

**GROUP OF COMPANIES
«SEGEZHA» PUBLIC
JOINT STOCK
COMPANY**

**Interim Condensed Consolidated Financial
Statements for the Six Months
Ended 30 June 2022
(unaudited)**

SEGEZHA GROUP PJSC

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SEGEZHA GROUP PJSC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

Management is responsible for the preparation of the interim condensed consolidated financial statements of Group of Companies Segezha PJSC and its subsidiaries (the "Group"), which comprise the interim condensed consolidated statement of financial position as at 30 June 2022, and the interim condensed consolidated statements of profit and loss and other comprehensive income, changes in equity and cash flows for the six months ended 30 June 2022, in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

In preparing the interim condensed consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for the following:

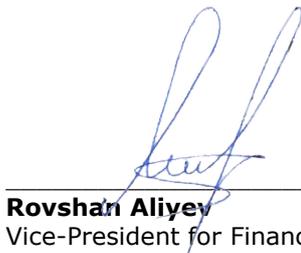
- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group companies;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IAS 34 *Interim Financial Reporting*;
- Maintaining statutory accounting records in accordance with the legislation and accounting standards of the countries where the Group operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

These interim condensed consolidated financial statements of the Group for six months ended 30 June 2022 were approved by management on 25 August 2022.

On behalf of the Management



Mikhail Shamolin
President



Rovshan Aliyev
Vice-President for Finance and Investment

25 August 2022

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders and the Board of Directors of Group of Companies "Segezha" Public Joint Stock Company

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Group of Companies "Segezha" Public Joint Stock Company (the "Company") as at 30 June 2022 and the related interim condensed consolidated statements of profit and loss and other comprehensive income, change in equity and cash flows for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of the interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.


Palamarchuk Anton
Engagement partner

АО "Business Solutions and Technologies"
(ORNZ № 12006020384)

25 August 2022



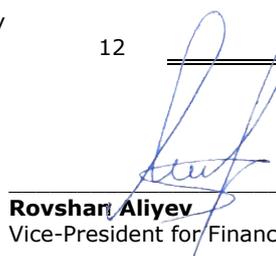
SEGEZHA GROUP PJSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED) (in millions of Russian Rubles)

	Notes	For the six months ended	
		30 June 2022	30 June 2021
Revenue		63,327	42,671
Cost of sales		(37,752)	(25,394)
Gross profit		25,575	17,277
Selling and administrative expenses		(14,627)	(8,036)
Other operating (expense)/income, net		(308)	545
Operating profit		10,640	9,786
Interest income		720	255
Interest expense		(4,748)	(1,814)
Other finance income	14	2,145	344
Foreign exchange differences, net		5,966	1,175
Profit before tax		14,723	9,746
Income tax expense	8	(2,722)	(2,164)
Net profit for the reporting period		12,001	7,582
Other comprehensive loss			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		(1,068)	(33)
Other comprehensive loss		(1,068)	(33)
Total comprehensive income for the reporting period		10,933	7,549
Net profit/(loss) attributable to:			
Shareholders of Segezha Group PJSC		11,999	7,583
Non-controlling interests		2	(1)
		12,001	7,582
Total comprehensive income/(loss) attributable to:			
Shareholders of Segezha Group PJSC		10,931	7,550
Non-controlling interests		2	(1)
		10,933	7,549
Earnings per share for profit attributable to the ordinary equity holders of the Company (in RUB)	12	0.76	0.58


Mikhail Shamolin
President

25 August 2022


Rovshan Aliyev
Vice-President for Finance and Investments

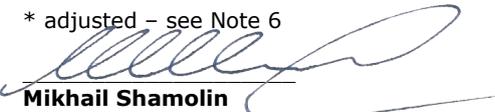
The accompanying notes on pages 8 - 23 are an integral part of these interim condensed consolidated financial statements.

SEGEZHA GROUP PJSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (in millions of Russian Rubles)

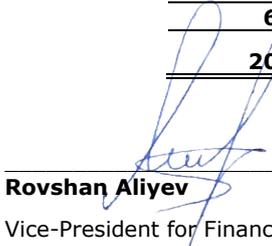
	Notes	30 June 2022	31 December 2021*
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	9	84,098	84,308
Right-of-use assets	16	47,814	49,430
Intangible assets		5,990	5,984
Goodwill		444	444
Investments in joint ventures and associates	7	1,387	593
Deferred tax assets		2,472	1,947
Prepayments for non-current assets, net	6	5,566	5,280
Loans issued to related parties	15	9,907	8,266
Other financial assets		181	-
Other non-current assets		1,012	629
Total non-current assets		158,871	156,881
CURRENT ASSETS:			
Inventories, net		25,889	21,965
Contract assets		1,062	1,186
Trade and other receivables, net		7,807	7,370
Taxes receivable		3,364	5,245
Income tax receivable		3,634	2,263
Advances and other current assets		2,938	2,815
Cash and cash equivalents	10	3,714	12,634
Total current assets		48,408	53,478
TOTAL ASSETS		207,279	210,359
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	11	1,569	1,569
Additional paid-in capital	11	35,129	35,129
Retained earnings		9,446	7,758
Accumulated other comprehensive income		641	1,709
Equity attributable to the shareholders of Segezha Group PJSC		46,785	46,165
Non-controlling interest		29	27
Total equity		46,814	46,192
NON-CURRENT LIABILITIES:			
Loans and borrowings	13	60,177	52,362
Lease liabilities	16	18,387	19,446
Other financial liabilities	14	-	974
Pension obligations		520	737
Deferred tax liabilities	8	10,814	8,652
Consideration payable for business acquisition	6	2,558	3,715
Other non-current liabilities		3,576	3,472
Total non-current liabilities		96,032	89,358
CURRENT LIABILITIES:			
Loans and borrowings	13	38,690	21,409
Trade and other payables		15,482	14,481
Lease liabilities	16	3,168	3,203
Provisions		1,437	1,214
Taxes payable		1,941	2,489
Income tax payable		874	1,484
Consideration payable for business acquisition		945	18,411
Dividends payable	11	-	6,590
Advances received		1,896	5,528
Total current liabilities		64,433	74,809
TOTAL EQUITY AND LIABILITIES		207,279	210,359

* adjusted – see Note 6


Mikhail Shamolin

President

25 August 2021


Rovshan Aliyev

Vice-President for Finance and Investments

The accompanying notes on pages 8 - 23 are an integral part of these interim condensed consolidated financial statements.

