a pyramid made from amber, which required more than 800kg of sunstone to be built. A viewing tower has also been built on the platform.



POPULARISATION OF AMBER

The Kaliningrad Amber Combine also works closely with the media and is open to collaboration with studios specialising in documentary and feature films, and pop science programmes.

In 2020, the TV channel Zvezda released a film, "Amber Fever" as part of the documentary series, "Riddles of the Century" with Sergey Medvedev, dedicated to Russia's amber industry. The film talks about the decline of the industry in the 1990s and in the early 2000s, about the black market and criminal structures, and also about how the new team at the Amber Combine was able to stop criminal channels and direct funds to the budget and the development of the company.



THE FEATURE FILM, "HOTEL", DIRECTED BY ALEXANDER BALUYEV, WAS FILMED IN THE COMBINE'S PRODUCTION FACILITIES

An Arabic language two part film about Russian amber was filmed at the Kaliningrad Amber Combine in 2019 and was released on state television in Qatar. Qatar TV's audience of millions of people were shown and told about Baltic amber, how it is mined by combine staff and what unique products are made from it.



CHILDREN'S DRAWING CONTEST

Nearly 3500 children from more than 40 regions of Russia took part in the All-Russian drawing contest, "I Love Amber", in 2020. The competition has been held for several years by the Kaliningrad Amber Combine.

