

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

**Interim Condensed Consolidated Financial
Statements for the Six Months
Ended 30 June 2023
(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 2023

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 2023, 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 2023, 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 2023 were approved by management on 28 August 2023.

On behalf of the Management


Mikhail Shamolin
President


Vladimir Travkov
Vice-President for Finance and Investment

28 August 2023

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 2023 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)

28 August 2023



SEGEZHA GROUP PJSC

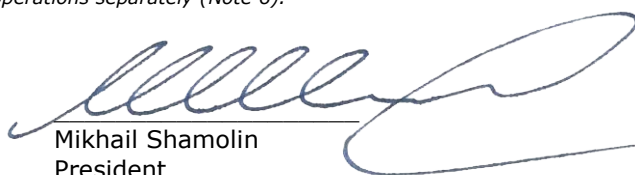
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

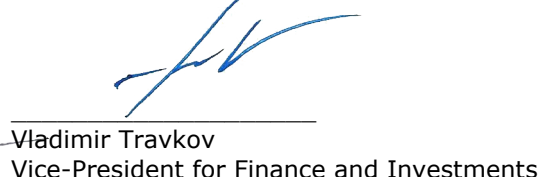
(unaudited)

(in millions of Russian Rubles)

	Notes	For the six months ended	
		30 June 2023	30 June 2022*
Continuing operations			
Revenue		39,787	57,856
Operating expenses:			
Cost of goods sold		(30,687)	(34,099)
Selling and administrative expenses		(12,608)	(13,587)
Other operating income/(expense), net		1,103	(287)
Operating (loss)/profit		(2,405)	9,883
Interest income		933	841
Interest expense		(7,558)	(4,721)
Other finance income		-	2,145
Foreign exchange differences, net		612	6,207
(Loss)/profit before tax		(8,418)	14,355
Income tax	7	1,227	(2,719)
Net (loss)/profit for the period from continuing operations		(7,191)	11,636
Discontinued operations			
Net (loss)/profit for the period from discontinued operations	6	(466)	365
Net (loss)/profit for the period		(7,657)	12,001
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Exchange differences on translation of foreign operations		162	(1,068)
Less: Gain reclassified to profit or loss on disposal of foreign operation		(2,080)	-
Other comprehensive income/(loss)		(1,918)	(1,068)
Total comprehensive loss for the period		(9,575)	10,933
Net (loss)/profit attributable to:			
Shareholders of Segezha Group PJSC		(7,638)	11,999
Non-controlling interests		(19)	2
		(7,657)	12,001
Total comprehensive (loss)/income attributable to:			
Shareholders of Segezha Group PJSC		(9,556)	10,931
Non-controlling interests		(19)	2
		(9,575)	10,933
(Loss)/earnings per share for profit attributable to the ordinary equity holders of the Company (in RUB)			
From continuing operations	12	(0.46)	0.74
From discontinued operations	12	(0.03)	0.02

* Comparative information for the six months ended 30 June 2022 has been re-presented to disclose results of discontinued operations separately (Note 6).


Mikhail Shamolin
President


Vladimir Travkov
Vice-President for Finance and Investments

28 August 2023

The accompanying notes on pages 7 - 19 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 2023	31 December 2022
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	8	77,784	82,213
Right-of-use assets	16	58,479	60,591
Intangible assets		5,346	5,442
Goodwill		444	444
Investments in joint ventures and associates	5	421	386
Deferred tax assets		1,549	1,215
Prepayments for non-current assets	8	3,295	4,039
Loans issued	9	12,715	7,978
Other non-current assets		2,948	1,154
Total non-current assets		162,981	163,462
CURRENT ASSETS:			
Inventories		23,553	24,613
Trade and other receivables		11,036	8,522
VAT reimbursable and taxes receivable		2,851	2,573
Income tax receivable		524	928
Advances and other current assets		5,052	5,113
Cash and cash equivalents	10	9,469	22,879
Total current assets		52,485	64,628
TOTAL ASSETS		215,466	228,090
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	11	1,569	1,569
Additional paid-in capital	11	35,122	35,129
(Accumulated deficit)/retained earnings		(4,179)	3,451
Accumulated other comprehensive (loss)/income		(101)	1,856
Equity attributable to the shareholders of Segezha Group PJSC		32,411	42,005
Non-controlling interest		44	49
Total equity		32,455	42,054
NON-CURRENT LIABILITIES:			
Loans and borrowings	13	89,999	86,584
Lease liabilities	16	19,115	19,562
Deferred tax liabilities		6,132	7,775
Other non-current liabilities		2,205	1,989
Total non-current liabilities		117,451	115,910
CURRENT LIABILITIES:			
Loans and borrowings	13	33,477	37,257
Trade and other payables		21,356	21,110
Lease liabilities	16	3,575	3,953
Provisions		1,745	2,070
Taxes payable		3,115	2,864
Income tax payable		339	856
Dividends payable	11	229	229
Advances received		1,724	1,787
Total current liabilities		65,560	70,126
TOTAL EQUITY AND LIABILITIES		215,466	228,090