SEGEZHA GROUP PJSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (in millions of Russian Rubles)

	Notes	Share/ charter capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income		Equity attributable to shareholders of PJSC Segezha Group	Non- controlling interests	Total equity
					Translation to presentation currency	Other			
31 December 2020		1,194	6,324	(345)	1,704	(135)	8,742	127	8,869
Net income/(loss) for the reporting period		-	-	7,583	-	-	7,583	(1)	7,582
Other comprehensive loss for the period		-	-	-	(33)	-	(33)	-	(33)
Total comprehensive income/(loss) for the period		-	-	7,583	(33)	-	7,550	(1)	7,549
Issue of shares through public offering		375	29,625	-	-	-	30,000	-	30,000
Share issue transactions costs net of current and deferred income tax	11	-	(820)	-	-	-	(820)	-	(820)
Distribution to companies under common control		-	-	(37)	-	-	(37)	-	(37)
30 June 2021		1,569	35,129	7,201	1,671	(135)	45,435	126	45,561
31 December 2021		1,569	35,129	7,758	1,771	(62)	46,165	27	46,192
Net income for the reporting period		-	-	11,999	-	-	11,999	2	12,001
Other comprehensive loss for the period		-	-	-	(1,068)	-	(1,068)	-	(1,068)
Total comprehensive income/(loss) for the period		-	-	11,999	(1,068)	-	10,931	2	10,933
Distribution to companies under common control		-	-	(269)	-	-	(269)	-	(269)
Dividends to the shareholders	11	-	-	(10,042)	-	-	(10,042)	-	(10,042)
30 June 2022		1,569	35,129	9,446	703	(62)	46,785	29	46,814

The accompanying notes on pages 8 - 23 are an integral part of these consolidated financial statements.

SEGEZHA GROUP PJSC**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**
(in millions of Russian Rubles)

	Notes	For the six months ended	
		30 June 2022	30 June 2021
Cash flows from operating activities:			
Net profit for the reporting period		12,001	7,582
<i>Adjustments for:</i>			
Depreciation and amortisation		5,701	2,866
Depreciation of right-of-use assets	16	1,345	534
Interest income recognised in profit and loss		(720)	(255)
Interest expense recognised in profit and loss		4,748	1,814
Other finance income	14	(2,145)	(344)
Income tax expense recognised in profit and loss	8	2,722	2,164
Foreign exchange differences, net		(5,966)	(1,175)
Other non-monetary operating expenses, net		-	181
		17,686	13,367
<i>Movements in working capital:</i>			
Increase in trade and other receivables		(6,380)	(3,415)
Increase in inventories		(4,653)	(2,494)
Decrease in other assets		426	12
Increase/(decrease) in trade and other payables		787	(272)
(Decrease)/increase in other liabilities		(1,210)	276
		6,656	7,474
Cash generated from operating activities		6,656	7,474
Interest paid		(3,467)	(1,291)
Income taxes paid		(3,341)	(1,862)
		(152)	4,321
Net cash (used in)/from operating activities		(152)	4,321

The accompanying notes on pages 8 - 23 are an integral part of these consolidated financial statements.

SEGEZHA GROUP PJSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) (in millions of Russian Rubles)

	Notes	For the six months ended	
		30 June 2022	30 June 2021
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(6,377)	(8,554)
Proceeds on disposal of property, plant and equipment	9	95	208
Loans issued to joint venture	15	(1,641)	(1,462)
Interest received		265	255
Advances on business acquisitions	6	-	(4,678)
Investments in joint ventures	7	(791)	(280)
Distribution to companies under common control		(269)	(37)
Net cash outflow on acquisition of Group companies	6	(18,390)	-
		(27,108)	(14,548)
Cash flows from financing activities			
Proceeds from issue of shares through public offering	11	-	30,000
Share issue transactions costs	11	-	(29)
Proceeds from loans and borrowings	13	29,865	10,322
Proceeds from bonds	13	17,200	-
Repayment of principal of loans and borrowings	13	(12,036)	(11,619)
Other finance income	14	990	204
Dividends paid	12	(16,614)	-
Lease liability payments	16	(1,682)	(782)
		17,723	28,096
Net (decrease)/increase in cash and cash equivalents		(9,537)	17,869
Cash and cash equivalents at the beginning of the half-year	10	12,634	3,670
Effect of exchange rate changes on cash held in foreign currencies		617	(148)
Cash and cash equivalents at the end of the half-year	10	3,714	21,391

The accompanying notes on pages 8 - 23 are an integral part of these consolidated financial statements.

SEGEZHA GROUP PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in millions of Russian Rubles, unless otherwise indicated)

1. GENERAL INFORMATION

Group of Companies «Segezha» Public Joint Stock Company (hereinafter, the “Company” or jointly with its subsidiaries – «Segezha Group» or the «Group») is a vertically integrated timber holding company with full-cycle logging and value-added wood conversion. The Group operates both Russian and European timber, woodworking, pulp and paper companies, as well as paper packaging producers.

Group of Companies «Segezha» Public Joint Stock Company (hereinafter – PJSC “Segezha Group” or the Company) was incorporated in the Russian Federation (“RF”) in 2013 (before 7 April 2021 Group of Companies “Segezha” Joint Stock Company). The Company has a registered office 15, level 45, at 10 Presnenskaya Naberezhnaya, Moscow.

