GROUP OF COMPANIES «SEGEZHA» PUBLIC JOINT STOCK COMPANY

Special Purpose Consolidated Financial Statements and Independent Auditor’s Report for the year ended 31 December 2023

SEGEZHA GROUP PJSC

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SEGEZHA GROUP PJSC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR 2023

Management is responsible for the preparation of the special purpose consolidated financial statements that present fairly the financial position of Segezha Group PJSC and its subsidiaries (hereinafter, collectively referred to as the "Group") as of 31 December 2023, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the special purpose 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 IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and consolidated financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- 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 special purpose consolidated financial statements of the Group comply with IFRS except for disclosed in Note2;
- 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;
- Preventing and detecting fraud and other irregularities.

The consolidated special purpose financial statements of the Group for the year ended 31 December 2023 were approved by management on 21 March 2024.

On behalf of management:

Mikhail Shamolin	**Vladimir Travkov**
President	Vice-President for Finance and Investment

21 March 2024

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INDEPENDENT AUDITOR'S REPORT ON SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

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

Opinion

We have audited the special purpose consolidated financial statements of Group of Companies "Segezha" Public Joint Stock Company and its subsidiaries (the "Group"), which comprise the special purpose consolidated statement of financial position as at 31 December 2023 and the special purpose consolidated statement of profit or loss and other comprehensive income, special purpose consolidated statement of changes in equity and special purpose consolidated statement of cash flows for the year then ended, and notes to the special purpose consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying special purpose consolidated financial statements for the year ended 31 December 2023 are prepared, in all material respects, in accordance with the requirements for the preparation of special purpose consolidated financial statements set out in Note 2 «Basis of preparation» and the recommendations set out in the Decree of the Government of the Russian Federation No. 1102 "On the specifics of disclosure and (or) provision of information subject to disclosure and (or) provision in accordance with the requirements of the Federal Law "On Joint Stock Companies" and the Federal Law "On the Securities Market" dated 4 July 2023 in relation to restrictions on the financial information disclosure.

Basis for Opinion

We conducted our audit in accordance with International Standards of Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the special purpose Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Auditor's Independence Rules and the Auditor's Professional Ethics Code, that are relevant to our audit of the financial statements in the Russian Federation together with the ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – basis of preparation and restrictions of use

We draw attention to Note 2 «Basis of preparation» to the special purpose consolidated financial statements, which describes that they are prepared to comply with the requirements for the publication of the consolidated financial results of the Group established by the Federal Law No. 208-FZ dated 26 December 1995 and the recommendations set out in the Decree of the Government of the Russian Federation No. 1102 dated 4 July 2023 in relation to restrictions on the financial information disclosure in such a way that the information presented in the accompanying special purpose consolidated financial statements is not detrimental to the Group and its subsidiaries, shareholders and current and potential counterparties.

In this regard, these special purpose consolidated financial statements do not comply with the requirements of International Financial Reporting Standards («IFRS») and do not contain all the necessary information required to be presented and disclosed in accordance with the full requirements of IFRS, and may not be suitable for any other purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the special purpose consolidated financial statements

Management is responsible for the preparation and fair presentation of the special purpose consolidated financial statements in accordance with principles set forth in Note 2, and for establishing the internal control as management determines is necessary to enable the preparation of the special purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's special purpose financial reporting process.

Auditor's Responsibilities for the Audit of the special purpose consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the special purpose consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the special purpose group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Anton Kochetkov
(ORNZ № 21906101507),
Engagement partner,
Acting based on the power of attorney issued by the General Director on 16.03.2023 authorizing to sign off the audit report on behalf of AO "Business Solutions and Technologies" (ORNZ № 12006020384)

21 March 2024

SEGEZHA GROUP PJSC

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(in millions of Russian Rubles)

	Notes	2023	2022
Continuing operations			
Revenue	4	88,487	96,875
Operating expenses:			
Cost of goods sold	7	(67,621)	(66,987)
Selling and administrative expenses	8	(26,760)	(26,569)
Other operating income, net	9	1,587	5,648
Operating (loss)/profit		**(4,307)**	**8,967**
Interest income	10	1,747	1,829
Interest expense	10	(16,483)	(11,570)
Other finance (expenses)/income	10	(86)	2,892
Foreign exchange differences, net		725	4,841
Other expenses		-	(14)
(Loss)/profit before tax		**(18,404)**	**6,945**
Income tax	11	2,424	(1,381)
Net (loss)/profit for the year from continuing operations		**(15,980)**	**5,564**
Discontinued operations			
Net (loss)/profit for the year from discontinued operations	5	(768)	488
Net (loss)/profit for the year		**(16,748)**	**6,052**
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		162	147
Less: Gain reclassified to profit or loss on disposal of foreign operation		(2,080)	-
Other comprehensive (loss)/income for the year		**(1,918)**	**147**
Total comprehensive (loss)/income for the year		**(18,666)**	**6,199**
Net (loss)/profit attributable to:			
Shareholders of Segezha Group PJSC		(16,704)	6,035
Non-controlling interests		(44)	17
		(16,748)	**6,052**
Total comprehensive (loss)/income attributable to:			
Shareholders of Segezha Group PJSC		(18,622)	6,182
Non-controlling interests		(44)	17
		(18,666)	**6,199**
(Loss)/earnings per share (in Russian Rubles)			
From continuing operations	20	(1.02)	0.35
From discontinued operations	20	(0.05)	0.03
	20	**(1.07)**	**0.38**

Mikhail Shamolin

President

21 March 2024

Vladimir Travkov

Vice-President for Finance and Investments

The accompanying notes on pages 9-37 are an integral part of these special purpose consolidated financial statements.