Mikhail Shamolin
President


Vladimir Travkov
Vice-President for Finance and Investments

28 August 2023

The accompanying notes on pages 7 - 19 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 (loss)/income		Equity attributable to shareholders of PJSC Segezha Group	Non- controlling interests	Total equity
				Translation to presentation currency	Other			
31 December 2021	1,569	35,129	7,758	1,771	(62)	46,165	27	46,192
Net income for the 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
Dividends to the shareholders	-	-	(10,042)	-	-	(10,042)	-	(10,042)
Other movements	-	-	(269)	-	-	(269)	-	(269)
30 June 2022	1,569	35,129	9,446	703	(62)	46,785	29	46,814
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

The accompanying notes on pages 7 - 19 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 2023	30 June 2022*
Cash flows from operating activities:			
Net (loss)/profit for the period		(7,657)	12,001
<i>Adjustments for:</i>			
Depreciation and amortisation		6,501	7,046
Interest income recognised in profit and loss		(899)	(720)
Interest expense recognised in profit and loss		7,568	4,748
Other finance income		-	(2,145)
Income tax recognised in profit and loss		(1,797)	2,722
Allowance for expected credit losses		157	(74)
Foreign exchange differences, net		(637)	(5,966)
Loss on disposal of Group entities and other adjustments		779	74
		4,015	17,686
<i>Movements in working capital:</i>			
Increase in trade and other receivables		(3,617)	(6,380)
Increase in inventories		(1,057)	(4,653)
(Increase)/decrease in other assets		(780)	426
Increase in trade and other payables		1,228	787
Increase/(decrease) in other liabilities		288	(1,210)
		77	6,656
Cash generated from operating activities			
Interest paid		(7,038)	(4,499)
Income taxes paid		(780)	(3,341)
		(7,741)	(1,184)
Net cash used in operating activities			
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(3,334)	(6,377)
Loans issued to joint venture	15	(908)	(1,641)
Interest received		387	265
Investments in joint ventures	5	(35)	(791)
Net cash outflow on acquisition of Group companies		-	(18,390)
Other movements		(887)	(174)
		(4,777)	(27,108)
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from loans and borrowings		16,827	29,865
Proceeds from bonds		6,000	17,200
Repayment of principal of loans and borrowings		(14,839)	(12,036)
Repayment of bonds		(10,000)	-
Proceeds from cross-currency interest-rate swaps		-	990
Dividends paid	11	-	(16,614)
Lease liability payments	16	(620)	(650)
		(2,632)	18,755
Net cash (used in)/generated from financing activities			
Net decrease in cash and cash equivalents		(15,150)	(9,537)
Cash and cash equivalents at the beginning of the period	10	22,879	12,634
Effect of exchange rate changes on cash held in foreign currencies		1,740	617
Cash and cash equivalents at the end of the period	10	9,469	3,714

* Comparative information for the six months ended 30 June 2022 has been re-presented to disclose interest paid on lease liability within 'Interest paid' line.

The accompanying notes on pages 7 - 19 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, 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”) 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.

During the six months ended 30 June 2023 there were no significant changes in the Company’s shareholders compared to 31 December 2022.