As at 30 June 2022 and 31 December 2021 Sistema, PJSC (0.53%) and its subsidiary Sistema Telecom Assets, LLC (61.57%) were the key shareholders of the Company. 23.9% of the Company’s ordinary shares are traded in a public market (Note 11).

Significant companies of the Group of Companies «Segezha» PJSC, their shares of ownership, location and principal activities presented in the annual consolidated financial statements for 2021 remained unchanged, except for the information provided in the relevant notes.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Group’s last audited annual consolidated financial statements as at and for the year ended 31 December 2021 (‘annual financial statements for 2021’).

These financial statements do not include the information and explanatory notes which are to be disclosed in the annual consolidated financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2021 prepared in accordance with International Financial Reporting Standards (“IFRS”), such as accounting policies and details of accounts, which remain significantly unchanged in their amount or structure.

Going concern assumption

Management has prepared these consolidated financial statements on a going concern basis. This judgment has been made by management based on the Group’s financial position, current plans, profitability of operations and availability of financial resources, as well as the impact of recent macroeconomic changes on the future operations of the Group.

As at 30 June 2022, current liabilities exceeded the Group's current assets by RUB 16,025 million. This excess is mainly due to short-term loans and borrowings drawn to finance the settlement of the consideration payable for the business acquisition of Inter Forest Rus LLC and its subsidiaries (Note 5) in the amount of RUB 18,390 million. Taking into account the significant changes in the key rate of the Central Bank of Russia during the first half of 2022, the Group engages in optimizing its loans and borrowings portfolio based on the issue of corporate bonds (Note 18), among other instruments. This allows us to conclude that the Group is able to continue its operations for a period exceeding, at least, twelve months from the reporting date, and fulfill all of its obligations in accordance with the agreed terms.

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these interim condensed consolidated financial statements, the Group applied the same accounting principles and method of computation used in preparing the annual consolidated financial statements for 2021. None of the amendments and interpretations of the standards effective from 1 January 2022 had a material effect on these interim condensed consolidated financial statements of the Group.

SEGEZHA GROUP PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in millions of Russian Rubles, unless otherwise indicated)

4. OPERATING SEGMENTS

Operating segments are components that engage in business activities from which they may earn revenues and incur expenses. The Chief Operating Decision Maker (CODM) is responsible for the regular analysis of segment performance, with financial information provided for operating segments. The CODM function is the responsibility of the Management Board, led by the President of the Group.

The Group's segments are strategic business units defined based on the goods and services they produce with a focus on certain customer categories. The Group has three operating segments:

- **Paper and packaging** segment is engaged in the production and sale of sack kraft paper and artificial parchment produced from northern unbleached softwood kraft. The segment also offers the whole range of brown sack paper, as well as industrial paper sacks for a wide range of industries, such as cement, building, food, agriculture and chemicals, and retail paper bags;
- **Forestry management and wood working** segment is engaged in the production of high-quality northern softwood sawn timber and wood chips. Sawn timber is used in construction, manufacturing of furniture blanks, glued timber structures, as well as wooden containers and packaging. The segment includes assets acquired in 2021: JSC "Novoyeniseiskiy Wood-Chemical Complex" and sawmills and forestry management facilities of Inter Forest Rus LLC and its subsidiaries (Note 6);
- **Plywood and boards** segment is engaged in the production of high-tech birch plywood of various types, dry process wood fibreboards ("fibreboards") and RUF fuel briquettes. Plywood is then used in construction, furniture manufacturing, transportation and packaging. Fibreboards are used in the manufacture of doors, wall coverings and floorings, moldings and furniture. The segment includes plywood assets of Inter Forest Rus LLC and its subsidiaries acquired in 2021 (Note 6);
- **Laminated wood products** segment is engaged in the production of glued laminated timber, glulam-based home kits and cross-laminated timber (CLT panels) that are used in the construction of wooden houses and multi-story buildings over 10 stories in height.

For the purpose of presentation, operating segments are reported without aggregation. The *Other* group includes companies that are not operating segments, i.e. management and holding companies. For the period ended 30 June 2021 it also includes the Group's companies engaged in sales of carton boards produced using a tolling scheme with a pulp and paper mill located in Vyborg, which are not material for the Group at the moment and, therefore, not regarded as a separate reporting segment.

The CODM analyses IFRS financial information, adjusted based on the internal reporting requirements. Segment operation results are assessed based on OIBDA (operating income before depreciation and amortization) indicators. OIBDA is calculated as operating profit and loss before depreciation and amortisation. Assets and liabilities by segment are not reported to the CODM on a regular basis.

Transaction prices between operating segments are set on an arm's length basis.

The Group's financial transactions (including finance costs, finance income, and other income) and income taxes are treated with regards to the Group as a whole, without allocation to operating segments.

SEGEZHA GROUP PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (in millions of Russian Rubles, unless otherwise indicated)

The following is an analysis of reportable segments for the six months ended 30 June 2022:

	Paper and packaging	Forestry management and wood working	Plywood and boards	Laminated wood products	Other	Total segments
Segment revenue analysed by management	22,598	33,734	7,431	3,952	2,892	70,607
Elimination of intersegment transaction revenue	(4)	(4,307)	(13)	(113)	(2,843)	(7,280)
Total revenue from external customers	22,594	29,427	7,418	3,839	49	63,327
OIBDA	5,615	9,720	3,011	1,555	(2,212)	17,689

The following is an analysis of reportable segments for the six months ended 30 June 2021:

	Paper and packaging	Forestry management and wood working	Plywood and boards	Laminated wood products	Other	Total segments
Segment revenue analysed by management	18,687	14,744	5,429	2,852	5,072	46,784
Elimination of intersegment transaction revenue	(7)	(2,424)	-	(109)	(1,573)	(4,113)
Total revenue from external customers	18,680	12,320	5,429	2,743	3,499	42,671
OIBDA	5,128	5,710	2,461	1,201	(1,315)	13,185

Below is the reconciliation of segment OIBDA and consolidated operating profit and the Group's profit before tax:

	For the six months ended 30 June 2021	30 June 2020
OIBDA	17,689	13,185
Depreciation and amortisation expense	(7,046)	(3,400)
Other	(3)	1
Operating profit	10,640	9,786
Interest income	720	255
Interest expense and other finance expenses	(2,603)	(1,470)
Foreign exchange differences, net	5,966	1,175
Profit before tax	14,723	9,746

Despite the fact that the activity of some subsidiaries of the Group and their financial results were historically exposed to certain seasonal trends, different in the first and the second half of the year, the consolidated financial results of the Group historically were not exposed to material seasonal fluctuations.