SEGEZHA GROUP PJSC

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

(in millions of Russian Rubles)

	Notes	31 December 2023	31 December 2022
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	12	77,890	82,213
Right-of-use assets	28	52,686	60,591
Intangible assets	13	5,226	5,442
Goodwill		444	444
Investments in joint ventures and associates	6	421	386
Deferred tax assets	11	2,790	1,215
Prepayments for non-current assets	12	2,263	4,039
Financial assets from related parties	27	13,360	7,978
Other non-current assets		3,771	1,154
Total non-current assets		**158,851**	**163,462**
CURRENT ASSETS:			
Inventories	14	21,137	24,613
Trade and other receivables and deferred expenses on delivery of finished goods	15	10,229	8,522
VAT receivable and taxes receivable	17	2,980	2,573
Income tax receivable		276	928
Advances and other current assets	18	4,090	5,113
Cash and cash equivalents	16	10,656	22,879
Total current assets		**49,368**	**64,628**
TOTAL ASSETS		**208,219**	**228,090**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	19	1,569	1,569
Additional paid-in capital		35,122	35,129
(Accumulated deficit)/retained earnings		(13,245)	3,451
Accumulated other comprehensive (loss)/income		(101)	1,856
Equity attributable to the shareholders of Segezha Group PJSC		**23,345**	**42,005**
Non-controlling interest		19	49
Total equity		**23,364**	**42,054**
NON-CURRENT LIABILITIES:			
Loans and borrowings	21	77,970	86,584
Lease liabilities	28	14,711	19,562
Deferred tax liabilities	11	5,740	7,775
Other non-current liabilities		2,345	1,989
Total non-current liabilities		**100,766**	**115,910**
CURRENT LIABILITIES:			
Loans and borrowings	21	55,259	37,257
Trade and other payables	22	18,414	21,110
Lease liabilities	28	3,227	3,953
Provisions	24	1,828	2,070
Taxes payable	23	2,655	2,864
Income tax payable		20	856
Dividends payable	19	229	229
Advances received		2,457	1,787
Total current liabilities		**84,089**	**70,126**
TOTAL EQUITY AND LIABILITIES		**208,219**	**228,090**

Mikhail Shamolin

President

Vladimir Travkov

Vice-President for Finance and Investments

21 March 2024

The accompanying notes on pages 9-37 are an integral part of these special purpose consolidated financial statements.

SEGEZHA GROUP PJSC

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

(in millions of Russian Rubles)

					Accumulated other comprehensive income/(loss)				
	Notes	**Share capital**	**Additional paid-in capital**	**Retained earnings/ (accumulated deficit)**	**Translation to presentation currency**	**Other**	**Equity attributable to shareholders of Segezha Group PJSC**	**Non-controlling interests**	**Total equity**
At 31 December 2021		**1,569**	**35,129**	**7,758**	**1,771**	**(62)**	**46,165**	**27**	**46,192**
Net profit for the year		-	-	6,035	-	-	**6,035**	17	**6,052**
Other comprehensive income for the year		-	-	-	147	-	**147**	-	**147**
Total comprehensive income for the year		**-**	**-**	**6,035**	**147**	**-**	**6,182**	**17**	**6,199**
Dividends to the shareholders	19	-	-	(10,042)	-	-	**(10,042)**	-	**(10,042)**
Other movements		-	-	(300)	-	-	**(300)**	5	**(295)**
At 31 December 2022		**1,569**	**35,129**	**3,451**	**1,918**	**(62)**	**42,005**	**49**	**42,054**
Net loss for the year		-	-	(16,704)	-	-	**(16,704)**	(44)	**(16,748)**
Other comprehensive loss for the year		-	-	-	(1,918)	-	**(1,918)**	-	**(1,918)**
Total comprehensive loss for the year		**-**	**-**	**(16,704)**	**(1,918)**	**-**	**(18,622)**	**(44)**	**(18,666)**
Other movements		-	(7)	8	-	(39)	**(38)**	14	**(24)**
At 31 December 2023		**1,569**	**35,122**	**(13,245)**	**-**	**(101)**	**23,345**	**19**	**23,364**

SEGEZHA GROUP PJSC

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(in millions of Russian Rubles)

	Notes	2023	2022*
Cash flows from operating activities:			
Net (loss)/profit for the period		**(16,748)**	**6,052**
Adjustments for:			
Depreciation and amortisation		13,646	14,551
Interest income recognised in profit and loss		(1,712)	(1,627)
Interest expense recognised in profit and loss		16,493	11,626
Other finance expenses/(income)		86	(2,892)
Partial discharge of deferred payment on business acquisition	9	-	(3,386)
Income tax recognised in profit and loss		(2,692)	1,405
Change in allowance for expected credit losses		115	(61)
Foreign exchange differences, net		(749)	(4,467)
Loss on disposal of Group entities and other adjustments		295	(61)
		8,734	**21,140**
Movements in working capital:			
Increase in trade and other receivables		(2,499)	(4,212)
Decrease/(increase) in inventories		1,371	(3,060)
Decrease in other assets		79	4,451
Decrease in trade and other payables		(4,678)	(618)
Increase/(decrease) in other liabilities		1,544	(5,505)
Cash generated from operating activities		**4,551**	**12,196**
Interest paid		(13,597)	(10,531)
Income taxes paid		(1,787)	(1,679)
Net cash used in operating activities		**(10,833)**	**(14)**
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(6,841)	(10,181)
Loans issued to joint ventures		(1,388)	(3,052)
Interest received		548	648
Investments in joint ventures		(35)	(1,578)
Net cash outflow on acquisition of Group companies		-	(18,390)
Other movements		(808)	481
Net cash used in investing activities		**(8,524)**	**(32,072)**
Cash flows from financing activities			
Proceeds from loans and borrowings		29,033	54,704
Proceeds from bonds and digital financial assets		13,544	46,399
Repayment of principal of loans and borrowings		(28,961)	(44,472)
Repayment of bonds		(7,682)	-
Proceeds from cross-currency interest-rate swaps		-	1,579
Dividends paid		-	(16,385)
Lease liability payments		(1,439)	(1,870)
Other movements		(24)	(295)
Net cash generated from financing activities		**4,471**	**39,660**
Net (decrease)/increase in cash and cash equivalents		(14,886)	7,574
Cash and cash equivalents at the beginning of the year		**22,879**	**12,634**
Effect of exchange rate changes on cash held in foreign currencies		2,663	2,671
Cash and cash equivalents at the end of the year	16	**10,656**	**22,879**

** Comparative information for the year ended 31 December 2022 has been re-presented to disclose interest paid on lease liability in the amount of RUB 2,273 million within 'Interest paid' line and other reclassifications of RUB 295 million between investing and financing activities.*

The accompanying notes on pages 9-37 are an integral part of these special purpose consolidated financial statements.