Below are the Group's significant entities, shares of ownership, locations and principal activities:

Significant entities	Country	30 June 2023	31 December 2022
Pulp and paper			
Segezha Pulp and Paper Mill, JSC	Russia	100%	100%
Sokol Pulp and Paper Mill, JSC	Russia	89.13%	89.13%
Packaging			
Segezha Packaging, LLC	Russia	100%	100%
Arka Merchants Limited and its subsidiaries	Ireland	- ¹	100%
Plywood and boards			
Vyatsky Plywood Mill, LLC	Russia	100%	100%
Krasfan, LLC	Russia	100%	100%
Woodworking			
Lesosibirsky LDK No.1, JSC	Russia	100%	100%
Novoyeniseiskiy Wood-Chemical Complex, JSC	Russia	100%	100%
Onega Sawmills, JSC	Russia	100%	100%
Sokol Timber Company, JSC	Russia	100%	100%
Ksilotek-Siberia, LLC	Russia	100%	100%
Karelian Wood Company, LLC	Russia	100%	100%
Tairiku-Igirma Group, LLC	Russia	100%	100%
LDK Igirma, JSC	Russia	- ²	100%
Igirma-Tairiku Lumber Mill, LLC	Russia	- ²	100%
Priangarue Timber Mill, LLC	Russia	100%	100%
Verkhnelenskiy Timber Mill, LLC	Russia	100%	100%
Forestry management			
Lenderskiy LPH, JSC	Russia	100%	100%
LPH Kipelovo, JSC	Russia	100%	100%
Ledmozerskoye LZH, JSC	Russia	99.31%	99.31%
Timber Invest Group, LLC	Russia	100%	100%
Baikal forest company, LLC	Russia	- ³	100%
LesProekt, LLC	Russia	- ³	100%
LesTorgService, LLC	Russia	100%	100%
LesPromService, LLC	Russia	100%	100%
Other			
Segezha Digital Solutions, LLC	Russia	100%	100%
Segezha Group – SSC, LLC	Russia	100%	100%
Verkhnelenskoe Rechnoe Parokhodstvo, LLC	Russia	100%	100%
Onega-Energy, JSC	Russia	75%	75%
Inter Forest Rus, LLC	Russia	100%	100%

¹ Arka Merchants Limited and its subsidiaries were sold on 22 February 2023 (Note 6)

² LDK Igirma, JSC and Igirma-Tairiku Lumber Mill, LLC as a result of reorganisation merged with Tairiku Igirma Group, LLC

³ Baikal forest company, LLC and LesProekt, LLC as a result of reorganisation merged with Timber Invest Group, LLC

SEGEZHA GROUP PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(in millions of Russian Rubles, unless otherwise indicated)

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 2022 ('annual financial statements for 2022').

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 2022 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 2023 were approved by management on 28 August 2023.

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 factors on the future operations of the Group.

As at 30 June 2023, current liabilities exceeded the Group's current assets by RUB 13,075 million. Due to the cyclical character of the wood processing industry (Note 4), the Group's management expects improvement of the operating and financial results of the Group within the next twelve months. Moreover, the Group engages in optimizing its loans and borrowings portfolio to extend the duration of its loans and borrowings.

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 2022. None of the amendments and interpretations of the standards effective from 1 January 2023 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.

The Group's segments are strategic business units defined based on the goods and services they produce with a focus on certain customers. The Group has four 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;

SEGEZHA GROUP PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(in millions of Russian Rubles, unless otherwise indicated)

- **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;
- **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.

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.

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 2023:

	Paper and packaging	Forestry management and wood working	Plywood and boards	Laminated wood products	Other	Total segments
Segment revenue analysed by management	15,341	21,341	4,512	2,143	2,946	46,283
Elimination of intersegment transaction revenue	(4)	(3,543)	(40)	(94)	(2,815)	(6,496)
Total revenue from external customers	15,337	17,798	4,472	2,049	131	39,787
OIBDA	4,697	524	580	530	(2,296)	4,035

The following is an analysis of revenue and OIBDA from continuing operations by 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	17,127	33,734	7,431	3,952	2,892	65,136
Elimination of intersegment transaction revenue	(4)	(4,307)	(13)	(113)	(2,843)	(7,280)
Total revenue from external customers	17,123	29,427	7,418	3,839	49	57,856
OIBDA	4,707	9,720	3,011	1,555	(2,212)	16,781

SEGEZHA GROUP PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(in millions of Russian Rubles, unless otherwise indicated)