The increase in revenue and OIBDA of *Forestry management and wood working* segment is due to consolidation of the results of sawmills and forestry management facilities of Inter Forest Rus LLC and its subsidiaries. The decrease in revenue of the *Other* group is due to cessation of sales of carton boards produced using a tolling scheme with a pulp and paper mill located in Vyborg.

SEGEZHA GROUP PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in millions of Russian Rubles, unless otherwise indicated)

5. PRIOR PERIOD ADJUSTMENT

As required by the provisions of IFRS 3 "Business Combinations" as at 31 December 2021 the Group has not completed assessment of the fair value of the acquired assets and liabilities and corresponding purchase price allocation for the acquisition of Inter Forest Rus LLC and its subsidiaries (Note 6). The Group has to retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as at the date of acquisition.

The Group has made the following adjustments to the Statement of Financial Position as at 31 December 2021:

	As reported at 31 December 2021	Adjustments	As adjusted at 31 December 2021
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	81,388	2,920	84,308
Right-of-use assets	49,105	325	49,430
Intangible assets	5,968	16	5,984
Deferred tax assets	1,317	630	1,947
		-	
CURRENT ASSETS:			
Inventories, net	23,470	(1,505)	21,965
Trade and other receivables, net	8,225	(855)	7,370
Taxes receivable	7,712	(204)	7,508
Advances and other current assets	3,093	(278)	2,815
		-	
NON-CURRENT LIABILITIES:			
Lease liabilities	19,256	190	19,446
Deferred tax liabilities	8,555	97	8,652
Other non-current liabilities	4,296	(824)	3,472
		-	
CURRENT LIABILITIES:			
Loans and borrowings	21,364	45	21,409
Trade and other payables	14,432	49	14,481
Lease liabilities	3,184	19	3,203
Provisions	1,262	185	1,447
Taxes payable	3,391	349	3,740
Dividends payable	6,591	(1)	6,590
Advances received	4,588	940	5,528

The adjustments made mainly relate to the following:

- revision of the register of rental agreements that fall with the scope of IFRS 16 "Leases";
- accrual of provisions in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (reforestation, employee benefits);
- revision of recoverable amount of inventory (allowance for inventory impairment);
- accrual of the allowance for expected credit losses for trade and other receivables in accordance with IFRS 9 "Financial Instruments";
- revision of the trade receivables in accordance with the revenue recognition rules set by IFRS 15 "Revenue from Contracts with Customers";
- revision of the deferred tax assets and liabilities arising from the above adjustments;
- other individually immaterial adjustments.

SEGEZHA GROUP PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) *(in millions of Russian Rubles, unless otherwise indicated)*

6. BUSINESS COMBINATIONS

Acquisition of LLC "Inter Forest Rus" and its subsidiaries

On 28 December 2021 the Group has acquired from a third party a 100% stake in share capital of Inter Forest Rus LLC and its 24 subsidiaries, including four sawmills, a plywood mill, pellets production, as well as forestry management facilities with annual allowable cuts at 10.9 million cubic meters. All acquired facilities are located in the Krasnoyarsk and Irkutsk regions.

Provisional purchase price includes cash settlement in the total amount of USD 528 million (equivalent to RUB 38,748 million at the exchange rate effective on the acquisition date), with USD 230 millions (equivalent to RUB 16,951 millions at the exchange rates effective on the day of each payment) paid during 2021, RUB 18,390 million the Group paid in January-March 2022. Provisional purchase price is subject to adjustments calculated on the basis of the actual OIBDA and Working capital of the acquired assets balances for 2021, as well as other applicable adjustments. As at the date of these financial statements the Group has not completed the procedures for negotiating the final purchase price.

Included in long-term payables from acquisitions are deferred payments in the total amount of USD 50 million (RUB 2 558 million as at 30 June 2022) payable in equal amounts after 2 and 4 years from the date of signing of the acquisition agreement. Deferred consideration is not discounted as it is used as collateral for the possible damage to the Group due to decisions and actions of the previous owners. The collateral covers, among other things the risk of property loss, accrual of additional taxes, fees and penalties, alienation of annual allowable cuts.

As at 30 June 2022 the Group has not completed assessment of the fair value of the acquired assets and liabilities and corresponding purchase price allocation. Purchase price allocation of fair value of assets and liabilities will be concluded within 12 months from the date of acquisition. The adjusted provisional fair value measurement at the acquisition date is as follows:

	Fair value (preliminary valuation) as at 28 December 2021	Adjust- ments	Fair value (adjusted preliminary valuation) as at 28 December 2021
Assets and liabilities			
Property, plant and equipment	23,490	2,920	26,410
Right-of-use assets	28,731	325	29,056
Intangible assets	557	16	573
Deferred tax assets	771	630	1,401
Cash and cash equivalents	310	-	310
Inventories	8,031	(1,505)	6,526
Trade and other accounts receivable	2,229	(923)	1,306
Other current assets	2,836	(483)	2,353
Lease liabilities	(8,271)	(209)	(8,480)
Deferred tax liabilities	(7,068)	(97)	(7,165)
Loans and borrowings	(4,308)	(45)	(4,353)
Provisions	(5)	(185)	(190)
Other non-current liabilities	(4,281)	824	(3,457)
Trade and other payables	(4,274)	(1,268)	(5,542)
Total identifiable net assets	38,748		38,748
Provisional purchase price	38,748		38,748
Settled in the form of:			
Cash consideration	16,951		16,951
Cash consideration payable (as at date of acquisition)	21,797		21,797
	38,748		38,748