(in millions of Russian Rubles, unless otherwise indicated)

1. GENERAL INFORMATION

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

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

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

		31 December 2023		31 December 2022	
	Country	**Number of subsidiaries**	**Effective ownership**	**Number of subsidiaries**	**Effective ownership**
Paper and packaging segment					
Pulp and paper	Russia	2	89.13-100%	2	89.13-100%
Packaging	Russia, EU, Türkiye	1[1]	100%	9	100%
Forestry management and wood working segment					
Woodworking	Russia	8[2]	100%	10	100%
Forestry management	Russia	4[2]	89.13-100	8	99.31-100%
Plywood and boards segment					
Plywood and boards	Russia	2	100%	2	100%
Laminated wood products segment					
Home kits and CLT panels	Russia	2	100%	2	100%

As at 31 December 2023 and 2022, the Group has pledged interests in a number of its subsidiaries to secure performance under the loan agreements (Note 21).

2. BASIS OF PREPARATION

These special purpose consolidated financial statements have been prepared by the management based on the consolidated financial statements for the year ended 31 December 2023, prepared in accordance with International Financial Reporting Standards ("IFRS") excluding the information the disclosure of which could be harmful to the Group, shareholders and (or) to its counterparties. These special purpose consolidated financial statements are not, and do not replace, the consolidated financial statements prepared in accordance with IFRS requirements as they do not contain full disclosures required.

These special purpose consolidated financial statements have been prepared to comply with the requirements for the publication of the consolidated financial results of the Group established by the Federal Law No. 208-FZ "On Joint-Stock Companies" dated 26 December 1995, and the recommendations set out in the Decree of the Government of the Russian Federation No. 1102 "On the specifics of disclosure and (or) provision of information subject to disclosure and (or) provision in accordance with the requirements of the Federal Law "On Joint Stock Companies" and the Federal Law "On the Securities Market" dated 4 July 2023 in relation to restrictions on the financial information disclosure in such a way that the information presented in the accompanying special purpose consolidated financial statements is not harmful to the Group and its subsidiaries, shareholders and current and potential counterparties. As a result, these special purpose consolidated financial statements may not be suitable for any other purpose.

[1] During 2023, the Group sold its packaging facilities located in EU and Türkiye (Note 5)

[2] The number of significant subsidiaries decreased due to optimization of the Group's structure and the merger of a number of subsidiaries

The Group performed a number of reclassifiations to comparative information for comparability purposes. These reclassifications have not had any impact on the financial results, equity and cash flows reported before.

The Group applies accounting principles based on a historical cost basis, except for assets and liabilities acquired under business combinations accounted based on a fair value as at date of acquisition and cross-currency interest rate swaps recognized at fair value through profit or loss. Historical cost is generally based on the fair value of the consideration given in exchange for acquired assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The entities of the Group maintain their accounting records in accordance with the laws and accounting/reporting regulations of the jurisdictions in which they are incorporated. The accounting principles in these jurisdictions may differ substantially from IFRS. Accordingly, individual financial statements of the entities were adjusted to ensure that the special purpose consolidated financial statements are presented in accordance with IFRS.

The principal accounting policies applied to prepare these special purpose consolidated financial statements are set out below and in related Notes. These accounting policies have been consistently applied to all years presented in these statements, except where indicated otherwise.

Functional and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Russian Ruble is the functional currency of the Company and its Russian subsidiaries. These special purpose consolidated financial statements are presented in Russian Rubles. All values are rounded to the nearest millions Rubles, except as indicated otherwise.

Foreign exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to the subsidiaries of the Group, representing foreign operations, for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation). Such foreign exchange differences are recognised initially in other comprehensive income and reclassified from equity to profit or loss on settlement of the monetary items or on disposal of these foreign operations.

For the purposes of presenting these special purpose consolidated financial statements, the financial information on the Group's foreign operations is translated from the functional currency into Russian Rubles as follows:

- all assets and liabilities, both monetary and non-monetary, are translated at the exchange rates prevailing at the end of reporting periods;
- all income and expense items are translated at the average exchange rates for the reporting period unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used;
- equity components are translated at the historic rate;
- exchange differences are presented as a separate item ('*Foreign exchange differences on translation of foreign operations*') in the special purpose consolidated statement of profit or loss and other comprehensive income, with the accumulated effect recognised in the special purpose consolidated statement of changes in equity and attributed to non-controlling interest as appropriate;
- cash flows are translated at the average exchange rates for the reporting period unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising as a result of translation are recognised as a separate item ('*Effect of exchange rate changes on cash held in foreign currencies*').

(in millions of Russian Rubles, unless otherwise indicated)

Below are exchange rates, which were used by the Group for the purpose of preparation of these special purpose consolidated financial statements:

	As at 31 December		Average for the year ended 31 December	
	2023	**2022**	**2023**	**2022**
RUB/CNY	12.5762	9.8949	11.9846	10.2916
RUB/USD	89.6883	70.3375	85.2466	68.5494
RUB/EUR	99.1919	75.6553	92.2406	72.5259

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to participants of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in losing control over the subsidiary, the proportionate share of accumulated exchange differences is recalculated based on new non-controlling interest value and are not reclassified in profit or loss.

Basis of consolidation. These special purpose consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control over an entity (an investee) is achieved where the Group:

- has power to direct relevant activities of the investees that significantly affect their returns;
- is exposed, or has rights to, variable returns from its involvement with an investee; and
- has the ability to use its power over the investees to affect the amount of investor's returns.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have the practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than a majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of other vote holders to determine if it has de-facto power over the investee. The protective rights of other investors, such as those that relate to fundamental changes of an investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee.

Revenue. Revenue represents income arising in the normal course of business of the Group. Revenue is recognised at a transaction price. Transaction price represents a consideration to which the Group expects to become entitled in exchange for transferring control over promised goods or services to a customer, excluding any amounts received on behalf of third parties. Revenue is recognised net of discounts, VAT, export duties, excise and other similar mandatory payments.

