

GROUP OF COMPANIES «SEGEZHA» PUBLIC JOINT STOCK COMPANY

**Interim Condensed Consolidated Financial
Statements for the Six Months
Ended 30 June 2024**
(unaudited)

SEGEZHA GROUP PJSC

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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 and its subsidiaries (the "Group") as of 30 June 2024 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*.

Anton Kochetkov
Engagement partner

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

27 August 2024




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 2024	30 June 2023
Continuing operations			
Revenue	4	48,925	39,787
Operating expenses:			
Cost of goods sold		(36,495)	(30,687)
Selling and administrative expenses		(14,393)	(12,608)
Other operating income, net		746	1,103
Operating loss		(1,217)	(2,405)
Interest income		1,105	933
Interest expense		(11,661)	(7,558)
Other finance income, net		1,095	-
Foreign exchange differences, net		(588)	612
Loss before tax		(11,266)	(8,418)
Income tax	5	1,772	1,227
Net loss for the period from continuing operations		(9,494)	(7,191)
Discontinued operations			
Net loss for the period from discontinued operations		-	(466)
Net loss for the period		(9,494)	(7,657)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Exchange differences on translation of foreign operations		-	162
Less: Gain reclassified to profit or loss on disposal of foreign operation		-	(2,080)
Other comprehensive loss		-	(1,918)
Total comprehensive loss for the period		(9,494)	(9,575)
Net loss attributable to:			
Shareholders of Segezha Group PJSC		(9,473)	(7,638)
Non-controlling interests		(21)	(19)
		(9,494)	(7,657)
Total comprehensive loss attributable to:			
Shareholders of Segezha Group PJSC		(9,473)	(9,556)
Non-controlling interests		(21)	(19)
		(9,494)	(9,575)
Loss per share for loss attributable to the ordinary equity holders of the Company (in RUB)			
From continuing operations	10	(0.60)	(0.46)
From discontinued operations	10	-	(0.03)
	10	(0.60)	(0.49)


Alexander Kreshchenko
President

27 August 2024


Anton Rozhkov
Vice-President for Finance and Investments

The accompanying notes on pages 6 - 15 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 2024	31 December 2023
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	6	79,498	77,890
Right-of-use assets	14	48,722	52,686
Intangible assets		5,134	5,226
Goodwill		444	444
Investments in joint ventures and associates		421	421
Deferred tax assets		4,105	2,790
Prepayments for non-current assets		2,224	2,263
Financial assets from related parties	13	9,932	13,360
Other non-current assets		4,055	3,771
Total non-current assets		154,535	158,851
CURRENT ASSETS:			
Inventories		24,149	21,137
Trade and other receivables and deferred expenses on delivery of finished goods	7	18,285	10,229
VAT reimbursable and taxes receivable		2,814	2,980
Income tax receivable		153	276
Advances and other current assets		5,735	4,090
Cash and cash equivalents	8	3,291	10,656
Total current assets		54,427	49,368
TOTAL ASSETS		208,962	208,219
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	9	1,569	1,569
Additional paid-in capital	9	35,122	35,122
Accumulated deficit		(22,718)	(13,245)
Accumulated other comprehensive loss		(101)	(101)
Equity attributable to the shareholders of Segezha Group PJSC		13,872	23,345
Non-controlling interest		(2)	19
Total equity		13,870	23,364
NON-CURRENT LIABILITIES:			
Loans and borrowings	11	95,934	77,970
Lease liabilities	14	11,302	14,711
Deferred tax liabilities		5,040	5,740
Other non-current liabilities		4,135	2,345
Total non-current liabilities		116,411	100,766
CURRENT LIABILITIES:			
Loans and borrowings	11	48,266	55,259
Trade and other payables		20,673	18,414
Lease liabilities	14	2,918	3,227
Provisions		2,113	1,828
Taxes payable		2,782	2,655
Income tax payable		60	20
Dividends payable		229	229
Advances received		1,640	2,457
Total current liabilities		78,681	84,089
TOTAL EQUITY AND LIABILITIES		208,962	208,219