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Taking into account that the companies acquired had no previous IFRS accounting and did not prepare financial statements in accordance with IFRS requirements, the Group based its provisional valuation of the acquired assets and assumed liabilities on the following:

- the total value of property, plant and equipment was determined as the difference between the provisional purchase price of Inter Forest Rus LLC and the preliminary valuation of other identifiable assets and liabilities;
- the total value of right-of-use assets was calculated on the available information on similar comparable transactions concluded in the reporting period;
- lease liabilities are accounted for in accordance with IFRS 16 Leases discounted future cash payments under lease contracts for the full duration of the lease contracts taking into account the Group's intention for renewal. The Group revised the register of rental agreements that fall with the scope of IFRS 16 "Leases";
- trade and other receivables are reported adjusted for the allowance for expected credit losses in accordance with IFRS 9 "Financial Instruments", trade receivables are reported adjusted for the revenue recognition rules set by IFRS 15 "Revenue from Contracts with Customers";
- trade and other payables are reported based on the best estimate of contractual cash flows payable at the acquisition date;
- inventories are reported at its recoverable amount;
- other long-term liabilities are reported at the historic cost at the acquisition date;
- cash and cash equivalents and loans and borrowings are reported based on book value at the reporting date.

7. JOINT VENTURES AND ASSOCIATES

As at 30 June 2022 and 31 December 2021, joint ventures and associates comprised:

	Principal activities	Type	Country	Book value		Effective shares of ownership, %	
				30 June 2022	31 December 2021	30 June 2022	31 December 2021
GalichLes LLC, GPM LLC (Galich Plywood Mill)	Forestry management Plywood and boards	Joint ventures	Russia	-	-	85%	85%
Group Segezha West LHC	Pulp and paper	Joint ventures	Russia	1,000	410	60% less 2 shares	100%
Karellesprom, JSC	Timber resources	Associates	Russia	87	87	43,88%	43.88%
Segezha Nord, LLC	Hotel management	Joint ventures	Russia	277	76	50%	50%
Other				23	20	-	-
Total				1,387	593	-	-

Changes in the carrying amount of the Group's investments in the associates and joint ventures are presented as follows:

	For the six months ended	
	30 June 2022	30 June 2021
Balance, beginning of the year	593	458
Increased investments in joint ventures and associates	794	227
Balance, end of the reporting period	1 387	685

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GalichLes LLC and Galich Plywood Mill LLC

The summarised financial information below represents amounts in joint ventures' financial statements prepared in accordance with IFRS Standards:

	30 June 2022	31 December 2021
Current assets	2,901	2,413
<i>inc. Cash and cash equivalents</i>	717	295
Non-current assets	17,370	14,225
Total assets	20,271	16,638
Current liabilities:		
Trade and other payables	(1,220)	(974)
Loans and borrowings	(1,389)	(372)
Other current liabilities	(1,137)	(20)
Non-current liabilities:		
Loans and borrowings	(8,030)	(8,098)
Loans received from the Group, including interest accrued (Note 15)	(7,160)	(5,928)
Lease liabilities	(2,098)	(1,522)
Other non-current liabilities	(297)	(268)
Total liabilities	(21,331)	(17,182)
Net assets	(1,060)	(544)
	For the six months ended	
	30 June 2022	30 June 2021
Revenue	445	-
Depreciation and amortisation	(143)	(5)
Interest expense	(206)	(51)
Income tax expense	(95)	(29)
Net loss	(515)	(117)

Group Segezha West

On 25 January 2022 the transfer of ownership over the 40% minus 2 shares stake in Segezha West Project to the Group's partners has been registered, this did not amend the rights to govern significant activities.

The summarised financial information below represents amounts in joint ventures' financial statements prepared in accordance with IFRS Standards:

	30 June 2022	31 December 2021
Current assets	516	900
<i>inc. Cash and cash equivalents</i>	46	417
Non-current assets	5,513	3,217
Total assets	6,029	4,117
Current liabilities:		
Trade and other payables	(779)	(666)
Other current liabilities	(186)	(94)
Non-current liabilities:		
Loans received from the Group, including interest accrued (Note 15)	(3,526)	(2,738)
Other non-current liabilities	(66)	(209)
Total liabilities	(4,557)	(3,707)
Net assets	1,472	410

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8. INCOME TAX

The Group calculates income tax expense for the period using the annual tax rate applicable to the expected comprehensive income for the year. The major components of income tax expense in the interim condensed consolidated statement of profit and loss and other comprehensive income are as follows:

	For the six months ended	
	30 June 2022	30 June 2021
Current income tax expense	1,181	1,760
Prior period adjustments	(94)	(66)
Deferred tax	1,635	470
Total income tax expense recognised in the current period relating to continuing operations	2,722	2,164

The effective tax rate reconciliation for the six months ended 30 June 2022 and 2021 is presented below:

	For the six months ended	
	30 June 2022	30 June 2021
Profit before tax from continuing operations	14,723	9,746
Theoretical income tax expense at the rate of 20%	2,945	1,949
Non-deductible expenses, net	156	298
Effect of tax rate other than the rate of 20%	(304)	(26)
Prior period adjustments	(94)	(66)
Recovery of unutilised tax losses and offsets not recognised as deferred tax assets	19	(89)
Tax effect of restructuring of intercompany settlements	-	98
Total income tax expense recognised in the current year for continuing operations	2,722	2,164

For the six months ended 30 June 2021 additional capital includes RUB 16 million of current income tax and RUB 189 million of deferred tax related to the share issue transactions costs (Note 11).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired assets with total initial cost of RUB 7,003 million (30 June 2021: RUB 8,327 million).