Revenue comprises sales of goods (paper and package products, sawn timber, plywood, boards and other goods), as well as services related to the delivery of finished goods to customers after the transfer of control over goods. Sales are recognised as control passes to the customer, i.e. when (i) products have been delivered to the customer under Incoterms 2010, (ii) the customer obtains control over the products delivered and (iii) there is no outstanding obligation that may affect the acceptance of the products by the customer. The delivery of products is considered completed where (i) the products have been delivered to a specific location, (ii) control over the products has passed to the customer, (iii) the customer has accepted the products under the contract and (iv) the Group has objective evidence that all the acceptance terms and conditions have been satisfied.

Receivables are recognised upon product delivery because the right to consideration becomes unconditional due to the fact that consideration is only contingent on the passage of time.

If the Group transfers control over the service over the time (such as delivery of finished goods to the customer after having transferred the control) and, therefore, a performance obligation is satisfied over time, the sales revenue is included in the reporting period when the services were provided.

Critical judgements

The Group makes accounting estimates and assumptions that affect the amounts recognised in the special purpose consolidated financial statements and the carrying amounts of assets and liabilities. Accounting estimates and judgements are reviewed regularly and are based on the management's previous experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In applying the accounting policies, management also makes professional judgements other than accounting estimates.

Professional judgements with the most significant effect on accounting estimates and the amounts recognised in the special purpose consolidated financial statements, which may result in a significant adjustment to the carrying amount of assets and liabilities within the next financial year, include:

- measurement of right-of-use assets ("RoU assets") and lease liabilities (Note 28);
- useful lives of property, plant and equipment (Note 12);
- impairment of financial and non-current assets (Notes 12 and 15);
- joint control over engaged in plywood and boards, and forestry management (Note 6).

Going concern assumption

Management has prepared these special purpose 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 (Note 30).

As at 31 December 2023, current liabilities exceeded the Group's current assets by RUB 34,271 million, net loss for 2023 amounted RUB 16,748 million and negative cash flow from operating activities amounted RUB 10,833 million. In order to assess the Group's ability to continue on a going concern, the Group's management reviewed the financial position and future cash flows and profitability of the Group, taking into account expectations for recovery from the low phase of the market cycle, and also assessed available sources of refinancing of the current credit portfolio and ways to optimise it.

Due to the cyclical character of the wood processing industry, the Group's management expects improvement of the operating and financial results of the Group within the next twelve months. Moreover, the Group engages in optimizing its loans and borrowings portfolio to extend the duration of its loans and borrowings. Thus, in January 2024 the Group partially bought out corporate bonds issue for a total amount RUB 8,674 million under offer procedure and replaced credit facilities with borrowing in the amount of RUB 7,000 million maturing in June 2027 and issued digital financial asset ("DFA") for amount of RUB 2,200 million maturing in January 2027 (Note 30). The Group has also available unused credit facilities for a total amount of RUB 44,860 million (Note 25).

Based on the analysis performed, the Group's management confirmed that the Group will continue its operations for the foreseeable future.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has applied all IFRS standards and amendments that are mandatorily effective for an accounting period that begins on 1 January 2023. Their adoption has not had any material impact on the financial position of the Group, the results of its operations and cash flows.

New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024, and which the Group has not early adopted. The Group does not expect that these standards will have a material impact on its special purpose consolidated financial statements, unless otherwise stated below.

- Amendments to IFRS 7 and IAS 7 – *Supplier Finance Arrangements* (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024);

- Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). The management of the Group anticipate that the application of these amendments may have an impact on the Group's special purpose consolidated financial statements in future periods should such transactions arise;
- Amendments to IFRS 16 – *Lease Liability in a Sale and Leaseback* (issued on 27 September 2022 and effective for annual periods beginning on or after 1 January 2024);
- Amendments to IAS 1 – *Classification of liabilities as current or non-current, deferral of effective date* – (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2024);
- Amendments to IAS 1 – *Non-current Liabilities with Covenants* (issued on 2 November 2022 and effective for annual periods beginning on or after 1 January 2024);
- Amendments to IAS 21 – *Lack of Exchangeability* (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025).

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 separate 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 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;
- ***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. Assets and liabilities as well additions to the non-current assets 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 analysed with regards to the Group as a whole, without allocation to operating segments.

(in millions of Russian Rubles, unless otherwise indicated)

The following is an analysis of revenue and OIBDA from continuing operations by reportable segments for the year ended 31 December 2023:

	Paper and packaging	Forestry management and wood working	Plywood and boards	Laminated wood products	Other	Total segments
Segment revenue	30,561	50,140	10,288	4,660	6,010	**101,659**
Elimination of intersegment revenue	(6)	(7,134)	(40)	(188)	(5,804)	**(13,172)**
Total revenue from external customers	**30,555**	**43,006**	**10,248**	**4,472**	**206**	**88,487**
OIBDA	**9,503**	**929**	**2,114**	**1,170**	**(4,435)**	**9,281**

The following is an analysis of revenue and OIBDA from continuing operations by reportable segments for the year ended 31 December 2022:

	Paper and packaging	Forestry management and wood working	Plywood and boards	Laminated wood products	Other	Total segments
Segment revenue	30,799	56,938	10,345	5,927	6,067	**110,076**
Elimination of intersegment revenue	(6)	(7,146)	(37)	(207)	(5,805)	**(13,201)**
Total revenue from external customers	**30,793**	**49,792**	**10,308**	**5,720**	**262**	**96,875**
OIBDA	**9,817**	**9,047**	**2,968**	**2,037**	**(638)**	**23,231**

OIBDA of the 'Other' group includes income from partial discharge of deferred payment on acquisition of Inter Forest Rus LLC and its subsidiaries in the amount of RUB 3,386 million (Note 9).

Below is the reconciliation of segment OIBDA and consolidated operating profit and also with net profit before tax from continuing operations of the Group for the years ended 31 December 2023 and 2022:

	2023	2022
OIBDA	**9,281**	**23,231**
Depreciation and amortisation	(13,588)	(14,264)
Operating profit	**(4,307)**	**8,967**
Interest income	1,747	1,829
Interest expense	(16,483)	(11,570)
Other finance (expenses)/income	(86)	2,892
Foreign exchange differences, net	725	4,841
Other expenses	-	(14)
Profit before tax from continuing operations	**(18,404)**	**6,945**

Geographical information

The Group's revenue from continuing operations based geographical location of the client for the years ended 31 December 2023 and 2022 is detailed below:

	2023	2022
Domestic sales	29,084	29,719
Export sales, including:		
China	44,060	34,257
Asia (except China)	11,059	11,828
Africa	2,607	6,495
Americas	1,037	1,378
Europe	640	13,198
	59,403	**67,156**
Total revenue from external customers	**88,487**	**96,875**

(in millions of Russian Rubles, unless otherwise indicated)

None of the Group's external customers generate more than 10% of consolidated revenue.