Below is the reconciliation of segment OIBDA and consolidated operating (loss)/profit and the Group's (loss)/profit before tax from continuing operations for the six months ended 30 June 2023 and 2022:

	2023	2022
OIBDA	4,035	16,781
Depreciation and amortisation	(6,440)	(6,895)
Other	-	(3)
Operating (loss)/profit	(2,405)	9,883
Interest income	933	841
Interest expense	(7,558)	(4,721)
Other finance income	-	2,145
Foreign exchange differences, net	612	6,207
(Loss)/profit before tax from continuing operations	(8,418)	14,355

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

Timber harvesting and wood processing business of the Group is a cyclical industry. Taking into account low selling prices for wood processing products across the globe as well as high warehouse stocks on the key consumer markets and with the key customers, the management of the Group assesses current conditions as the low point of the cycle. However, the key characteristic of the cyclical industries is an alternation between low and high points, with a mandatory return to growth phase of the cycle. Decrease in operating results for a number of operating segments mainly due to the low point of the cycle, as well as structural transformation of target markets, and a significant increase in logistics costs.

5. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

As at 30 June 2023 and 31 December 2022, joint ventures and associates comprised:

	Principal activities	Type	Country	Book value		Effective shares of ownership, %	
				30 June 2023	31 December 2022	30 June 2023	31 December 2022
GalichLes LLC, GPM LLC (Galich Plywood Mill) LHC	Forestry management Plywood and boards	Joint ventures	Russia	-	-	85%	85%
Karellesprom, JSC	Timber resources	Associates	Russia	122	87	45.40%	43.88%
Segezha Nord, LLC	Hotel management	Joint ventures	Russia	277	277	50%	50%
Other				22	20		
Total				421	386		

SEGEZHA GROUP PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(in millions of Russian Rubles, unless otherwise indicated)

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 2023	31 December 2022
Current assets	1,372	1,261
<i>including Cash and cash equivalents</i>	270	330
Non-current assets	<u>18,504</u>	<u>18,205</u>
Total assets	<u>19,876</u>	<u>19,466</u>
Current liabilities:		
Trade and other payables	(658)	(1,086)
Loans and borrowings	(1,225)	-
Other current liabilities	(442)	(78)
Non-current liabilities:		
Loans and borrowings	(7,840)	(9,010)
Loans received from the Group (Notes 9 and 15)	(8,886)	(7,978)
Interest on loans received from the Group (Note 15)	(1,411)	(956)
Lease liabilities	(2,142)	(1,874)
Other non-current liabilities	<u>(688)</u>	<u>(472)</u>
Total liabilities	<u>(23,292)</u>	<u>(21,454)</u>
Net liabilities	<u>(3,416)</u>	<u>(1,988)</u>
	For the six months ended	
	30 June 2023	30 June 2022
Revenue	1,190	445
Depreciation and amortisation	(600)	(143)
Interest expense	(518)	(206)
Income tax	<u>(166)</u>	<u>(95)</u>
Net loss and total comprehensive loss for the period	<u>(1,428)</u>	<u>(515)</u>

6. DISCONTINUED OPERATIONS

On 22 February 2023, the Group entered into agreement to sell 100% stake in the share capital of Arka Merchants Limited and its subsidiaries (seven Segezha Packaging plants located in Europe and Türkiye with a total capacity of 704 million of paper sacks p.a.) that were part of the 'Paper and packaging' operating segment.

Revenue and net loss from discontinued operations for six months ended 30 June 2023 amounted to RUB 1,608 million and RUB 102 million, respectively (six months ended 30 June 2022: revenue – 8,347 million, and net profit – 365 million). Loss on disposal of Arka Merchants Limited net of attributable income tax amounted to RUB 364 million.

7. 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 2023 and 2022 are as follows:

	2023	2022
Current income tax	152	1,178
Prior period adjustments	(50)	(94)
Deferred tax	<u>(1,329)</u>	<u>1,635</u>
Total income tax recognised in the current period relating to continuing operations	<u>(1,227)</u>	<u>2,719</u>

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The effective tax rate reconciliation for the six months ended 30 June 2023 and 2022 is presented below:

	<u>2023</u>	<u>2022</u>
(Loss)/profit before tax from continuing operations	(8,418)	14,355
Theoretical income tax at the rate of 20%	(1,684)	2,871
Non-deductible expenses, net	196	179
Effect of tax rate other than the rate of 20%	(3)	(256)
Prior period adjustments	(50)	(94)
Change in unrecognized deferred tax assets	314	19
Total income tax recognised in the current period relating to continuing operations	(1,227)	2,719

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets with total initial cost of RUB 3,796 million (six months ended 30 June 2022: RUB 7,003 million).

