

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

**Interim Condensed Consolidated Financial
Statements for the Six Months
Ended 30 June 2021**
(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

Management is responsible for the preparation of the interim condensed consolidated financial statements that present fairly the consolidated financial position of Group of Companies Segezha PJSC and its subsidiaries (the "Group") as at 30 June 2021, and the results of its operations, cash flows and changes in equity for the six months then ended, in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

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

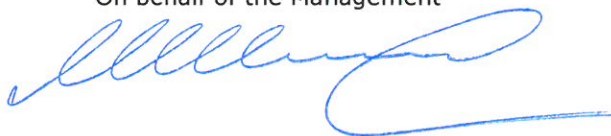
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Reasonableness and appropriateness of accounting judgments and assumptions;
- Complying with principles of IAS 34 *Interim Financial Reporting* or disclosure of all material departures from IFRS in interim condensed consolidated financial statements; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for the following:

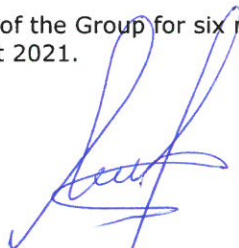
- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position 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 2021 were approved by management on 26 August 2021.

On behalf of the Management



Mikhail Shamolin
President



Rovshan Aliyev
Vice-President for Finance and Investment

26 August 2021

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 2021 and the related interim condensed consolidated statements of profit and loss and other comprehensive income, changes 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

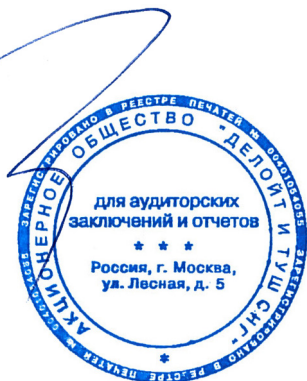
We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of the interim condensed consolidated financial statements consists of making inquiries, primarily of persons 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*.

Sharif Galeev,
Engagement Partner

26 August 2021



Company: Segezha Group PJSC

Primary state registration number: 1207700498279

Date of entry in the Unified State Register: 07.04.2021

Registration authority name: Interdistrict Inspectorate of the Federal Tax Service No.46 for Moscow

Address:
10 Presnenskaya Naberezhnaya, Moscow

Independent Auditor: AO Deloitte & Touche CIS

Certificate of state registration No. 018.482, issued by the Moscow Registration Chamber on 30 October 1992.

Primary state registration number: 1027700425444.

Certificate of registration in the Unified State Register series 77 No. 004840299 issued by Interregional Inspectorate for Taxes and Levies No. 39 for Moscow on 13 November 2002.

Member of Self-Regulated Organization of Auditors "Sodruzhestvo" (Association), ORNZ 12006020384.

SEGEZHA GROUP PJSC

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

	Notes	For the six months ended	
		30 June 2021	30 June 2020
Revenue	4	42,671,087	31,210,882
Cost of sales		<u>(25,393,896)</u>	<u>(21,409,143)</u>
Gross profit		17,277,191	9,801,739
Selling and administrative expenses		(8,036,070)	(6,992,556)
Other operating income, net		<u>545,022</u>	<u>284,336</u>
Operating profit		9,786,143	3,093,519
Interest income		254,685	78,594
Interest expense		(1,814,354)	(1,750,536)
Other finance income	14	344,036	143,255
Foreign exchange differences, net		1,175,284	(3,200,952)
Other income		<u>279</u>	<u>9,861</u>
Profit/(loss) before tax		9,746,073	(1,626,259)
Income tax expense	6	<u>(2,164,071)</u>	<u>(485,172)</u>
Net profit/(loss) for the reporting period		7,582,002	(2,111,431)
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		<u>(32,701)</u>	<u>512,230</u>
Other comprehensive (loss)/income		<u>(32,701)</u>	<u>512,230</u>
Total comprehensive income/(loss) for the reporting period		7,549,301	(1,599,201)
Net profit/(loss) attributable to:			
Shareholders of Segezha Group PJSC /participants of Group of Companies Segezha LLC		7,582,654	(2,099,564)
Non-controlling interests		<u>(652)</u>	<u>(11,867)</u>
		7,582,002	(2,111,431)
Total comprehensive income/(loss) attributable to:			
Shareholders of Segezha Group PJSC /participants of Group of Companies Segezha LLC		7,549,953	(1,587,334)
Non-controlling interests		<u>(652)</u>	<u>(11,867)</u>
		7,549,301	(1,599,201)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company (in RUB)	11	<u>0,58</u>	<u>(0,16)</u>


Mikhail Shamolin
President

26 August 2021


Rovshan Aliyev
Vice-President for Finance and Investments

The accompanying notes on pages 9 - 22 are an integral part of these interim condensed consolidated financial statements.