Non-current assets other than financial instruments, deferred tax assets are reported by country, based on geographic location:

	31 December 2023	31 December 2022
Russia	142,701	150,309
Netherlands	-	1,310
Denmark	-	1,022
Romania	-	991
Germany	-	470
Other	-	167
Total	**142,701**	**154,269**

5. DISCONTINUED OPERATIONS

On 22 February 2023, the Group entered into agreement to sell 100% stake in the share capital of its subsidiaries located in Europe and Türkiye (seven packaging plants 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 the year ended 31 December 2023 amounted to RUB 1,608 million and RUB 102 million, respectively (2022: revenue – RUB 13,670 million, and net profit – RUB 488 million). Loss on disposal of subsidiaries net of attributable income tax amounted to RUB 666 million.

6. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

		31 December 2023		31 December 2022	
	Type	**Book value**	**Effective ownership, %**	**Book value**	**Effective ownership, %**
Plywood and boards, forestry management	Joint ventures	-	85%	-	85%
Timber resources	Associates	122	45%	87	44%
Hotel management	Joint ventures	277	50%	277	50%
Other		22		22	
Total		**421**		**386**	

Changes in the Group’s interest in joint ventures and associates are presented as follows:

	2023	2022
Balance, beginning of the year	**386**	**593**
Investment in joint ventures and associates	35	1,578
Consolidation of Group Segezha West	-	(1,785)
Balance, end of the year	**421**	**386**

Joint ventures engaged in plywood and boards, and forestry management

The Group jointly with the bank operates joint ventures including plywood mill and supporting forestry management entity through the Corporate Governance Agreement concluded by the parties in 2020.

The Group has an 85% ownership in these companies with the remaining 15% belonging to the bank. The bank has a put option to sell the purchased 15% stake for a fixed consideration of RUB 475 million exercisable not earlier than 1 October 2025. The Group has a call option to purchase the 15% stake for the fixed consideration of RUB 475 million exercisable not later than 30 September 2025.

(in millions of Russian Rubles, unless otherwise indicated)

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, and reports on budget execution.

In addition, the bank monitors operating and investment activities and controls payments. The Group has the right to revise the list of significant activities that are subject of approval by the general shareholders' meeting if the investee's net debt to EBITDA (earnings before interest, taxes, depreciation, and amortisation) ratio reaches below 3.5 and exclude the approval of significant transactions over RUB 100 million.

Taking into account the provisions of the Corporate Governance Agreement, the management concluded that that until the termination of this agreement, the Group does not control these companies and recognises them as joint ventures with a 85% interest as the *'Investments in joint ventures and associates'*.

The summarised financial information below represents amounts in joint ventures' financial statements prepared in accordance with IFRS Standards as at 31 December 2023 and 2022 and for the years then ended:

	31 December 2023	**31 December 2022**
Current assets	1,076	1,261
including Cash and cash equivalents	*226*	*330*
Non-current assets	17,198	18,205
Total assets	**18,274**	**19,466**
Current liabilities:		
Trade and other payables	(714)	(788)
Loans and borrowings	(2,294)	-
Other current liabilities	(458)	(376)
Non-current liabilities:		
Loans and borrowings	(6,771)	(9,010)
Loans received from the Group (Note 27)	(9,366)	(7,978)
Interests payable on loans received from the Group (Note 27)	(1,917)	(956)
Lease liabilities	(1,345)	(1,874)
Other non-current liabilities	(599)	(472)
Total liabilities	**(23,464)**	**(21,454)**
Net liabilities	**(5,190)**	**(1,988)**

	2023	**2022**
Revenue	2,787	1,013
Depreciation and amortisation	(1,324)	(492)
Interest expense	(1,803)	(621)
Income tax expense	(3)	(195)
Net loss and total comprehensive loss	**(3,202)**	**(1,444)**

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint ventures recognised in the special purpose consolidated financial statements:

	2023	**2022**
Net liabilities as at beginning of the year	**(1,988)**	**(544)**
Loss for the year, net	(3,202)	(1,444)
Net liabilities as at end of the year	**(5,190)**	**(1,988)**
Effective shares of ownership, %	85%	85%
Group's share in the Net assets of the joint ventures	-	-
Book value as at the end of the year	**-**	**-**

(in millions of Russian Rubles, unless otherwise indicated)

7. COST OF GOODS SOLD

Below is the analysis of the cost goods sold from continuing operations by nature of expenses for the years ended 31 December 2023 and 2022:

	2023	2022
Raw materials and supplies	22,147	20,200
Employee benefits, including social funds contributions	17,602	16,741
Supplier and contractor services	12,562	18,010
Depreciation and amortisation	12,155	13,292
Other expenses	442	1,061
Net change in inventories, finished goods and work in progress	2,713	(2,317)
Total cost of goods sold from continuing operations	**67,621**	**66,987**

8. SELLING AND ADMINISTRATIVE EXPENSES

Below is the analysis of selling and administrative expenses by nature from continuing operations for the years ended 31 December 2023 and 2022:

	2023	2022
Finished goods transportation and other selling expenses	15,373	15,589
Employee benefits, including social funds contributions	7,628	7,053
Supplier and contractor services	1,333	1,633
Depreciation and amortisation	1,207	879
Raw materials and supplies	226	273
Increase/(decrease) in allowance for expected credit losses, net	115	(66)
Other expenses	878	1,208
Total selling and administrative expenses from continuing operations	**26,760**	**26,569**

9. OTHER OPERATING INCOME, NET

Below is the analysis of other operating income by nature from continuing operations for the years ended 31 December 2023 and 2022:

	2023	2022
Income from government grants	1,262	2,147
Partial discharge of deferred payment on business acquisition	-	3,386
Other	325	115
Other operating income from continuing operations, net	**1,587**	**5,648**

Government grants represent government assistance provided to the Group subject to compliance with certain conditions, in the past or in the future, related to the Group's operating activities. Government grants do not include types of government assistance that cannot be reasonably estimated or transactions with governments that cannot be distinguished from regular market transactions of the Group.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses already incurred, particularly transportation costs related to goods sold by the Group for export, are recognised in profit or loss in the period in which the compensated expenses are incurred, providing that there is a reasonable assurance that these grants will be received.