Alexander Kreshchenko
President

27 August 2024


Anton Rozhkov
Vice-President for Finance and Investments

The accompanying notes on pages 6 - 15 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 deficit)	Accumulated other comprehensive income/(loss)		Equity attributable to shareholders of PJSC Segezha Group	Non- controlling interests	Total equity
					Translation to presentation currency	Other			
31 December 2022		1,569	35,129	3,451	1,918	(62)	42,005	49	42,054
Net loss for the period		-	-	(7,638)	-	-	(7,638)	(19)	(7,657)
Other comprehensive loss for the period		-	-	-	(1,918)	-	(1,918)	-	(1,918)
Total comprehensive loss for the period		-	-	(7,638)	(1,918)	-	(9,556)	(19)	(9,575)
Other movements		-	(7)	8	-	(39)	(38)	14	(24)
30 June 2023		1,569	35,122	(4,179)	-	(101)	32,411	44	32,455
31 December 2023		1,569	35,122	(13,245)	-	(101)	23,345	19	23,364
Net loss for the period		-	-	(9,473)	-	-	(9,473)	(21)	(9,494)
Other comprehensive income for the period		-	-	-	-	-	-	-	-
Total comprehensive loss for the period		-	-	(9,473)	-	-	(9,473)	(21)	(9,494)
30 June 2024		1,569	35,122	(22,718)	-	(101)	13,872	(2)	13,870

The accompanying notes on pages 6 - 15 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 2024	30 June 2023*
Cash flows from operating activities:			
Net loss for the period		(9,494)	(7,657)
<i>Adjustments for:</i>			
Depreciation and amortisation		6,955	6,501
Interest income recognised in profit and loss		(1,105)	(899)
Interest expense recognised in profit and loss		11,661	7,568
Other finance income, net		(1,095)	-
Income tax recognised in profit and loss		(1,772)	(1,797)
Change in allowance for expected credit losses		231	157
Foreign exchange differences, net		588	(637)
Loss on disposal of Group entities and other adjustments		23	779
		5,992	4,015
<i>Movements in working capital:</i>			
Increase in trade and other receivables		(9,299)	(3,617)
Increase in inventories		(3,100)	(1,057)
Increase in other assets		(844)	(780)
Increase in trade and other payables		175	1,228
(Decrease)/increase in other liabilities		(1,136)	288
Cash (used in)/generated from operating activities		(8,212)	77
Interest paid		(8,042)	(7,038)
Income taxes paid		(181)	(780)
Net cash used in operating activities		(16,435)	(7,741)
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(3,848)	(3,334)
Loans issued to joint venture	13	(565)	(908)
Repayment of financial assets from related parties	13	4,489	-
Interest received		467	387
Investments in joint ventures		-	(35)
Other movements		9	(863)
Net cash generated from/(used in) investing activities		552	(4,753)
Cash flows from financing activities			
Proceeds from loans and borrowings and digital financial assets		32,821	16,827
Proceeds from bonds		12,200	6,000
Repayment of principal of loans and borrowings		(12,887)	(14,839)
Repayment of bonds		(23,202)	(10,000)
Lease liability payments		(428)	(620)
Other movements		-	(24)
Net cash generated from/(used in) financing activities		8,504	(2,656)
Net decrease in cash and cash equivalents		(7,379)	(15,150)
Cash and cash equivalents at the beginning of the period		10,656	22,879
Effect of exchange rate changes on cash held in foreign currencies		14	1,740
Cash and cash equivalents at the end of the period	8	3,291	9,469

* Comparative information for the six months ended 30 June 2023 has been re-presented to disclose reclassifications of RUB 24 million between investing and financing activities.

The accompanying notes on pages 6 - 15 are an integral part of these consolidated financial statements.

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, PJSC «Segezha Group» or 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 timber, woodworking, pulp and paper companies, as well as paper packaging producers.