SEGEZHA GROUP PJSC

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

	Notes	30 June 2021	31 December 2020
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	7	47,587,668	42,315,222
Right-of-use assets	16	15,588,569	14,649,041
Intangible assets	8	2,279,408	1,822,070
Goodwill		443,838	443,838
Investments in joint ventures and associates	17	684,705	458,192
Deferred tax assets		1,025,058	1,132,567
Prepayments for non-current assets, net	5	6,436,522	2,482,463
Loans issued to related parties	15	2,810,100	1,347,870
Other non-current assets		325,485	230,470
Total non-current assets		77,181,353	64,881,733
CURRENT ASSETS:			
Inventories, net		11,588,942	9,432,609
Contract assets		1,473,843	1,290,658
Trade and other receivables, net		7,704,080	5,862,900
Taxes receivable		3,845,492	3,057,269
Advances and other current assets		1,995,117	1,222,277
Cash and cash equivalents	9	21,389,337	3,670,197
Total current assets		47,996,811	24,535,910
TOTAL ASSETS		125,178,164	89,417,643
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	10	1,569,000	1,194,000
Additional paid-in capital	10	35,128,800	6,323,605
Retained earnings		7,200,222	(345,035)
Accumulated other comprehensive income		1,536,315	1,569,016
Equity attributable to the shareholders of Segezha Group PJSC		45,434,337	8,741,586
Non-controlling interest		125,978	126,630
Total equity		45,560,315	8,868,216
NON-CURRENT LIABILITIES:			
Loans and borrowings	12	39,058,533	50,758,014
Lease liabilities	16	10,745,219	9,573,338
Other financial liabilities	14	803,435	943,358
Pension obligations		850,635	917,435
Deferred tax liabilities		1,972,346	1,835,476
Other non-current liabilities		5,375	5,931
Total non-current liabilities		53,435,543	64,033,552
CURRENT LIABILITIES:			
Loans and borrowings	12	11,178,118	2,494,023
Trade and other payables		9,379,732	9,612,693
Lease liabilities	16	1,431,515	1,380,598
Provisions		723,810	559,758
Taxes payable		1,471,724	1,210,363
Advances received and other liabilities		1,997,407	1,258,440
Total current liabilities		26,182,306	16,515,875
TOTAL EQUITY AND LIABILITIES		125,178,164	89,417,643

Mikhail Shamolin

President

26 August 2021

Rovshan Aliyev

Vice-President for Finance and Investments

The accompanying notes on pages 9 - 22 are an integral part of these interim condensed consolidated financial statements.

SEGEZHA GROUP PJSC

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

Notes	Share/ charter capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income		Equity attributable to sharehol- ders/parti- pants of Segezha Group JSC	Non- controlling interests	Total equity
				Translation to presentation currency	Other			
31 December 2019	12	7,517,593	5,581,246	699,743	(82,795)	13,715,799	132,709	13,848,508
Net loss for the reporting period	-	-	(2,099,564)	-	-	(2,099,564)	(11,867)	(2,111,431)
Other comprehensive income for the period, net of income tax	-	-	-	512,230	-	512,230	-	512,230
Total comprehensive (loss)/income for the period	-	-	(2 099 564)	512 230	-	(1 587 334)	(11 867)	(1 599 201)
Acquisition of controlling stake in subsidiaries	-	-	-	-	-	-	(4,230)	(4,230)
Distribution to companies under common control	-	-	(35 700)	-	-	(35 700)	-	(35 700)
30 June 2020	12	7,517,593	3,445,982	1,211,973	(82,795)	12,092,765	116,612	12,209,377
31 December 2020	1,194,000	6,323,605	(345,035)	1,704,231	(135,215)	8,741,586	126,630	8,868,216
Net income/(loss) for the reporting period	-	-	7,582,654	-	-	7,582,654	(652)	7,582,002
Other comprehensive loss for the period	-	-	-	(32,701)	-	(32,701)	-	(32,701)
Total comprehensive (income)/loss for the year	-	-	7,582,654	(32,701)	-	7,549,953	(652)	7,549,301
Issue of shares through public offering	10	375,000	29,625,000	-	-	30,000,000	-	30,000,000
Share issue transactions costs net of current and deferred income tax	10	-	(819,805)	-	-	(819,805)	-	(819,805)
Distribution to companies under common control	-	-	(37,397)	-	-	(37,397)	-	(37,397)
30 June 2021	1,569,000	35,128,800	7,200,222	1,671,530	(135,215)	45,434,337	125,978	45,560,315

The accompanying notes on pages 9 - 22 are an integral part of these consolidated financial statements.