In 2023 and 2022 the Group received grants to compensate costs attributable to export related transportation costs and certification of products for export markets.

(in millions of Russian Rubles, unless otherwise indicated)

10. FINANCE INCOME AND EXPENSES, NET

	2023	2022
Interest income	1,747	1,829
Interest expense		
Interest expense on loans and borrowings	(13,936)	(9,326)
Interest expense on lease liabilities	(2,345)	(2,244)
Interest expense on other liabilities	(202)	-
	(16,483)	**(11,570)**
Other finance (expenses)/income		
Income from cross-currency interest-rate swap transaction	-	2,553
Initial recognition of a financial liability at fair value	-	339
Other finance expenses	(86)	-
	(86)	**2,892**
Finance expenses from continuing operations, net	**(14,822)**	**(6,849)**

11. INCOME TAX

Income taxes are recognised in the special purpose consolidated financial statements in accordance with laws enacted or substantively enacted by the end of the reporting period.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that temporary differences will be recovered and sufficient taxable profit will be available against which deductible temporary differences can be utilised.

The Group controls reversal of temporary differences relating to taxes payable on dividends from subsidiaries or on gains on their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects temporary differences to reverse in the foreseeable future.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by the Company and its subsidiaries incorporated in the Russian Federation on taxable profits under the tax laws in the jurisdiction. Taxes for other jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

Uncertain tax positions. Management reassesses uncertain tax positions at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues.

Liabilities for penalties, interest and taxes other than income tax are recognised based on management's best estimate of the expenditure required to settle the liabilities at the reporting date. Adjustments of uncertain income tax positions, except for fines and penalties, are recognised as income tax expenses. Adjustments of uncertain income tax positions related to fines and penalties are recognised net as finance expenses and other profit/(loss) respectively.

Income tax recognised in profit or loss

	2023	2022
Income tax		
Current income tax expense	511	2,294
Windfall tax related to years 2021-2022	430	-
Prior period adjustments	(51)	-
	890	**2,294**
Deferred tax	(3,314)	(913)
Total income tax relating to continuing operations	**(2,424)**	**1,381**

(in millions of Russian Rubles, unless otherwise indicated)

The effective tax rate reconciliation for the years ended 31 December 2023 and 2022 is presented below:

	2023	2022
(Loss)/profit before tax relating to continuing operations	**(18,404)**	**6,945**
Theoretical income tax (income)/expense at the rate of 20%	(3,681)	1,389
Windfall tax related to years 2021-2022	430	-
Non-deductible expenses, net	377	360
Prior period adjustments	(51)	-
Accrual/(recovery) of the allowance for unutilised tax losses and other deductible temporary differences not recognised as deferred tax assets	466	(112)
Effect of tax rate other than the rate of 20%	35	(256)
Total income tax relating to continuing operations	**(2,424)**	**1,381**

Windfall tax

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 with the option to reduce the amount of accrued tax by the amount of advance security deposit paid during the period from 1 October to 30 November 2023 but not exceeding 50% of the amount of the windfall tax calculated in accordance with 414-FZ. The Group paid the security deposit in the timeframe as mentioned above and recognised windfall tax expense in the special purpose consolidated statement of profit or loss for the year ended 31 December 2023.

Deferred tax

As at 31 December 2023 and 2022, deferred tax assets and liabilities recognised by the Group in the special purpose consolidated statement of financial position comprised:

	31 December 2023	31 December 2022
Deferred tax assets	2,790	1,215
Deferred tax liabilities	(5,740)	(7,775)
	(2,950)	**(6,560)**

The following is the analysis of deferred tax assets and liabilities presented in the special purpose consolidated statement of financial position:

Deferred tax (liabilities)/assets	31 December 2022	Recognised in profit or loss	Recognised in other comprehen-sive income	Disposal of subsidiaries	31 December 2023
Property, plant and equipment, intangible assets and RoU assets	(9,941)	140	-	38	(9,763)
Inventories and contract assets	(80)	(147)	-	(8)	(235)
Trade and other receivables	360	502	-	72	934
Trade and other payables	166	552	-	(5)	713
Provisions	826	9	-	(67)	768
Tax losses carried forward	2,347	2,037	-	-	4,384
Other	(238)	489	(2)	-	249
Total, net	**(6,560)**	**3,582**	**(2)**	**30**	**(2,950)**

(in millions of Russian Rubles, unless otherwise indicated)

Deferred tax (liabilities)/assets	31 December 2021	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2022
Property, plant and equipment, intangible assets and RoU assets	(10,959)	1,015	3	(9,941)
Inventories and contract assets	299	(379)	-	(80)
Trade and other receivables	580	(220)	-	360
Trade and other payables	714	(548)	-	166
Other financial liabilities	154	(154)	-	-
Provisions	339	487	-	826
Tax losses carried forward	1,258	1,089	-	2,347
Other	160	(398)	-	(238)
Total, net	**(7,455)**	**892**	**3**	**(6,560)**

In the context of the Group's existing structure, tax losses and current tax assets of different companies may not be offset against the current tax liabilities and taxable profits of other companies and, accordingly, taxes may accrue even if there is a net consolidated tax loss.

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the Group's subsidiaries have sufficient taxable temporary differences or there is objective evidence that sufficient taxable profit will be available against which tax losses can be utilised. Unrecognised deferred tax assets related to tax losses are reviewed at each reporting date.

Federal Law No. 401-FZ of 30 November 2016 enables loss carry-forwards for an indefinite period. The carry-forward period was previously limited to 10 years. Federal Law No. 401-FZ also stipulates that losses from prior tax periods may not reduce the tax base for 2017-2026 by more than 50%.

The Group does not recognise deferred tax assets related to the tax losses of subsidiaries with losses in prior periods. Such losses may not be offset against taxable income within the Group. The Group reverses such previously unrecognised tax assets where previously unprofitable subsidiaries have been profitable within the last five years and previously accumulated tax losses could be recovered in the foreseeable future in accordance with the tax planning results.