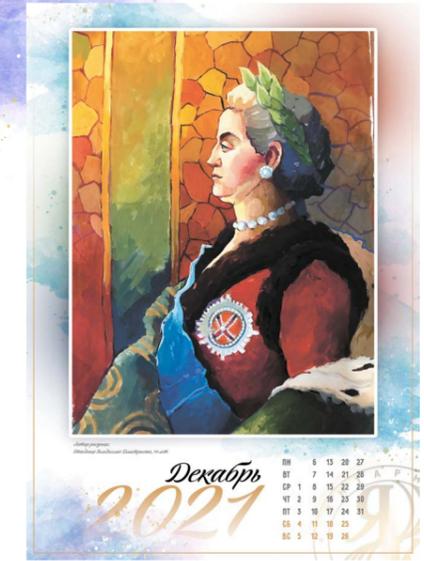
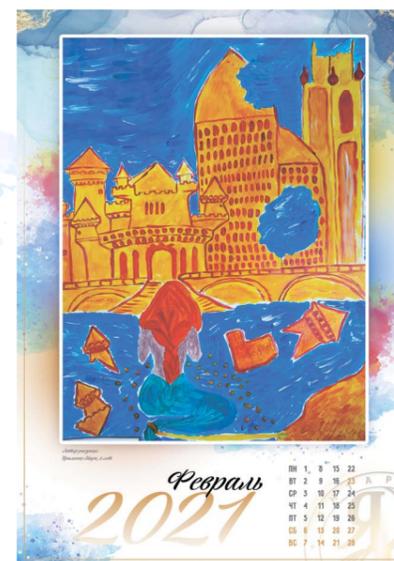
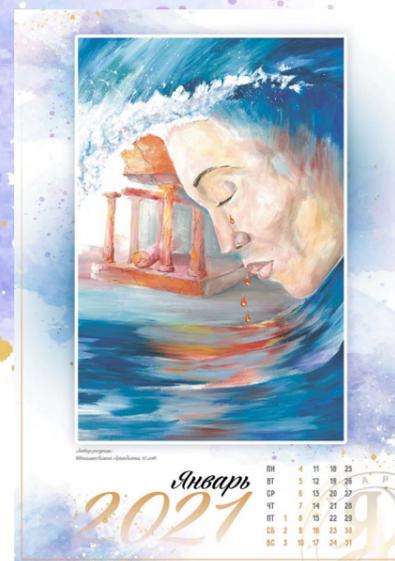
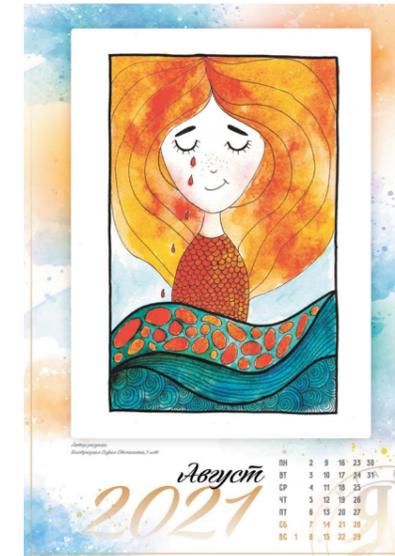
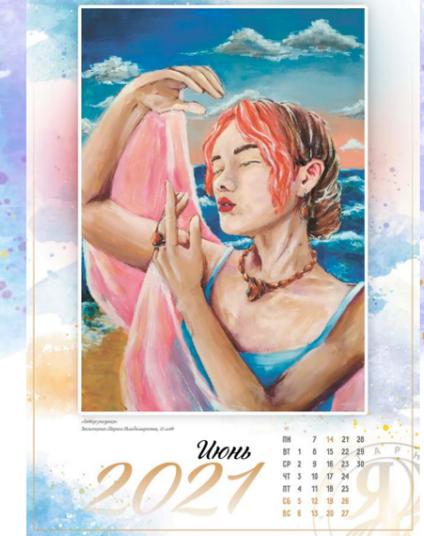
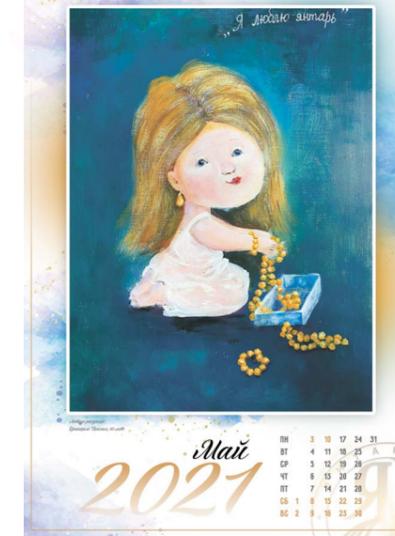
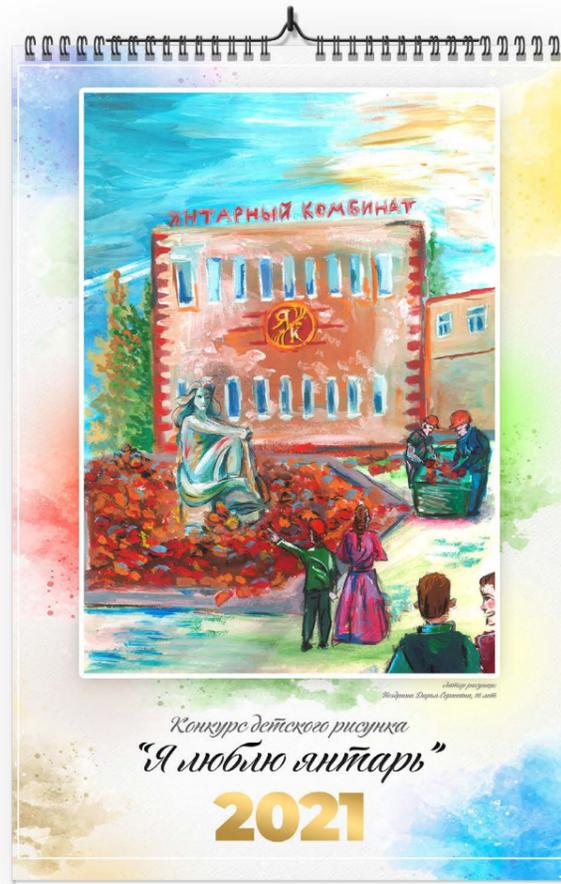
THE CONTESTANTS WERE AGED BETWEEN 2 TO 18 YEARS, ALTHOUGH ACCORDING TO CONTEST RULES, ONLY YOUNG ARTISTS OF UP TO 16 YEARS INCLUSIVE COULD TAKE PART. THE CONTEST COMMISSION NAMED 9 WINNERS, 3 IN EACH AGE CATEGORY, AND ANOTHER 25 OUTSTANDING PERFORMERS. THE AUTHORS OF THE BEST WORKS RECEIVED CERTIFICATES AND MEMORABLE AND VALUABLE GIFTS



The team at the Teremok Health Centre received a special prize and certificates for contest participants

CORPORATE CALENDARS

EVERY YEAR THE COMBINE RELEASES CORPORATE CALENDARS WITH ILLUSTRATIONS OF WINNING WORKERS AND PARTICIPANTS IN THE CHILDREN'S DRAWING CONTEST, "I LOVE AMBER", AND ALSO WITH IMAGES OF VARIOUS SUNSTONE PRODUCTS. A CALENDAR WITH JEWELLERY MADE FROM AMBER WAS RELEASED IN 2020



Калининградский Ювелирный Комбинат

2021

Кто любит своё дело - превращает его в искусство

04 Апрель

	1	2	3	4	5	6
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28	29	30				

05 Май

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06 Июнь

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07 Июль

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08 Август

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09 Сентябрь

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01 Январь

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02 Февраль

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03 Март

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10 Октябрь

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11 Ноябрь

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12 Декабрь

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21	22	23	24	25	26	27
28	29	30	31			



"Portrait of Maria Radcliffe",
William Larkin, approx 1610 - 1613
(Denver Art Museum, USA)



*Plans for
2021*





2021
A year of
discoveries

JSC Kaliningrad Amber Combine
238580, Kaliningrad Oblast,
Settlement of Yantarny, Balebina Street, Building 1