Group of Companies «Segezha» Public Joint Stock Company was incorporated in the Russian Federation («RF») on 28 December 2020 (before 7 April 2021 Group of Companies «Segezha» Joint Stock Company). The Company is a legal successor of Group of Companies Segezha LLC (before 12 May 2016 LesInvest LLC). The Company has a registered office 15, level 45, at 10 Presnenskaya Naberezhnaya, Moscow.

During the six months ended 30 June 2024 there were no significant changes in the Company's shareholders compared to 31 December 2023.

Significant companies of the Group, their shares of ownership, location and principal activities presented in the annual consolidated financial statements for 2023 remained unchanged.

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 2023 ('annual consolidated financial statements for 2023').

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 2023 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.

These interim condensed consolidated financial statements of the Group for six months ended 30 June 2024 were approved by management on 27 August 2024.

Going concern assumption

Management has prepared these interim condensed 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 factors and management's actions on the future operations of the Group.

As at 30 June 2024, current liabilities exceeded the Group's current assets by RUB 24,254 million. Net debt amounted RUB 140,909 million as at 30 June 2024 (Note 11). As at 30 June 2024, the Group has reclassified RUB 10,127 million of Long-term loans and borrowings to Short-term loans and borrowings due to the breach a covenants. During the period after 30 June 2024, the Group received a waiver from a bank confirming lack of intention for any sanctions for the amount of RUB 8,343 million of mentioned long-term loans and borrowings. Management also does not expect creditors to demand early repayment of borrowings for which there are no decisions by banks not to apply sanctions. The Group has also available unused credit facilities for a total amount of RUB 44,860 million.

The Group's net loss for the six months ended 30 June 2024 amounted RUB 9,494 million (six months ended 30 June 2023: RUB 7,657 million). Loss increase caused by a temporary increase in the key rate of the Bank of Russia and a corresponding increase in rates on borrowed funds attracted by the Group. The deterioration in operating cash flows for the six months ended 30 June 2024 was due to a temporary increase in the turnover of accounts receivable (Note 7).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(in millions of Russian Rubles, unless otherwise indicated)

The Group is engaging into optimization of its debt portfolio in order to extend duration of its loans and borrowings and reduce interest payments in the medium term perspective, and is also considering other measures to improve its financial position. In addition, due to the cyclical character of the wood processing industry, the Group's management expects improvement of the operating and financial results of the Group within the next twelve months.

Based on the results of the analysis, management believes that the Group will continue as a going concern for the foreseeable future.

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 2023. None of the amendments and interpretations of the standards effective from 1 January 2024 had a material effect on these interim condensed consolidated financial statements of the Group.

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.

Starting 2024, the Group changed its management structure and switched to regional structure, having allocated its operating assets between divisions (segments) '**North-West**' and '**Siberia**' based on the actual location of the assets, with corresponding change in disclosure of operating segments' financial information. The divisions include subdivisions defined based on the goods and services they produce with a focus on certain customers:

- **Paper and packaging** subdivision is engaged in the production and sale of sack kraft paper and artificial parchment produced from northern unbleached softwood kraft. The subdivision 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** subdivision 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;
- **Plywood and boards** subdivision 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;
- **Laminated wood products** subdivision 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.

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.

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.

SEGEZHA GROUP PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(in millions of Russian Rubles, unless otherwise indicated)

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.

The following is an analysis of revenue and OIBDA from continuing operations by reportable segments for the six months ended 30 June 2024 and 2023:

	Six months ended			
	30 June 2024		30 June 2023*	
	Revenue	OIBDA	Revenue	OIBDA
North-West division				
Paper and packaging	18,216	4,917	15,340	4,697
Forestry management and wood	3,775	575	2,713	108
Plywood and boards	5,339	1,172	4,241	805
Laminated wood products	2,649	919	2,049	530
	29,979	7,583	24,343	6,140
Elimination of intersegment transaction revenue	(34)	-	(207)	-
	29,945	7,583	24,136	6,140
Siberia division				
Forestry management and wood	18,889	253	15,583	191
Elimination of intersegment transaction revenue	(89)	-	(63)	-
	18,800	253	15,520	191
Other	2,917	(2,098)	2,945	(2,296)
Elimination of intersegment transaction revenue	(2,737)	-	(2,814)	-
	180	(2,098)	131	(2,296)
	48,925	5,738	39,787	4,035

* Comparative information for the six months ended 30 June 2023 has been re-presented for comparable disclosure of segments structure.