SEGEZHA GROUP PJSC

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

	Notes	For the six months ended	
		30 June 2021	30 June 2020
Cash flows from operating activities:			
Net profit/(loss) for the reporting period		7,582,002	(2,111,431)
<i>Adjustments for:</i>			
Depreciation and amortisation		2,865,513	2,692,463
Depreciation of right-of-use assets	16	533,830	408,505
Interest income recognised in profit and loss		(254,685)	(78,594)
Interest expense recognised in profit and loss		1,814,354	1,750,536
Other finance income	14	(344,036)	(143,255)
Income tax expense recognised in profit and loss	6	2,164,071	485,172
Allowance for expected credit losses		113,347	29,549
Loss on write-off of inventories		1,528	5,842
Allowance for inventory impairment		(618)	38,607
Loss/(gain) on disposal of property, plant, equipment and inventories		8,056	(80,370)
Foreign exchange differences, net		(1,175,284)	3,200,952
Gain on disposal and deconsolidation of Group companies		(279)	(9,864)
Other non-monetary operating expenses, net		58,740	70,176
		13,366,539	6,258,288
<i>Movements in working capital:</i>			
Increase in trade and other receivables		(3,415,471)	(1,299,154)
Increase in inventories		(2,493,980)	(553,961)
Decrease in other assets		12,472	775,983
Decrease in trade and other payables		(272,132)	(1,368,735)
Increase in other liabilities		276,179	173,739
Cash generated from operating activities		7,473,607	3,986,160
Interest paid		(1,291,079)	(1,033,432)
Income taxes paid		(1,861,821)	(1,210,670)
Net cash from operating activities		4,320,707	1,742,058

The accompanying notes on pages 9 - 22 are an integral part of these consolidated financial statements.

SEGEZHA GROUP PJSC

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

	Notes	For the six months ended	
		30 June 2021	30 June 2020
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(8,554,365)	(7,111,024)
Proceeds on disposal of property, plant and equipment	7	207,710	48,386
Loans issued to joint venture	15	(1,462,230)	(576,354)
Repayment of loans issued to joint venture	15	-	852,888
Interest received		254,685	78,594
Cash outflow from deconsolidation of Group companies		-	(38,044)
Dividends received		-	3,805
Advances on business acquisitions	5	(4,677,772)	-
Investments in joint ventures	17	(280,448)	-
Imputed dividends paid		(37,396)	(30,000)
Net cash outflow on acquisition of Group companies		-	(894,290)
Net cash used in investing activities		(14,549,816)	(7,666,039)
Cash flows from financing activities			
Proceeds from Issue of shares through public offering	10	30,000,000	-
Share issue transactions costs	10	(28,797)	-
Proceeds from loans and borrowings		10,321,723	19,896,259
Repayment of principal of loans and borrowings		(11,618,808)	(13,022,428)
Other finance income		204,113	-
Lease liability payments		(782,047)	(570,690)
Net cash generated from financing activities		28,096,184	6,276,141
Net increase in cash and cash equivalents		17,867,075	352,160
Cash and cash equivalents, beginning of the year		3,670,197	3,214,409
Effect of exchange rate changes on cash held in foreign currencies		(147,935)	96,505
Cash and cash equivalents, end of the period		21,389,337	3,663,074

The accompanying notes on pages 9 - 22 are an integral part of these consolidated financial statements.

SEGEZHA GROUP PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands of Russian Rubles, unless otherwise indicated)

1. GENERAL INFORMATION

Group of Companies «Segezha» Public Joint Stock Company (before 7 April 2021 Group of Companies «Segezha» Joint Stock Company, before 28 December 2020 Group of Companies Segezha LLC, hereinafter, the "Company" or jointly with its subsidiaries – «Segezha Group» or the «Group») incorporated in the Russian Federation ("RF") in 2013. 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. The Company has a registered office at 10 Presnenskaya Naberezhnaya, Moscow.

As at 30 June 2021 Sistema, PJSFC (8.28%) and its subsidiary Sistema Telecom Assets, LLC (63.67%) were the key shareholders of the Company.

24.25% of the Company's ordinary shares are traded in a public market (Note 10). Vladimir Yevtushenkov is the ultimate controlling shareholder of Sistema, PJSFC (the "Parent").

As at 31 December 2020 Sistema, PJSFC (14.57%) and its subsidiary Sistema Telecom Assets, LLC (83.67%) were the key shareholders in the Company.

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 2020 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*.

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 2020 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.

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these interim condensed consolidated financial statements, the Group applied the same accounting principles used in preparing the annual consolidated financial statements for 2020. None of the amendments and interpretations of the standards effective from 1 January 2021 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 thousands 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;
- **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 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. 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.