The carrying amount of construction-in-progress as at 30 June 2023 was RUB 19,832 million (31 December 2022: RUB 21,171 million).

As at 30 June 2023, advances paid to suppliers for the acquisition of property, plant and equipment amounted to RUB 3,295 million (31 December 2022: RUB 4,039 million).

During the six months ended 30 June 2023, the Group disposed of assets with a net carrying amount of RUB 87 million (six months ended 30 June 2022: RUB 377 million). As a result, the Group received a net loss on disposal in the amount of RUB 14 million (six months ended 30 June 2022: net profit of RUB 95 million).

As at 30 June 2023, 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 'Forestry management and wood working' segment, located in the northwest of the European part of Russia and Siberia, as well as 'Laminated wood products' segment as separate CGUs. Valuation has been performed on value in use basis using pre-tax discount rate of 14.3% 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.

As at 31 December 2022, 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 'Forestry management and wood working' segment, located in the northwest of the European part of Russia, as well as 'Plywood and boards' and 'Laminated wood products' segments as separate CGUs. Valuation has been performed on value in use basis using pre-tax discount rate of 14.3% 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.

As at 30 June 2023, the Group had contractual obligations to suppliers of machinery and equipment for the acquisition of assets in the total amount of RUB 12,259 million (31 December 2022: RUB 12,044 million).

9. LOANS ISSUED

As at 30 June 2023 and 31 December 2022, loans issued are as follows:

	<u>30 June 2023</u>	<u>31 December 2022</u>
Loans issued to related parties (Notes 5 and 15)	8,886	7,978
Loans issued to third parties*	3,829	-
Total loans issued	12,715	7,978

* Loans issued to third parties are represented by loans issued to Arka Merchants Limited and its subsidiaries (Note 6)

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10. CASH AND CASH EQUIVALENTS

As at 30 June 2023 and 31 December 2022, cash and cash equivalents are as follows:

	30 June 2023	31 December 2022
Cash on hand	5	5
Cash in current accounts	2,295	4,794
Bank deposits with original maturity of less than three months (interest rates: 2.5% – 8.4%)	7,169	18,080
Total cash and cash equivalents	9,469	22,879

11. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

As at 30 June 2023 and 31 December 2022, 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 2023, the Company neither distributed nor paid dividends to its shareholders.

During the six months ended 30 June 2022, the Company distributed and paid dividends to its shareholders in the total amount of RUB 10,042 million based on the financial results for 2021. Additionally, the Company paid previously distributed dividends in the amount of RUB 6,590 million. Unpaid portion of dividends in the amount of RUB 229 million has been recognized within 'Dividends payable' in the interim condensed consolidated statement of financial position.

12. (LOSS)/EARNINGS PER SHARE

The calculation of the (loss)/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.

(Loss)/earnings per share for the six months ended 30 June 2023 and 2022 are presented below:

	2023	2022
Net (loss)/profit attributable to shareholders of Segezha Group PJSC		
From continuing operations	(7,172)	11,634
From discontinued operations	(466)	365
Weighted average number of ordinary shares in circulation (million shares)	15,690	15,690
(Loss)/earnings per share (in RUB)	(0.49)	0.76
From continuing operations	(0.46)	0.74
From discontinued operations	(0.03)	0.02

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13. LOANS AND BORROWINGS

As at 30 June 2023 and 31 December 2022, loans and borrowings comprised:

	Currency	30 June 2023		31 December 2022	
		Effective interest rate	Carrying amount	Effective interest rate	Carrying amount
Short-term loans and borrowings					
Secured loans					
Short-term bank loans	RUB	9.40%	620	9.35%	1,152
Other			8		224
			628		1,376
Unsecured loans					
Short-term bank loans	RUB	10.02%	1,955	10.50%	14,285
Short-term bank loans	EUR	4.36%	3,161	3.91%	2,903
Short-term bank loans	CNY	4.17%	671	3.50%	495
			5,787		17,683
Short-term portion of long-term corporate bonds					
	RUB	10.90%	27,062	9.05%	18,198
Long-term loans and borrowings					
Secured loans and borrowings					
	RUB	9.61%	1,721	9.14%	2,131
Unsecured loans					
Long-term bank loans	RUB	10.61%	41,117	10.34%	25,622
Other			325		225
			41,442		25,847
Long-term corporate bonds					
Long-term corporate bonds	RUB	10.51%	40,841	10.62%	53,659
Long-term corporate bonds	CNY	4.13%	5,995	4.15%	4,947
			46,836		58,606
Total loans and borrowings			123,476		123,841

Assets pledged as security

As at 30 June 2023 and 31 December 2022, the carrying value of assets pledged to secure obligations under loan agreements and overdrafts are as follows:

	30 June 2023	31 December 2022
Property, plant and equipment	2,465	3,692
Inventories	-	1,164
Receivables	-	872

In addition, as at 30 June 2023 and 31 December 2022, the Group pledged all of its stakes in:

- Verkhnelenskoe Rechnoe Parokhodstvo LLC;
- Tairiku-Igirma Group LLC;
- Igirma-Tairiku Lumber Mill LLC (merged with Tairiku-Igirma Group LLC);
- Priangarue Timber Mill LLC;
- Kodinskaya PB LLC (merged with Priangarue Timber Mill LLC);
- Kodinskaya LPK LLC;
- Inter Forest LLC (merged with Priangarue Timber Mill LLC).

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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.

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 2023 and 31 December 2022 is as follows:

	30 June 2023	31 December 2022
Loans and borrowings	123,476	123,841
<i>less</i>		
Cash and cash equivalents	(9,469)	(22,879)
Total net debt	114,007	100,962
OIBDA from continuing operations	10,485	23,231
Net debt to OIBDA ratio	10.87	4.35
Lease payments under IFRS 16	(4,223)	(4,143)
OIBDA adjusted for lease payments under IFRS 16	6,262	19,088
Net debt to adjusted OIBDA ratio	18.21	5.29

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 2023, the Group has reclassified RUB 2,570 million (31 December 2022: RUB 2,337 million) of Long-term loans and borrowings to Short-term loans and borrowings due to the breach a covenant. 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. 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.

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
At 30 June 2023		
Long-term corporate bonds (Level 1)	46,836	46,228
Long-term loans and borrowings (Level 3)	43,163	39,318
At 31 December 2022		
Long-term corporate bonds (Level 1)	58,606	59,232
Long-term loans and borrowings (Level 3)	27,978	27,589

Fair value of long-term loans and borrowings was measured using discounted cash flows applying historical interest rates for the funds borrowed close to the reporting date. As at 30 June 2023, the Group used discount rate of 10.8% p.a. (31 December 2022: 10.8% p.a.) for valuation of loans and borrowing nominated in Russian rubles, the rate does not include subsidiaries' effect. The higher the rates used in calculation, the lower the fair value of the borrowings is.

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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 (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.

During the six months ended 30 June 2023 and 2022, 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 2023 and 31 December 2022:

		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
Companies under common control	2023	54	1,340	23	674
	2022	17	1,163	21	532
Other related parties	2023	185	713	203	339
	2022	183	3	50	318

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. Purchases of goods and services from companies under common control mainly include purchases of electric power.

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 a bank under common control.

		Interest income for six months ended 30 June	Cash as at the date
Deposits maturing within to 3 months	2023	103	246
	2022	256	11,711
Cash in current accounts	2023	-	41
	2022	-	1,057

As at 30 June 2023 and 31 December 2022, the Group had outstanding balances of loans issued to Galich Plywood Mill LLC and GalichLes LLC as a part of joint venture financing.

The change in the loans issued for the six months ended 30 June 2023 and 2022 is presented as follows:

	2023	2022*
Balance, beginning of the period	7,978	8,266
Loans issued to joint venture	908	1,641
Balance, end of the period	8,886	9,907

* During 2022, loans issued to joint ventures included loans issued to Segezha West Group

For the six months ended 30 June 2023 the Group received interest income on these loans in the amount of RUB 455 million (six months ended 30 June 2022: RUB 379 million). As at 30 June 2023, interest receivable is RUB 1,411 million (31 December 2022: RUB 956 million).