Below is the reconciliation of segment OIBDA and consolidated operating loss and the Group's loss before tax from continuing operations for the six months ended 30 June 2024 and 2023:

	2024	2023
OIBDA	5,738	4,035
Depreciation and amortisation	(6,955)	(6,440)
Operating loss	(1,217)	(2,405)
Interest income	1,105	933
Interest expense	(11,661)	(7,558)
Other finance income, net	1,095	-
Foreign exchange differences, net	(588)	612
Loss before tax from continuing operations	(11,266)	(8,418)

The consolidated financial results of the Group historically were not exposed to material seasonal fluctuations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(in millions of Russian Rubles, unless otherwise indicated)
5. 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 for the six months ended 30 June 2024 and 2023 are as follows:

	2024	2023
Income tax		
Current income tax expense	328	152
Prior period adjustments	(20)	(50)
	308	102
Deferred tax	(2,080)	(1,329)
Total income tax relating to continuing operations	(1,772)	(1,227)

The effective tax rate reconciliation for the six months ended 30 June 2024 and 2023 is presented below:

	2024	2023
Loss before tax from continuing operations	(11,266)	(8,418)
Theoretical income tax at the rate of 20%	(2,253)	(1,684)
Non-deductible expenses, net	277	196
Effect of tax rate other than the rate of 20%	(17)	(3)
Prior period adjustments	(20)	(50)
Change in unrecognized deferred tax assets	241	314
Total income tax recognised in the current period relating to continuing operations	(1,772)	(1,227)

The Russian statutory income tax common rate for years 2023 and 2024 was 20%. On 12 July 2024, Federal Law 176-FZ was issued which provides an increase in the income tax common rate from 20% to 25% since 1 January 2025. If the legislative provision regarding the increase in the income tax rate had been substantially adopted as of 1 July 2024, this would have resulted in an increase in deferred tax assets and liabilities by RUB 1,026 million and RUB 1,260 million, respectively, with the simultaneous recognition of this difference in income tax in the statement of profit or loss and other comprehensive income as additional expense of RUB 234 million. The Group's management is currently conducting a more complex assessment of the full impact of the tax revision. The revised information will be appropriately disclosed in the consolidated financial statements for the year ending 31 December 2024.

6. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired assets with total initial cost of RUB 6,715 million, including acquisition of 100% stakes in companies owning a fleet of imported logging and timber transport equipment for the amount of RUB 3,461 million accounted as an acquisition of assets (six months ended 30 June 2023: RUB 3,796 million).

The carrying amount of construction-in-progress as at 30 June 2024 was RUB 22,407 million (31 December 2023: RUB 21,352 million).

As at 30 June 2024, the Group assessed whether there were any indicators of the possible impairment of certain production assets and performed valuation of recoverable value for production facilities of 'North-West' segment's subdivisions 'Paper and packaging' (excluding facilities engaged in the packaging production) and 'Plywood and boards', as well 'Forestry management and wood working' subdivision of 'Siberia' segment as separate CGUs. Valuation has been performed on value in use basis using pre-tax discount rate of 19.5% p.a. As a result of the performed impairment test, no impairment was identified. No impairment indicators were identified in relation of other CGUs, fixed assets and properties in the course of construction. The Group does not consider possible short-term periods of increased interest rates to be events that could have a significant impact on the Group's long-term financial flow forecasts, thus current increase in market rates is not considered as impairment indicator.