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	18,686,828	14,743,722	5,429,009	2,851,827	5,072,241	46,783,627
Elimination of intersegment transaction revenue	(6,925)	(2,423,935)	(19)	(108,672)	(1,572,989)	(4,112,540)
Total revenue reported in the consolidated statement of profit and loss and other comprehensive income	18,679,903	12,319,787	5,428,990	2,743,155	3,499,252	42,671,087
OIBDA	5,128,151	5,709,850	2,461,150	1,201,293	(1,314,958)	13,185,486

SEGEZHA GROUP PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands of Russian Rubles, unless otherwise indicated)

The following is an analysis of reportable segments for the six months ended 30 June 2020:

	Paper and packaging	Forestry management and wood working	Plywood and boards	Laminated wood products	Other	Total segments
Segment revenue	17,331,850	10,951,036	3,914,247	1,800,986	1,340,012	35,338,131
Elimination of intersegment transaction revenue	(3,744)	(2,707,784)	(61)	(82,996)	(1,332,664)	(4,127,249)
Total revenue reported in the consolidated statement of profit and loss and other comprehensive income	17,328,106	8,243,252	3,914,186	1,717,990	7,348	31,210,882
OIBDA	4,567,496	1,442,824	1,096,641	163,732	(1,056,377)	6,214,316

To ensure comparability the information for the six months ended 30 June 2020 was restated for the separate representation of the *Laminated wood products* segment.

Below is the reconciliation of segment OIBDA and consolidated operating profit of the Group:

	For the six months ended	
	30 June 2021	30 June 2020
OIBDA	13,185,486	6,214,316
Depreciation and amortisation expense	(3,399,343)	(3,100,968)
Other	-	(19,829)
Operating profit	9,786,143	3,093,519

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 change in profit margins of the *Forestry management and wood working, Plywood and boards, and Laminated wood products* segments is due to the increased production capacity, improved product structure, positive market conditions, and the depreciation of the ruble with a significant amount of export revenue.

5. BUSINESS COMBINATIONS

Acquisition of JSC “Novoyeniseiskiy Wood-Chemical Complex” achieved in stages

On 15 February 2021 the Group applied to participate in an auction for assets related to JSC “Novoyeniseiskiy Wood-Chemical Complex” (NLHK) organised by Trust Bank PJSC, a financial institution entrusted with government over non-financial assets. NLHK is one of the leading full-cycle sawmills in Russia. It is located in Lesosibirsk, Krasnoyarsk region and its main products are: coniferous woods sawn timber, fibreboards, wood pellets and other timber products used for construction of private and industrial structures.

The auctioned lot includes (i) the bank’s rights of claim for NLHK loans payable and other payables totaling RUB 11.5 billion denominated in various currencies, (ii) rights to conclude call option for 71% of shares in NLHK. The Group acquired the lot for a cash consideration amounting to RUB 2,305,818 thousands paid in February 2021.

On 20 May 2021 the Group concluded a purchase agreement for a minority stake of 29% in NLHK. The purchase was completed on 27 July 2021 with share ownership transferred to JSC Lesosibirsky LDK No.1, a subsidiary of the Group. The total purchase price of USD 17 million is payable in two installments: RUB 619,594 thousand paid on 8 June 2021, and the residual amount was settled on 19 August 2021 after the transfer of ownership.

SEGEZHA GROUP PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands of Russian Rubles, unless otherwise indicated)

These transactions did not result in the Group's obtaining control over NLHK due to an ongoing NLHK bankruptcy litigation in the Court of Arbitration of the Krasnoyarsk region. As at the date of signing these interim condensed consolidated financial statements the Group is NLHK's largest creditor, the Group plans to negotiate a settlement agreement and terminate the bankruptcy procedure by the end of September 2021. After the termination Group's call option becomes exercisable, the Group will obtain control over NLHK's operating activities and will consolidate 100% of NLHK's assets and liabilities.

As at 30 June 2021 the total consideration of RUB 2,925,412 thousand paid by this date is accounted for as prepayments for non-current assets.

In the reporting period the Group has issued a refundable advance payment in the amount of RUB 1,500,000 thousand for a potential business acquisition being considered by the Group's management.

6. 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	
	<u>30 June 2021</u>	<u>30 June 2020</u>
Current income tax expense	1,730,051	698,124
Deferred tax	434,020	(212,952)
Total income tax expense recognised in the current period relating to continuing operations	<u>2,164,071</u>	<u>485,172</u>

The effective tax rate reconciliation for the six months ended 30 June 2021 and 2020 is presented below:

	For the six months ended	
	<u>30 June 2021</u>	<u>30 June 2020</u>
Profit/(loss) before tax from continuing operations	<u>9 746 073</u>	<u>(1 626 259)</u>
Theoretical income tax expense /(income) at the rate of 20%	1,949,215	(325,252)
Non-deductible expenses, net	231,692	597,151
Tax effect of restructuring of intercompany settlements	98,332	341,051
Recovery of unutilised tax losses and offsets not recognised as deferred tax assets	(89,025)	(156,084)
Effect of tax rate other than the rate of 20%	(26,143)	28,306
Total income tax expense recognised in the current year for continuing operations	<u>2,164,071</u>	<u>485,172</u>

Additional capital includes RUB 15,651 thousands of current income tax and RUB 189,300 thousand of deferred tax related to the share issue transactions costs (Note 10).