The movement in unrecognised deferred tax assets comprised:

	2023	2022
Balance, beginning of the year	**1,110**	**1,107**
Increase in unrecognised deferred tax assets	517	337
Recognition of previously unrecognised deferred tax assets	(51)	(449)
Consolidation of Group Segezha West assets	-	115
Balance, end of the year	**1,576**	**1,110**

The Group did not recognise deferred tax liabilities of RUB 1,057 million (2022: RUB 1,768 million) with respect to temporary differences related to investments in subsidiaries because the Group is able to monitor the recovery timelines for these temporary differences and does not plan to recover them in the foreseeable future.

12. PROPERTY, PLANT AND EQUIPMENT

Land, buildings and structures, equipment and other property are recognised at the acquisition cost less accumulated depreciation and impairment losses (freehold land is not depreciated). Properties in the course of construction are carried at cost, less any recognised impairment loss. Such construction in progress is classified to the appropriate categories of property, plant and equipment as they are completed and ready for intended use.

Depreciation is calculated using the straight-line method over their estimated useful lives and commences when the assets are ready for their intended use, i.e. comply with technical specifications and can be used in the manner intended by management.

(in millions of Russian Rubles, unless otherwise indicated)

The estimated useful lives, carrying amount and depreciation method are reviewed at the end of each reporting period for reasonableness and compliance with the plans and expectations of management, with the effect that any changes in estimates are accounted for on a prospective basis using relevant annual rates according to the following useful lives:

Buildings and other real estate	20-55 years
Plant and machinery	5-20 years
Other fixed assets	3-20 years

Estimates of expected useful lives are based on the following: (a) estimated useful life of an asset; (b) expected physical wear and tear of equipment determined by operating characteristics and technical maintenance requirements; and (c) technological and commercial obsolescence due to changes in market conditions.

As at 31 December 2023 and 2022, property, plant and equipment comprised:

	Land and natural assets	Buildings and facilities	Machinery and equipment	Other fixed assets	Properties in the course of construction	Total
Historical cost						
At 31 December 2021	**1,199**	**25,317**	**47,800**	**11,260**	**15,247**	**100,823**
Additions	-	-	-	-	13,341	**13,341**
Internal transfers	290	4,238	6,852	1,670	(13,050)	**-**
Reclassification between groups	-	5	419	(424)	-	**-**
Disposals	-	(261)	(366)	(510)	(542)	**(1,679)**
Consolidation of Group Segezha West assets	-	-	-	24	6,429	**6,453**
Translation to presentation currency	(20)	(128)	(365)	(5)	(12)	**(530)**
At 31 December 2022	**1,469**	**29,171**	**54,340**	**12,015**	**21,413**	**118,408**
Additions	-	-	-	-	8,772	**8,772**
Internal transfers	22	2,853	4,119	1,273	(8,267)	**-**
Reclassification between groups	-	382	1,862	(2,244)	-	**-**
Disposals	(3)	(146)	(401)	(130)	(244)	**(924)**
Disposal of subsidiaries	(145)	(1,580)	(3,577)	(130)	(85)	**(5,517)**
Translation to presentation currency	8	86	174	6	5	**279**
At 31 December 2023	**1,351**	**30,766**	**56,517**	**10,790**	**21,594**	**121,018**
Accumulated depreciation	**-**	**6,850**	**16,723**	**2,413**	**-**	**25,986**
Accumulated impairment	**-**	**71**	**120**	**4**	**780**	**975**
Total at 31 December 2021	**-**	**6,921**	**16,843**	**2,417**	**780**	**26,961**
Depreciation charge	-	1,928	4,921	3,862	-	**10,711**
Reclassification between groups	-	-	28	(28)	-	**-**
Disposals	-	(155)	(304)	(238)	-	**(697)**
Impairment	-	(20)	(57)	(1)	(538)	**(616)**
Translation to presentation currency	-	(43)	(118)	(3)	-	**(164)**
Accumulated depreciation	**-**	**8,580**	**21,250**	**6,006**	**-**	**35,836**
Accumulated impairment	**-**	**51**	**63**	**3**	**242**	**359**
Total at 31 December 2022	**-**	**8,631**	**21,313**	**6,009**	**242**	**36,195**
Depreciation charge	-	2,522	5,599	1,509	-	**9,630**
Reclassification between groups	-	41	1,643	(1,684)	-	**-**
Disposals	-	(82)	(324)	(146)	-	**(552)**
Impairment	-	-	27	-	-	**27**
Disposal of subsidiaries	-	(552)	(1,693)	(30)	-	**(2,275)**
Translation to presentation currency	-	29	73	1	-	**103**
Accumulated depreciation	**-**	**10,538**	**26,548**	**5,656**	**-**	**42,742**
Accumulated impairment	**-**	**51**	**90**	**3**	**242**	**386**
Total at 31 December 2023	**-**	**10,589**	**26,638**	**5,659**	**242**	**43,128**
Net book value						
At 31 December 2022	**1,469**	**20,540**	**33,027**	**6,006**	**21,171**	**82,213**
At 31 December 2023	**1,351**	**20,177**	**29,879**	**5,131**	**21,352**	**77,890**

As at 31 December 2023 and 2022 properties in the course of construction are partially represented by detailed design documentation for the construction of a new pulp and paper mills in the northwest of the European part of Russia and Siberia (Priority Investment Project ("PIP") relating to this construction that provides the Group with a priority right to conclude lease agreements for forest plots with a total annual allowable cut up to 4.3 cubic meters is accounted for as Intangible assets (Note 13)). No impairment indicators relating to the mentioned properties in the course of construction were identified by the Group.

Significant part of capital expenditures is caused by modernization of one of the Group's pulp and paper mills and acquisition of a new paper-making machine.

At each reporting date, the Group reviews property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is determined as the higher of (i) an asset's fair value less costs of disposal and (ii) its value in use. If asset impairment exists, the carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. Asset impairment loss recognised in prior reporting periods is recovered (if necessary) provided that accounting estimates used to determine the asset's value in use or its fair value net of disposal cost have been changed.