SEGEZHA GROUP PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(in millions of Russian Rubles, unless otherwise indicated)

As at 30 June 2024, the Group had contractual obligations to suppliers of machinery and equipment for the acquisition of assets in the total amount of RUB 7,251 million (31 December 2023: RUB 7,329 million).

7. TRADE AND OTHER RECEIVABLES AND DEFERRED EXPENSES ON DELIVERY OF FINISHED GOODS

Below is the analysis of trade and other receivables as at 30 June 2024 and 31 December 2023:

	30 June 2024	31 December 2023
Trade and other receivables	18,189	10,208
Allowance for expected credit losses	(1,347)	(1,132)
	16,842	9,076
Deferred expenses on delivery of finished goods	1,443	1,153
Total trade and other receivables	18,285	10,229

The increase in trade and other accounts receivable is mainly due to the restructuring of payment schemes, which, due to the complication of processes, led to a temporary increase in the turnover period for accounts receivable.

8. CASH AND CASH EQUIVALENTS

As at 30 June 2024 and 31 December 2023, cash and cash equivalents are as follows:

	30 June 2024	31 December 2023
Cash on hand	7	5
Cash in current accounts	842	5,076
Bank deposits with original maturity of less than three months (interest rates: 12.65-16.05%)	2,442	5,575
Total cash and cash equivalents	3,291	10,656

9. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

As at 30 June 2024 and 31 December 2023, the Company's authorised and issued share capital amounted to RUB 1,569 million and consisted of 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.

During the six months ended 30 June 2024 and 2023, the Company neither distributed nor paid dividends to its shareholders.

10. LOSS PER SHARE

The calculation of the loss 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.

SEGEZHA GROUP PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(in millions of Russian Rubles, unless otherwise indicated)

Loss per share for the six months ended 30 June 2024 and 2023 are presented below:

	2024	2023
Net loss attributable to shareholders of Segezha Group PJSC		
From continuing operations	(9,494)	(7,172)
From discontinued operations	-	(466)
Weighted average number of ordinary shares in circulation (million shares)	15,690	15,690
Loss per share for loss attributable to the ordinary equity holders of the Company (in RUB)		
From continuing operations	(0.60)	(0.46)
From discontinued operations	-	(0.03)
Loss per share (in RUB)	(0.60)	(0.49)

11. LOANS AND BORROWINGS

As at 30 June 2024 and 31 December 2023, loans and borrowings comprised:

	Currency	30 June 2024		31 December 2023	
		Effective interest rate	Carrying amount	Effective interest rate	Carrying amount
Short-term loans and borrowings					
Secured loans	RUB	15.50%	2,027	9.40%	1,200
Unsecured loans					
Short-term bank loans	RUB	19.22%	28,178	17.97%	22,117
Short-term bank loans	EUR	4.42%	2,468	4.70%	2,998
			30,646		25,115
Short-term portion of long-term corporate bonds and DFA	RUB	10.44%	15,593	10.70%	28,944
Long-term loans and borrowings					
Secured loans and borrowings	RUB	-	-	9.40%	1,066
Unsecured loans					
Long-term bank loans	RUB	18.11%	48,727	17.14%	31,381
Other			232		294
			48,959		31,675
Long-term corporate bonds and DFA					
Long-term corporate bonds and DFA	RUB	14.07%	41,187	10.79%	38,941
Long-term corporate bonds and DFA	CNY	4.13%	5,788	4.13%	6,288
			46,975		45,229
Total loans and borrowings			144,200		133,229

Assets pledged as security

As at 30 June 2024, the carrying value of property, plant and equipment pledged to secure obligations under loan agreements and overdrafts amounted RUB 2,280 million (31 December 2023: RUB 2,381 million).

In addition, as at 30 June 2024 and 31 December 2023, the Group pledged its stakes in four the Group's subsidiaries engaged in woodworking and forestry management.