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7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired assets with total initial cost of RUB 8,326,677 thousand (30 June 2020: RUB 3,336,167 thousand).

The carrying amount of construction-in-progress as at 30 June 2021 was RUB 8,584,418 thousand (31 December 2020: RUB 6,053,453 thousand).

Borrowing costs capitalized during the six months ended 30 June 2021 amounted to RUB 83,555 thousand (30 June 2020: RUB 1,489 thousand).

As at 30 June 2021, advances paid to suppliers for the acquisition of property, plant and equipment amounted to RUB 1,758,750 thousand (31 December 2020: RUB 2,482,463 thousand).

During the six months ended 30 June 2021, the Group disposed of assets with a net carrying amount of RUB 210,399 thousand (30 June 2020: RUB 31,248 thousand). As a result, the Group received a net profit on disposal in the amount of RUB 43,307 thousand (30 June 2020: RUB 80,370 thousand).

As at 30 June 2021, the Group had contractual obligations to suppliers of machinery and equipment for the acquisition of assets in the total amount of RUB 13,562,056 thousand (as at 31 December 2020: RUB 5,746,568 thousand). The increase in the contractual obligations is due to an investment projects at Sokol PPM commissioning the acquisition of the new Paper Making Machine, at the Vyatsky Plywood mill launching an acquisition of the new production line, and Omega Sawmills reconstruction.

8. INTANGIBLE ASSETS

Intangible assets increased during 6 months ending 30 June 2021 mainly due to software acquired, including expenses of RUB 445,760 thousand (30 June 2020: RUB 800,789 thousand) incurred to adapt, implement and launch an SAP enterprise management system, including capitalised expenses for the project team totalling RUB 162 729 thousand (30 June 2020: RUB 109,094 thousand).

The Group completed adaptation and implementation of the main production, accounting, sales, purchases, logistical, and financial SAP modules, launching these modules into operation from 1 July 2021. The Group expects to complete its consolidation, management reporting, budgeting, and forecasting modules by 31 December 2021.

9. CASH AND CASH EQUIVALENTS

As at 31 June 2021 and 31 December 2020, cash and cash equivalents comprised:

	30 June 2021	31 December 2020
Cash on hand	3,399	2,210
Cash in current accounts	13,248,508	3,509,687
Bank deposits with original maturity of less than three months (0.01%- 10%)	8,137,430	158,300
Total cash and cash equivalents	<u>21,389,337</u>	<u>3,670,197</u>

The increase of cash in current accounts and bank deposits was due to the proceeds from the initial public offering of shares on the Moscow Exchange (Note 10).

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10. EQUITY TRANSACTIONS

On 7 April 2021 Group of Companies «Segezha» Joint Stock Company was reorganised into 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, indicative price range for initial public offering and listing was RUB 7.75-11, with the Offer Price at RUB 8.00 per share. As a result of the initial public offering the Group raised RUB 30,000,000 thousand. Transactions costs directly relating to the share issue and initial public offering amounted to RUB 1,024,756 thousand accounted for directly in equity in the total amount of RUB 819,805 thousand net of the relevant current and deferred income tax at 20%. The major part of the transaction costs is payable in the second half of 2021 and is to be presented as *Share issue transactions costs* as cash flows from financing activities in the Statement of Cash Flows.

Upon completion of the share issue and public placement transactions 24.25% of the Company's issued ordinary shares are traded in a public market.

As a result of share issue for initial public offering the Group's share capital increased to RUB 1,569,000 thousand consisting of 15,690,000,000 ordinary shares with a par value of RUB 0.1.

During the six months ended 30 June 2021 and 2020, no decision on distribution of profit in the form of dividends was made.

Upon the occurrence of a liquidity event envisaged by the Long-Term Incentive Plan for the President of the Group, i.e. initial public offering, during the six months ended 30 June 2021 the President was paid a bonus of RUB 130,761 thousand. The above amount was used to acquire 1.45% stake in the Company's equity.

The Group does not recognise a provision for the liquidity event bonus envisaged by the Long-Term Incentive Plan for Management, as at the date of signing these interim condensed consolidated financial statements the main vesting condition did not come into effect. The vesting condition envisaged by the Plan is a weighted average share price for a period of 30 trading days being higher than the price of the initial public offering.