The carrying amount of construction-in-progress as at 30 June 2022 was RUB 16,541 million (31 December 2021: RUB 14,452 million). Borrowing costs capitalized during the six months ended 30 June 2022 amounted to RUB 4 million (30 June 2021: RUB 84 million).

As at 30 June 2022, advances paid to suppliers for the acquisition of property, plant and equipment amounted to RUB 5,566 million (31 December 2021: RUB 5,280 million).

During the six months ended 30 June 2022, the Group disposed of assets with a net carrying amount of RUB 377 million (30 June 2021: RUB 210 million). As a result, the Group received a net profit on disposal in the amount of RUB 95 million (30 June 2021: RUB 43 million).

As at 30 June 2022 the Group assessed whether there were any indicators of the possible impairment of fixed assets and properties in the course of construction. The Group has not identified indicators of the significant deterioration of the long-term financial and operational performance of the Group's assets.

As at 30 June 2022, the Group had contractual obligations to suppliers of machinery and equipment for the acquisition of assets in the total amount of RUB 10,467 million (as at 31 December 2021: RUB 17,522 million). The decrease in the contractual obligations is due to the delivery of the forestry equipment for Lesosibirsky LDK and NLHK, plywood equipment as part of the reconstruction of the Vyatsky Plywood mill project, reconstruction of the sodium recausticizing process at Segezha Pulp and Paper Mill, acquisition of a new paper-making machine on Sokol Pulp and Paper Mill.

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10. CASH AND CASH EQUIVALENTS

As at the reporting date, cash and cash equivalents are as follows:

	<u>30 June 2022</u>	<u>31 December 2021</u>
Cash on hand	3	3
Cash in current accounts	1,978	2,619
Bank deposits with original maturity of less than three months (0.01%- 10%)	<u>1,733</u>	<u>10,012</u>
Total cash and cash equivalents	<u>3,714</u>	<u>12,634</u>

11. EQUITY TRANSACTIONS

On 7 April 2021 Group of Companies "Segezha" Joint Stock Company registered its prospectus of securities, concluded an agreement for the listing of shares, and added indication of the public status to the Company's name (Group of Companies "Segezha" Public Joint Stock Company).

On 28 April 2021 Segezha Group PJSC made initial public offering of 3.75 billion shares on Moscow Exchange. Each share has a par value of RUB 0.1, the indicative price range per one ordinary share was RUB 7.75-11, with the Offer Price was RUB 8.00 per one ordinary share. As a result of the initial public offering the Group raised RUB 30,000 million. Transactions costs directly relating to the share issue and initial public offering amounted to RUB 1,025 million accounted for directly in equity in the total amount of RUB 820 million net of the relevant current and deferred income tax at 20%.

As at 30 June 2022 Company's authorised and issued share capital amounted to RUB 1,569 million (31 December 2021: RUB 1,569 million) and consisted of 15,689,999,362 shares (31 December 2021: 15,690,000,000 shares) with a par value of RUB 0.1. All issued ordinary shares were fully paid. Ordinary shares provide voting rights but do not guarantee dividend returns.

Based on the financial results for 2021, the Company distributed dividends to its shareholders in the total amount of RUB 10,042 million. The dividends have been paid in June 2022. Additionally, in January 2022 the Company paid dividends to its shareholders in the total amount of RUB 6,590 million, distributed based on the financial results for 9 months of 2021.

During the six months ended 30 June 2021, the Group neither distributed nor paid dividends to its shareholders.

12. EARNINGS PER SHARE

The calculation of the earnings per share is based on the net income for the reporting period and a weighted average number of ordinary shares in circulation during the reporting period. The Group has no instruments with potential dilutive effect.

Earnings per share for the six months ended 30 June 2022 and 2021 is presented below:

	For the six months ended	
	<u>30 June 2022</u>	<u>30 June 2021</u>
Net profit attributable to shareholders of Segezha Group PJSC	11,999	7,583
Weighted average number of ordinary shares in circulation (million shares)	<u>15,690</u>	<u>13,142</u>
Earnings per share for profit attributable to the ordinary equity holders of the company (in RUB)	<u>0.76</u>	<u>0.58</u>

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13. LOANS AND BORROWINGS

As at 30 June 2022 and 31 December 2021, loans and borrowings comprised:

	Currency	30 June 2022		31 December 2021	
		Effective interest rate	Carrying amount	Effective interest rate	Carrying amount
Short-term loans and borrowings					
Secured loans					
Short-term bank loans	RUB	10.77%	816	9.18%	4,307
Short-term bank loans	EUR	2.39%	10	2.45%	25
Other			159		293
			985		4,625
Unsecured loans					
Short-term bank loans	RUB	11.30%	22,542	9.67%	7,132
Short-term bank loans	EUR	1.49%	5,170	1.27%	9,652
			27,712		16,784
Short-term corporate bonds					
	RUB	7.45%	9,993		-
			9,993		-
Long-term loans and borrowings					
Secured loans					
Long-term bank loans	RUB	9.13%	2,840	-	-
			2,840		-
Unsecured loans					
Long-term bank loans	EUR	3.35%	10,112	3.22%	17,188
Long-term bank loans	RUB	11.46%	10,332	9.16%	5,154
Other			35		112
			20,479		22,454
Long-term corporate bonds					
	RUB	10.61%	36,858	9.34%	29,908
Total loans and borrowings			98,867		73,771

Assets pledged as security

As at 30 June 2022, the Group pledged the following assets to secure obligations under loan agreements: property, plant and equipment with a carrying amount of RUB 2,556 million; inventories with a carrying amount of RUB 641 million; receivables of RUB 1,724 million, shares in its subsidiaries Verkhnelenskoe Rechnoe Parokhodstvo LTD, Tairiku-Igirma Group LLC, Priangarue TM LLC.

As at 31 December 2021, the Group pledged the following assets to secure obligations under loan agreements and overdrafts: property, plant and equipment with a carrying amount of RUB 3,906 million; inventories with a carrying amount of RUB 917 million; receivables of RUB 944 million, shares in its subsidiaries Verkhnelenskoe Rechnoe Parokhodstvo LTD, Tairiku-Igirma Group LLC, Priangarue TM LLC.