Covenants – as part of loan agreements, the Companies of 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 payments), 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 last twelve months ended 30 June 2024 and 31 December 2023 is as follows:

	30 June 2024	31 December 2023
Loans and borrowings	144,200	133,229
Less: Cash and cash equivalents	(3,291)	(10,656)
Total net debt	140,909	122,573
OIBDA from continuing operations	10,984	9,281
Net debt to OIBDA ratio	12.83	13.21
Lease payments under IFRS 16	(3,680)	(3,791)
OIBDA adjusted for lease payments under IFRS 16	7,304	5,490
Net debt to adjusted OIBDA ratio	19.29	22.33

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 2024, the Group has reclassified RUB 10,127 million (31 December 2023: RUB 2,298 million) of Long-term loans and borrowings to Short-term loans and borrowings due to the breach a covenants. During the period after 30 June 2024, the Group received a waiver from a bank confirming lack of intention for any sanctions for the amount of RUB 8,343 million of mentioned long-term loans and borrowings. As of the date of the issue of these financial statements the bank has not exercised their rights to impose penalties or to demand immediate repayment of the loan for the amount of RUB 1,784 million. The Group has no other breaches of covenants under bank credit agreements, for which there are no waivers from the banks confirming lack of intention for early debt collection.

12. FAIR VALUE

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

	30 June 2024		31 December 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets from related parties(Level 3)	9,932	5,886	13,360	14,270
Long-term corporate bonds and DFA (Level 1)	46,975	40,508	45,229	36,703
Long-term loans and borrowings (Level 3)	48,959	47,919	32,741	28,935
Short-term corporate bonds and DFA (Level 1)	15,593	14,209	28,944	27,341

Fair value of financial assets and liabilities related to Level 3 of fair value hierarchy was measured using discounted cash flows applying historical interest rates for the funds borrowed close to the reporting date. As at 30 June 2024 and 31 December 2023, the Group used the following discount rates:

	30 June 2024	31 December 2023
RUB denominated financial assets from related parties	18.39%	10.70%
Currency denominated financial assets from related parties	-	1.06%
RUB denominated long-term loans and borrowings	19.00%	18.95%
Currency denominated long-term loans and borrowings	4.25%	4.50%

13. 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 (companies under common control), joint ventures and associates of the Group, as well as members of the Board of Directors and key management personnel is given below.

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During the six months ended 30 June 2024 and 2023, the companies in the Group entered into the following related party transactions recognised within the interim condensed consolidated statement of profit and loss and other comprehensive income:

	Six months ended			
	30 June 2024		30 June 2023	
	Income	Expenses	Income	Expenses
Parent company and its subsidiaries	2,038	1,391	157	1,340
Joint ventures and associates	612	1,466	640	713

Transactions with parent company and its subsidiaries are represented by finance income and expenses and purchases of electric power. Transactions with joint ventures and associates are represented by purchase of goods and services.

As at 30 June 2024 and 31 December 2023, the Group recognised the following outstanding balances with related parties within the interim condensed consolidated statement of financial position:

	30 June 2024		31 December 2023	
	Accounts receivable from related parties	Accounts payable to related parties	Accounts receivable from related parties	Accounts payable to related parties
Parent company and its subsidiaries	187	4,401	4,326	555
Joint ventures and associates	13,070	172	11,571	70

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

As at 30 June 2024 and 31 December 2023, the Group has outstanding financial assets from joint ventures engaged in plywood and boards, and forestry management as a part of joint ventures financing. On 18 August 2023, as a part of the completion of the procedures for the sale the Group's foreign subsidiaries, the Group assigned the rights of claim on loans issued to these subsidiaries to a company under common control. During the six months ended 30 June 2024 the Group received partial early repayment of these rights of claim from a parent company. Residual amount was reassigned to a third party. The change in the financial assets from related parties for the six months ended 30 June 2024 and 2023 are as follows:

	2024	2023
Balance, beginning of the period	13,360	7,978
Loans issued to joint venture	565	908
Repayment of long-term financial assets	(4,489)	-
Financial income on early repayment of financial assets	1,761	-
Reclassification of the interests accrued to the principal	191	-
Rights of claim reassigned to a third party	(1,378)	-
Foreign exchange differences	(78)	-
Balance, end of the period	9,932	8,886

For the six months ended 30 June 2024 the Group received interest income on these financial assets in the amount of RUB 530 million (six months ended 30 June 2023: RUB 455 million). As at 30 June 2024, interest receivable is RUB 2,447 million (31 December 2023: RUB 2,087 million).