11. EARNINGS PER SHARE

The calculation of the earnings per share is based on the net income/(loss) 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 2021 and 2020 is presented below:

	For the six months ended	
	<u>30 June 2021</u>	<u>30 June 2020</u>
Net profit/(loss) attributable to shareholders of Segezha Group PJSC /participants of Group of Companies Segezha LLC	7,582,654	(2,099,564)
Weighted average number of ordinary shares in circulation (thousand shares)	13,141,657	13,141,657*
Earnings per share for profit attributable to the ordinary equity holders of the company (in RUB)	<u>0.58</u>	<u>(0.16)</u>

*comparative information for the six months ended 30 June 2020 is calculated based on the weighted average number of ordinary shares for the six months ended 30 June 2021, as on 30 June 2020 the Company was a limited liability company.

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12. LOANS AND BORROWINGS

As at 31 June 2021 and 31 December 2020, loans and borrowings comprised:

	Currency	30 June 2021		31 December 2020	
		Effective interest rate	Carrying amount	Effective interest rate	Carrying amount
Short-term loans and borrowings					
Secured loans					
Short-term bank loans	RUB	8.81%	888,777	7.80%	457,599
Short-term bank loans	EUR	3.07%	1,814,472	3.05%	662,044
Other			177,495		83,377
			2,880,744		1,203,020
Unsecured loans					
Short-term bank loans	RUB	7.18%	7,641,929	6.88%	603,251
Short-term bank loans	EUR	4.13%	655,445	4.10%	687,752
			8,297,374		1,291,003
Long-term loans and borrowings					
Secured loans					
Long-term bank loans	EUR	3.08%	15,461,010	3.05%	26,937,458
Long-term bank loans	RUB	9.07%	6,004,502	8.94%	6,553,659
			21,465,512		33,491,117
Unsecured loans					
Long-term bank loans	EUR	2.12%	7,517,000	2.45%	7,183,126
Other			93,797		106,497
			7,610,797		7,289,623
Long-term corporate bonds	RUB	7.45%	9,982,224	7.45%	9,977,274
Total loans and borrowings			50,236,651		53,252,037

Assets pledged as security

As at 30 June 2021, the Group pledged the following assets to secure obligations under loan agreements: property, plant and equipment with a carrying amount of RUB 11,926,917 thousand; inventories with a carrying amount of RUB 978,306 thousand; receivables of RUB 958,268 thousand.

As at 31 December 2020, the Group pledged the following assets to secure obligations under loan agreements: property, plant and equipment with a carrying amount of RUB 16,686,955 thousand; inventories with a carrying amount of RUB 850,317 thousand; receivables of RUB 804,569 thousand.

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, income taxes and depreciation and amortisation, which is equivalent to OIBDA adjusted for IFRS 16 lease expenses), compliance with the limits to ownership interest by the Group's ultimate shareholder, with forestry regulations, as well as with requirements for the maintenance of licenses and restrictions on making new borrowings (in excess of the set consolidated net debt to adjusted for IFRS 16 lease expenses EBITDA ratio), providing loans, guarantees, sureties to third parties, disposing of assets (disposing of material assets) and with limits on increasing 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 2021 is as follows:

	12 months, ended 30 June 2021	2020
Loans and borrowings	50,236,651	53,252,037
less		
Cash and cash equivalents	21,389,337	3,670,197
Total net debt	28,847,314	49,581,840
OIBDA	24,430,122	17,458,952
Net debt to OIBDA ratio	1.18	2.84
Lease expenses under IFRS 16	(1,640,796)	(1,444,566)
OIBDA adjusted for lease expenses under IFRS 16	22,789,326	16,014,386
Net debt to adjusted OIBDA ratio	1.27	3.10

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 2021 and 31 December 2020, the Group had no breaches of covenants that had not been previously waived by the banks.

13. PROVISIONS

As at 31 December 2020, the Group recognized provision for annual performance bonuses for employees for the year 2020 in the amount of RUB 380,849 thousand. During the six months ended 30 June 2021, the provisions were used to pay out the bonuses. As at 30 June 2021, the Group recognized provision for employee performance bonuses for the first half of 2021 in the amount of RUB 408,976 thousand.

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 2021		
Long-term loans and borrowings	39,058,533	39,962,040
31 December 2020		
Long-term loans and borrowings	50,758,014	51,396,869

The change in the fair value of long-term loans and borrowings is primarily due to a change in the discount rate used for ruble-denominated borrowings from 7.22% as at 31 December 2020 to 7.13% as at 30 June 2021 (Level 3, except for the yield on issued corporate bonds). As at 30 June 2021 and 31 December 2020, the yield on issued corporate bonds is used (Level 1). The discount rate used for euro-denominated borrowings remains unchanged from 31 December 2020.