Covenants – as part of loan agreements, the Companies in the Group are subject to certain restrictive covenants, including the consolidated net debt to adjusted consolidated EBITDA ratio (profit before interest, foreign exchange differences, rental expenses, taxes and depreciation and amortisation, which is equivalent to OIBDA adjusted for IFRS 16 lease expenses as detailed in Note 16), compliance with the limits to ownership interest by the Group's ultimate shareholder, with forestry regulations, and with the requirements for the maintenance of licenses and restrictions on making new borrowings (in excess of the set consolidated net debt to the adjusted consolidated EBITDA ratio), providing loans, guarantees, sureties to third parties, assets management (disposing of material assets), increasing of collateral.

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The Group's management monitors the consolidated net debt to adjusted OIBDA ratio. The Group's consolidated net debt to adjusted OIBDA ratio for the 12 months ended 30 June 2022 is as follows:

	12 months, ended 30 June 2022	2021
Loans and borrowings	98,867	73,771
<i>less</i>		
Cash and cash equivalents	(3,714)	(12,634)
Total net debt	95,153	61,137
OIBDA	33,756	29,252
Net debt to OIBDA ratio	2.82	2.09
Lease expenses under IFRS 16	(1,757)	(1,713)
OIBDA adjusted for lease expenses under IFRS 16	31,999	27,539
Net debt to adjusted OIBDA ratio	2.97	2.22

If the Group fail to meet these covenants, creditors may request that debt become immediately due and payable. Certain loan agreements also impose controls with respect to cross defaults by the Group.

As at 30 June 2022 the Group had no breaches of covenants that had not been previously waived by the banks.

As at 31 December 2021 the Group has reclassified a total of RUB 2,770 million of Long-term loans and borrowings to Short-term loans and borrowings due to the breach of several covenants. The liability relates to Priangarue TM, LLC and Verkhnelenskoe Rechnoe Parokhodstvo, LTD control over which was received by the Group on 28 December 2021 (Note 5). The Group had no other breaches of covenants.

14. FAIR VALUE

The carrying amount of the Group's main financial assets and liabilities approximates their fair values, except for the following financial liabilities:

	Carrying amount	Fair value
30 June 2022		
Long-term loans and borrowings	60,177	59,415
31 December 2021		
Long-term loans and borrowings	52,362	52,797

The fair value of long-term loans and borrowings for which the carrying amount at the reporting date is determined on the basis of discounted cash flow belongs to level 3 of the fair value hierarchy. The cash flow was discounted using central bank rate adjusted for the borrower's credit risk for Russian rubles and additionally adjusted for the exchange rate of foreign currencies to discount cash flows in currencies other than Russian Rubles.

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The Group entered into cross-currency interest-rate swap agreements with respect to previously issued corporate bonds. Both principal and half-year interest payments are swapped. The main parameters of the concluded cross-currency interest rate swaps are presented below:

	SWAP 2
30 June 2022	
Transaction date	06.03.2020
Expiration date	23.01.2023
Par value, RUB `million	2,500
Transaction currency	RUB/Euro
Exchange rate as at the transaction date	76.00
Interest rate (RUB)	7.10%
Interest rate (EUR)	1.48%
Spot exchange rate as at the reporting date	53.86
Fair value of assets (RUB million)	181

	SWAP 1	SWAP 2	SWAP 3	SWAP 4	SWAP 5
31 December 2021					
Transaction date	06.03.2020	06.03.2020	12.03.2020	17.11.2021	17.11.2021
Expiration date	23.01.2023	23.01.2023	23.01.2023	13.11.2024	13.11.2024
Par value, RUB `million	2,500	2,500	2,500	5,000	5,000
Transaction currency	RUB/Euro	RUB/Euro	RUB/Euro	RUB/Euro	RUB/Euro
Exchange rate as at the transaction date	76.00	76.00	84.50	82.30	82.30
Interest rate (RUB)	7.10%	7.10%	7.10%	9.85%	9.85%
Interest rate (EUR)	1.48%	1.48%	1.25%	1.78%	1.78%
Spot exchange rate as at the reporting date	84.07	84.07	84.07	84.07	84.07
Fair value of liability (RUB million)	(317)	(312)	(22)	(157)	(167)

These cross-currency interest rate swaps are recognized in the financial statements at fair value through profit and loss (presented in *Other finance income*). The fair value of swaps is determined using discounted future cash flows. Future cash flows are estimated using spot exchange rates (at the reporting date), contract and forward exchange rates, discounted at the interest rates applicable to similar financial transactions at each reporting date (Level 3).

Changes in cross-currency interest rate swaps for the six months ended 30 June 2022 and 30 June 2021, are presented below:

	For the six months ended	
	30 June 2022	30 June 2021
Fair value, beginning of the period	(974)	(943)
Income from interest swap transaction	990	204
Cash received	(990)	(204)
Fair value revaluation	1,155	140
Fair value, end of the period	181	(803)

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15. RELATED PARTY TRANSACTIONS

Information on transactions between the Group and its related parties, which also includes shareholders of the Group, parties related to shareholders of the Group, joint ventures and associates of the Group, as well as members of the Board of Directors and key management personnel is given below.

During the six months ended 30 June 2022 and 2021, the companies in the Group entered into the following related party transactions as part of operating activities, with the following balances recognised in the consolidated statement of financial position as at 30 June 2022 and 31 December 2021:

		Six months ended 30 June		As at the date	
		Sale of goods and services	Purchase of goods and services	Accounts receivable from related parties	Accounts payable to related parties
Sistema, PJSFC	2022	-	-	2	-
	2021	-	1	-	35
Sistema subsidiaries	2022	17	1,163	33	250
	2021	2	1,127	30	4,281
Other related parties	2022	183	3	391	332
	2021	15	344	422	70

Transactions with other related parties are represented by transactions with associates of the Group, so the purchase of goods, services from other related parties includes the purchase of roundwood from PJSC LHK Karellesprom, an associate. Purchases of goods and services from Sistema subsidiaries mainly include purchases of electric power from MTS Energo, LLC.