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Remuneration paid to members of the Board of Directors for the six months ended 30 June 2023 was RUB 8 million (six months ended 30 June 2022: RUB 15 million). Remuneration paid to key management personnel for the six months ended 30 June 2023 was RUB 668 million (six months ended 30 June 2022: RUB 253 million).

16. 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 2023 and 2022, right-of-use assets comprised:

	Forest plots	Buildings and facilities	Machinery and equipment	Transport	Land	Other	Total
At 31 December 2021	57,731	1,619	1,689	1,510	1,185	327	64,061
Additions /modification of lease agreements	(141)	163	14	10	120	-	166
Depreciation	(635)	(147)	(346)	(104)	(57)	(56)	(1,345)
Disposals	(66)	(3)	-	(17)	(14)	-	(100)
Translation to presentation currency	-	(209)	(114)	(10)	-	(4)	(337)
At 30 June 2022	56,889	1,423	1,243	1,389	1,234	267	62,445
At 31 December 2022	55,792	1,424	1,032	1,008	1,032	303	60,591
Additions /modification of lease agreements	582	46	-	-	24	-	652
Depreciation	(1,148)	(205)	(196)	(67)	(89)	(13)	(1,718)
Disposals	(79)	(16)	-	-	(19)	-	(114)
Reclassification to property, plant and equipment	-	-	(63)	(51)	-	-	(114)
Disposal of subsidiaries	-	(556)	(280)	(22)	-	(5)	(863)
Reclassification between groups	110	55	450	(452)	104	(267)	-
Translation to presentation currency	-	29	14	2	-	-	45
At 30 June 2023	55,257	777	957	418	1,052	18	58,479

The table below shows expenses recognised in the statement of profit and loss for the six months ended 30 June 2023 and 2022:

	2023	2022
Depreciation of right-of-use assets	1,718	1,345
Short-term lease expenses	61	188
Interest on lease liabilities	1,142	1,032
	2,921	2,565

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The table below details changes in the liabilities arising from financial activities for the six months ended 30 June 2023 and 2022, including changes related to cash flows and other changes:

	<u>2023</u>	<u>2022</u>
Balance, beginning of the period	23,515	25,174
Lease liability payments	(1,762)	(1,682)
Non-cash changes, including:		
Conclusion/(disposal) and modification of lease agreements	538	84
Interest expense	1,142	1,032
Disposal of subsidiaries	(874)	-
Foreign exchange differences*	131	(528)
Balance, end of the period	<u>22,690</u>	<u>24,080</u>

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

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.

On 4 August 2023, Federal Law 414-FZ was issued which introduced a windfall tax for certain companies registered in Russia with the average income tax base for 2021 and 2022 years exceeding RUB 1 billion. This is one-off tax calculated as the excess of the average income tax base for the years ended 31 December 2022 and 2021 over the average income tax base for the years ended 31 December 2019 and 2018, multiplied by 10% tax rate.

Windfall tax should be paid no later than 28 January 2024 but an entity has the right to reduce the amount of accrued tax by the amount of the tax deduction which is determined as the amount of security deposit paid during the period from 1 October to 30 November 2023 provided that the deduction cannot exceed 50% of the amount of the windfall tax calculated in accordance with 414-FZ.

Taking into account the management's intention to pay the security deposit in the timeframe as mentioned above, the Group's management estimates the windfall tax to be accrued in the amount of RUB 465 million, which will be recognised and presented as current income tax in the consolidated statement of profit or loss for the year ending 31 December 2023.

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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.

On 28 February 2022, trading on Moscow Exchange in all securities was suspended (including the Company's ordinary shares), with the suspensions later extended to 28 March 2022.

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 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. During July and August 2023, the Central bank of the Russian Federation adjusted key rate upwards to 8.5% and 12.0%, respectively. 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.

18. EVENTS AFTER THE REPORTING PERIOD

On 18 August 2023, as a part of the completion of the procedures for the sale of Arka Merchants Limited, the Group assigned the rights of claim on loans issued by Arka Merchants Limited and its subsidiaries to a company under common control.