Remuneration paid to members of the Board of Directors for the six months ended 30 June 2024 was RUB 18 million (six months ended 30 June 2023: RUB 8 million). Remuneration paid to key management personnel for the six months ended 30 June 2024 was RUB 260 million (six months ended 30 June 2023: RUB 668 million).

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14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES
The Group as lessee

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 option.

As at 30 June 2024 and 2023, right-of-use assets comprised:

	Forest plots	Other	Total
At 31 December 2022	55,792	4,799	60,591
Additions /modification of lease agreements	582	70	652
Depreciation	(1,148)	(570)	(1,718)
Disposals	(79)	(35)	(114)
Reclassification to property, plant and equipment	-	(114)	(114)
Disposal of subsidiaries	-	(863)	(863)
Reclassification between groups	110	(110)	-
Translation to presentation currency	-	45	45
At 30 June 2023	55,257	3,222	58,479
At 31 December 2023	50,292	2,394	52,686
Additions /modification of lease agreements	(3,517)	444	(3,073)
Other additions	1,146	-	1,146
Depreciation	(1,235)	(508)	(1,743)
Disposals	(209)	(85)	(294)
At 30 June 2024	46,477	2,245	48,722

The table below shows expenses recognised in the statement of profit and loss for the six months ended 30 June 2024 and 2023:

	2024	2023
Depreciation of right-of-use assets	1,743	1,718
Short-term lease expenses	30	61
Interest on lease liabilities	1,222	1,142
	2,995	2,921

The table below details changes in the liabilities arising from financial activities for the six months ended 30 June 2024 and 2023, including changes related to cash flows and other changes:

	2024	2023
Balance, beginning of the period	17,938	23,515
Lease liability payments	(1,651)	(1,762)
Non-cash changes, including:		
Conclusion/(disposal) and modification of lease agreements	(3,286)	538
Interest expense	1,222	1,142
Disposal of subsidiaries	-	(874)
Foreign exchange differences*	(3)	131
Balance, end of the period	14,220	22,690

* Foreign exchange differences include differences on translation to the presentation currency

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15. 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 incompliant 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.

Potential adverse effect of economic volatility and sanctions in Russia – In February 2022, the EU, US and UK and certain other countries have imposed significant new sanctions and export control on Russian and Belarus persons and entities. These sanctions resulted in reduced access of the Russian business to international capital and some export markets, volatility of the Russian Ruble, rise of inflation, decline in capital markets, restrictions targeting several major Russian financial institution and Central Bank of Russian Federation, a number of companies and individuals, technology export controls and other negative economic consequences.

Developments related to these matters are highly unpredictable, occur swiftly and often with short notice and are mostly outside the control of the Group, and the risk that any Group member, or individuals holding positions within the Group as well its counterparties, may be affected by future sanctions designations cannot be excluded.

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 increase in the key rate by Bank of Russia to 16% during the second half of 2023 resulted in a more expensive debt financing. Starting from 29 July 2024, the key rate was increased to 18%. The Group expects the associated increase in future interest expenses on floating rate borrowings for the second half of 2024 to be approximately RUB 761 million.

Moreover, due to the Group's focus on exports Russian Ruble's fluctuations has a significant 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.

16. EVENTS AFTER THE REPORTING PERIOD

Except for events disclosed in other notes, there were no other events occurred after 30 June 2024 that require disclosure in these interim condensed consolidated financial statements.