All related party balances are unsecured and will be settled in cash under normal commercial credit terms. No guarantees have been given or received in relation to any related party balance.

The Group keeps cash in current accounts and as deposits maturing within 3 months with MTS Bank, PJSC, subsidiary of the Sistema, PJSFC.

		Finance income for six months ended 30 June	Cash as at the date
Deposits maturing within to 3 months	2022	256	1,732
	2021	87	10,011
Cash in current accounts	2022	-	811
	2021	-	266

As at 30 June 2022, the Group had outstanding balances of loans issued to Galich Plywood Mill LLC, GalichLes LLC and Group «Segezha West» as a part of joint venture financing.

The change in the loans issued for the 6 months ended 30 June 2022 and 30 June 2021 is presented as follows:

	For the six months ended 30 June 2022	30 June 2021
Balance, beginning of the period	8,266	1,348
Loans issued to joint venture	1,641	1,462
Balance, end of the period	9,907	2,810

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For the six months ended 30 June 2022 the Group received interest income on these loans in the amount of RUB 379 million (for the six months ended 30 June 2021: RUB 71 million). As at 30 June 2020, interest receivable is RUB 779 million (31 December 2021: 400 million)

Remuneration paid to members of the Board of Directors for the six months ended 30 June 2022 was RUB 15 million; for the six months ended 30 June 2021 - RUB 4 million. Remuneration paid to key management personnel for the six months ended 30 June 2022 was RUB 253 million; for the six months ended 30 June 2021 - RUB 289 million.

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group rents forest plots owned by the Russian Federation under operational lease agreements for the period up to 49 years without the right of purchase after expiration of the lease term. The Group has also entered into operating lease agreements for rent of offices, vehicles, machines, and equipment with the average lease terms from 2 to 5 years without extension.

As at 30 June 2022 and 31 December 2021, right-of-use assets comprised:

	Forest plots	Buildings and facilities	Machinery and equipment	Transport	Other	Total
31 December 2021*	45,029	1,339	1,598	476	988	49,430
Additions of right-of-use assets / modification of lease agreements for the period	(141)	163	14	10	120	166
Depreciation of right-of-use assets	(635)	(147)	(346)	(104)	(113)	(1,345)
Disposals of right-of-use assets for the period	(66)	(3)	-	(17)	(14)	(100)
Translation to presentation currency	-	(209)	(114)	(10)	(4)	(337)
30 June 2022	44,187	1,143	1,152	355	977	47,814
31 December 2020	12,028	1,521	337	60	703	14,649
Additions of right-of-use assets / modification of lease agreements for the period	1,285	75	62	16	91	1,529
Depreciation of right-of-use assets	(344)	(128)	(26)	(16)	(20)	(534)
Disposals of right-of-use assets for the period	-	(1)	-	-	(1)	(2)
Translation to presentation currency	-	(34)	(18)	3	(3)	(52)
30 June 2021	12,969	1,433	355	63	770	15,590

*adjusted – see Note 6

For comparability the information for the six months ended 30 June 2021 was adjusted for the separate presentation of the following groups of right-of-use assets: *Machinery and equipment* and *Transport*.

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The table below shows expenses recognised in the statement of profit and loss for the six months ended 30 June 2022 and 2021:

	For the six months ended	
	30 June 2022	30 June 2021
Depreciation of right-of-use assets	1,345	534
Short-term lease expenses	188	23
Interest on lease liabilities	1,032	517
	2,565	1,074

The table below details changes in the liabilities arising from financial activities, including changes related to cash flows and other changes:

	Non-cash changes					
	Opening balance*	Lease liability payments	Conclusion/ (disposal) and modification of lease agreements	Financial expenses	Exchange differences on translation	Closing balance
Lease liability — 2022	22,649	(1,682)	84	1,032	(528)	21,555
Lease liability — 2021	10,954	(782)	1,525	517	(37)	12,177

*adjusted – see Note 6

17. CONTINGENT ASSETS AND LIABILITIES

Taxation

Russian tax, trade and customs legislation that was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to the transactions and activities of the Group. Therefore, the tax position taken by management and the formal documentation supporting the tax position may be challenged by the tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Tax audit may cover three calendar years preceding the year in which the decisions to conduct tax audits are taken. Under certain circumstances, reviews may cover longer periods.

Russian tax legislation does not offer definitive guidance on certain issues. As a result, the Group may from time to time adopt interpretations that can reduce taxes of the Group as a whole. According to management, the tax positions and interpretations adopted are more likely to be recognised. However, there is also a risk that the Group may incur additional expenses should its tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated but may be significant to the financial position of the Group and/or the results of its operations.

Operating environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in millions of Russian Rubles, unless otherwise indicated)

In 2022 foreign policy tensions have disrupted supply chains for both: goods supplied by the Group and certain components, spare parts and auxiliary raw materials and supplies, as well as have increased logistics rates. An increased to 20% key rate resulted in a more expensive debt financing, which was partially reversed by a gradual decrease of the key rate to 8% in July 2022. Moreover, due to the Group's focus on exports (71% of the Group's revenue denominated in foreign currency) the stronger Russian Ruble in April - June 2022 supported by the foreign policy tensions had a negative impact on financial performance of the Group.

Management of the Group takes all the necessary steps to ensure stable operations of the Group. However, the future impact of the current economic developments on the Group's activities is difficult to determine at this stage, the current expectations and estimates of the management may differ from the actual results.

18. EVENTS AFTER THE REPORTING PERIOD

On 18 August 2022, the Group placed on the Moscow Exchange fifteen years uncertificated interest-bearing non-convertible bonds of 002P-05R series totaling RUB 10 bln (10.75% coupon) maturing in three and a half years.