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In March 2020, 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:

	<u>SWAP 1</u>	<u>SWAP 2</u>	<u>SWAP 3</u>
30 June 2021			
Transaction date	06.03.2020	06.03.2020	12.03.2020
Par value, RUB `thousand	2,500,000	2,500,000	2,500,000
Transaction currency	RUB/Euro	RUB/Euro	RUB/Euro
Exchange rate as at the transaction date	76.00	76.00	84.50
Interest rate (RUB)	7.10%	7.10%	7.10%
Interest rate (EUR)	1.48%	1.48%	1.25%
Spot exchange rate as at the reporting date	86.20	86.20	86.20
Fair value of liability (RUB thousand)	<u>(371,224)</u>	<u>(371,236)</u>	<u>(60,975)</u>

	<u>SWAP 1</u>	<u>SWAP 2</u>	<u>SWAP 3</u>
31 December 2020			
Transaction date	06.03.2020	06.03.2020	12.03.2020
Par value, RUB `thousand	2,500,000	2,500,000	2,500,000
Transaction currency	RUB/Euro	RUB/Euro	RUB/Euro
Exchange rate as at the transaction date	76.00	76.00	84.50
Interest rate (RUB)	7.10%	7.10%	7.10%
Interest rate (EUR)	1.48%	1.48%	1.25%
Spot exchange rate as at the reporting date	90.68	90.68	90.68
Fair value of liability (RUB thousand)	<u>(410,819)</u>	<u>(451,429)</u>	<u>(81,110)</u>

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).

As at 30 June 2021 a net financial liability on the cross-currency interest rate swaps of RUB 803,435 thousand relating to the cross-currency interest rate swaps was recognised in *Other financial liabilities*.

Changes in cross-currency interest rate swaps for the six months ended 30 June 2021 and 30 June 2020, are presented below:

	For the six months ended	
	<u>30 June 2021</u>	<u>30 June 2020</u>
Fair value, beginning of the period	(943,358)	-
Income from interest swap transaction	204,113	143,255
Cash received	(204,113)	-
Fair value revaluation	139,923	143,255
Fair value, end of the period	<u>(803,435)</u>	<u>143,255</u>

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.

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During the six months ended 30 June 2021 and 2020, 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 2021 and 31 December 2020:

		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	2021	-	745	-	223
	2020	-	559	-	168
Sistema subsidiaries	2021	1,629	1,127,339	26,676	271,361
	2020	5,124	1,092,380	54,342	371,103
Other related parties	2021	15,125	344,181	-	7,132
	2020	19,239	189,446	1,091	1,341

Transactions with other related parties mainly consist of transactions with the PAO LHK Karellesprom, an associate of the Group, for purchases of goods and services including purchases of pulpwood and softwood sawlogs. 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	2021	87,234	8,015,100
	2020	12,440	135,700
Cash in current accounts	2021	-	259,818
	2020	-	554,112

As at 30 June 2021, 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 2021 and 30 June 2020 is presented as follows:

	For the six months ended 30 June 2021	30 June 2020
Balance, beginning of the period	1,347,870	-
Reclassified from intercompany loans on deconsolidation of Group companies	-	1,177,400
Loans issued to joint venture	1,462,230	576,354
Repayment of loans issued to joint venture	-	(852,888)
Balance, end of the period	2,810,100	900,866

For the six months ended 30 June 2021 the Group received interest income on these loans in the amount of RUB 71,083 thousand (for the six months ended 30 June 2021: RUB 28,809 thousand).

Remuneration paid to members of the Board of Directors for the six months ended 30 June 2021 was RUB 3,660 thousand; for the six months ended 30 June 2020 - RUB 7,216 thousand. Remuneration paid to key management personnel for the six months ended 30 June 2021 was RUB 289,456 thousand; for the six months ended 30 June 2020 - RUB 272,054 thousand.

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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 2021 and 31 December 2020, right-of-use assets comprised:

	Forest plots	Real estate	Other	Total right-of-use assets
31 December 2019	10,184,083	1,240,508	592,795	12,017,386
Acquisition of Group entities	515,401	6,841	1,740	523,982
Additions of right-of-use assets for the period	425,198	(50,500)	21,243	395,941
Depreciation of right-of-use assets	(244,861)	(116,944)	(46,700)	(408,505)
Disposal of Group entity	-	-	(1,376)	(1,376)
Disposals of right-of-use assets for the period	-	-	(847)	(847)
Translation to presentation currency	-	14,147	20,286	34,433
30 June 2020	10,879,821	1,094,052	587,141	12,561,014
31 December 2020	12,027,698	1,521,058	1,100,285	14,649,041
Additions of right-of-use assets for the period	1,284,848	74,590	168,270	1,527,708
Depreciation of right-of-use assets	(343,966)	(127,530)	(62,334)	(533,830)
Disposals of right-of-use assets for the period	-	(1,322)	(1,118)	(2,440)
Translation to presentation currency	-	(33,662)	(18,248)	(51,910)
30 June 2021	12,968,580	1,433,134	1,186,855	15,588,569

The table below shows expenses recognised in the statement of profit and loss for the six months ended 30 June 2021 and 2020:

	For the six months ended	
	30 June 2021	30 June 2020
Depreciation of right-of-use assets	533,830	408,505
Short-term lease expenses	23,254	14,476
Interest on lease liabilities	516,564	465,583
	1,073,648	888,564

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

	Opening balance	Lease liability payments	Conclusion/ (disposal) and modification of lease agreements	Non-cash changes			Closing balance
				Financial expenses	Acquisition of Group entities	Exchange differences on translation	
Lease liability — 2020	8,460,730	(597,690)	395,941	465,583	439,114	156,980	9,320,658
Lease liability — 2021	10,953,936	(782,047)	1,525,376	516,564	-	(37,095)	12,176,734

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17. JOINT VENTURES AND ASSOCIATES

As at 30 June 2021 and 31 December 2020, joint ventures and associates comprised

	Principal activities	Type	Country	Book value		Effective shares of ownership, %	
				30 June 2021	31 December 2020	30 June 2021	31 December 2020
GalichLes LLC, Galich Plywood Mill LLC	Forestry management Plywood and boards	Joint ventures	Russia	-	-	85%	100%
Group Segezha West LHC	Pulp and paper	Joint ventures	Russia	507 000	255 000	50%	50%
Karellesprom, JSC	Timber resources	Associates	Russia	86 563	140 536	43,88%	43,88%
Segezha Nord, LLC	Hotel management	Joint ventures	Russia	75 576	47 228	50%	50%
Other				15 566	15 429	-	-
Total				684 705	458 192	-	-

GalichLes LLC and Galich Plywood Mill LLC

In March 2020, the Group organized project financing for the construction of a plywood mill in the city of Galich, the Kostroma Region, based on the Group's 100% subsidiaries GalichLes LLC and Galich Plywood Mill LLC (jointly referred to as the "Companies").

According to the Corporate Governance Agreement, concluded with the bank, both parties have equal rights to govern significant activities of the investees, including:

- approval of significant transactions over RUB 100 million;
- approval of the annual business plan and (or) budget, and reports on budget execution, introduction of amendments and additions to the approved annual business plan and (or) budget.

In addition, the bank monitors the construction progress and controls payments.

Taking into account the provisions of the Corporate Governance Agreement, the management concluded that starting from 27 March 2020 the Group loses control over its 100% subsidiaries and recognizes them as joint ventures with a 100% interest as the *Investments in joint ventures and associates*.

On 26 April 2021 in accordance with the provisions of the Corporate Governance Agreement the Group sold a 15% stake in GalichLes LLC (a 100% owner of Galich Plywood Mill LLC) for a nominal value. This transaction did not amend the rights to govern significant activities. The Bank has a put option to sell the purchased 15% stake for a fixed consideration of RUB 475,000 thousand exercisable not earlier than 1 October 2025. The consideration approximates the expected fair value of the 15% stake as at 1 October 2025. The Group has a call option to purchase the 15% stake for the fixed consideration of RUB 475,000 thousand exercisable not later than 30 September 2025.

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Group Segezha West

In 2020 a joint venture in the form of the Group Segezha West was created by the Group and Sistema Telecom Assets, LLC, each holding an equal share of 50%. The joint venture was created to exercise technical design, basic engineering, preparation for the construction works, including obtaining the relevant permissions, for the construction of a new pulp mill at Segezha in Karelia with the production capacity of 1,500 thousand tons of pulp per year.

The increase in the book value of the investment as at 30 June 2021 as compared to 31 December 2021 due to an additional contribution from the Group to finance current engineering works.

18. 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. In March 2020 oil prices dropped for more than 40%, which resulted in immediate weakening of Russian Ruble against major currencies.

The impact of further economic and political developments on future operations and financial position of the Group might be significant.

In early 2020, the world saw an outbreak of a novel coronavirus (COVID-19), and in March 2020, the World Health Organization (WHO) declared it a pandemic. COVID-19 prevention efforts taken by many countries have lead to significant operating restraints for many businesses and have had a significant impact on international financial markets. COVID-19 may continue to significantly affect many businesses operating in various industries, including, but not limited to, disruption of operations due to production interruptions/shutdowns, supply chain disruptions, staff quarantine, lower demand and more difficult access to finance. COVID-19 also affects the global economy and major financial markets.

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The Group's management monitors the situation closely. The main priority of the Group remains the safety of its employees, clients and the population in the regions where the Group operates at the same time maintaining a normal level of business activity. All the companies of the Group strictly follow the official guidelines effective in the countries where the Group's assets are present; all the facilities comply with all health and safety standards and recommendations for social distancing and personal hygiene. During the government-imposed lockdowns throughout 2020, all production sites of the Group were able to operate as planned with 100% utilization.

The management has taken into consideration events and conditions that may lead to material uncertainty regarding the Group's ability to continue as a going concern. Based on the analysis performed, the management believes that there are no uncertainties regarding the Group's ability to operate in the foreseeable future.