In 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 separate CGUs, as well as 'Plywood and boards' and 'Laminated wood products' segments. Valuation has been performed on value in use basis using discount rate of 18.4% p.a. As a result of the performed impairment test, no impairment was identified. Management considers that any reasonably possible change in the assumptions underlying the value in use calculation will not result in an impairment. No impairment indicators were identified in relation of other CGUs, fixed assets and properties in the course of construction.

In 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 discount rate of 14.3% p.a. As a result of the performed impairment test, no impairment was identified. Management considers that any reasonably possible change in the assumptions underlying the value in use calculation will not result in an impairment. No impairment indicators were identified in relation of other CGUs, fixed assets and properties in the course of construction.

As at 31 December 2023, the Group had property, plant and equipment with a carrying amount of RUB 2,381 million (31 December 2022: RUB 3,692 million) pledged as collateral to secure performance under loan agreements.

As at 31 December 2023, advances paid for non-current assets included advances to suppliers for the purchase of property, plant and equipment of RUB 2,263 million (31 December 2022: RUB 4,039 million).

As at 31 December 2023, payables for property, plant and equipment were RUB 812 million (31 December 2022: RUB 3,684 million).

As at 31 December 2023, the Group had contractual obligations to machinery and equipment suppliers for the purchase of assets of RUB 7,329 million (31 December 2022: RUB 12,044 million).

13. INTANGIBLE ASSETS

The Group's Intangible assets, excluding goodwill, have finite useful lives and mainly include ERP software (SAP), other capitalized software and intangible assets in respect of Priority Investment Projects (PIP) that give the Group a priority right to conclude lease agreements for forest plots. After the conclusion of lease agreements the intangible assets are reclassified to Right-of-use assets and are accounted for in accordance with IFRS 16 *Leases*, before the conclusion of the lease agreements, intangible assets are not amortized.

(in millions of Russian Rubles, unless otherwise indicated)

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised on a straight-line basis over their estimated useful lives.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis in accordance with the annual amortization rates based on the following estimated useful life:

ERP software (SAP)	15 years
Other capitalized software	1-10 years
Other intangible assets	1-8 years

As at 31 December 2023 and 2022, intangible assets comprised:

	SAP	**Other capitalized software**	**Other Intangible assets**	**PIP**	**Intangible assets in progress**	**Total**
Historical cost						
At 31 December 2021	**1,871**	**580**	**17**	**2,405**	**885**	**5,758**
Additions	-	-	-	-	400	**400**
Internal transfers	202	229	9	-	(440)	**-**
Disposals	(96)	(3)	-	-	-	**(99)**
At 31 December 2022	**1,977**	**806**	**26**	**2,405**	**845**	**6,059**
Additions	-	-	-	-	190	**190**
Internal transfers	1	306	8	-	(315)	**-**
Reclassification between groups	-	7	(7)	-	-	**-**
Disposals	-	(78)	(1)	-	(2)	**(81)**
Disposal of subsidiaries	(71)	(41)	(6)	-	-	**(118)**
Translation to presentation currency	3	3	-	-	-	**6**
At 31 December 2023	**1,910**	**1,003**	**20**	**2,405**	**718**	**6,056**
Accumulated amortisation						
At 31 December 2021	**68**	**258**	**5**	**-**	**-**	**331**
Amortisation charge	136	151	2	-	-	**289**
Disposals	-	(3)	-	-	-	**(3)**
At 31 December 2022	**204**	**406**	**7**	**-**	**-**	**617**
Amortisation charge	131	194	2	-	-	**327**
Disposals	-	(78)	-	-	-	**(78)**
Disposal of subsidiaries	(35)	(3)	-	-	-	**(38)**
Translation to presentation currency	2	-	-	-	-	**2**
At 31 December 2023	**302**	**519**	**9**	**-**	**-**	**830**
Net book value						
At 31 December 2022	**1,773**	**400**	**19**	**2,405**	**845**	**5,442**
At 31 December 2023	**1,608**	**484**	**11**	**2,405**	**718**	**5,226**

14. INVENTORIES

Below is the analysis of inventories as at 31 December 2023 and 2022:

	31 December 2023	**31 December 2022**
Raw materials, supplies and spare parts	15,638	16,116
Work-in-progress	1,762	3,511
Finished goods	4,249	5,702
	21,649	**25,329**
Less: allowance for inventory impairment	(512)	(716)
Total inventories	**21,137**	**24,613**

The cost of inventories recognised as an expense for continuing operations was RUB 22,373 million (2022: RUB 20,473 million).

(in millions of Russian Rubles, unless otherwise indicated)

As at 31 December 2023, the Group had no inventories (31 December 2022: RUB 1,164 million) pledged as collateral to secure performance under loan agreements.

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

Accounts receivable comprise amounts due from customers to the Group. Accounts receivable are recognised at the amortised costs net of the allowance for expected credit losses (ECL).

Below is the analysis of trade and other receivables as at 31 December 2023 and 2022:

	31 December 2023	31 December 2022
Trade and other receivables	10,208	8,589
Allowance for expected credit losses	(1,132)	(827)
	9,076	**7,762**
Deferred expenses on delivery of finished goods	1,153	760
Total trade and other receivables	**10,229**	**8,522**

The Group sets a range of terms of payment for its customers, prioritizing advance payments, but also using letters of credit and credit periods up to 60 days.

The Group applies the simplified approach specified in IFRS 9 to measure ECL using the allowance for lifetime ECL with respect to all trade and other short-term receivables.

To measure ECL, the Group aggregated trade and other receivables based on similar credit risk characteristics and days past due.

ECL levels are based on customer characteristics for 36 months prior to each reporting date and similar historic credit losses incurred for that period. Losses for prior periods are adjusted based on the current and forecast macroeconomic data affecting customers' ability to repay receivables.

The expected credit losses on trade and other accounts receivable are estimated using a provision matrix with reference to past default experience and analysis of:

- The nature of the relationship with the debtor (trade accounts receivables, accounts receivables for heat and other accounts receivable);
- Currency risks (for accounts receivable denominated in CNY, USD and EUR);
- Country risks;
- The debtor's current financial position adjusted for factors that are specific to the debtor, general economic conditions, and an assessment of both the current and forecast direction of conditions at the reporting date.

The Group has recognised a loss allowance of 100% against all receivables over 365 days past due because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over three years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities. The maximum exposure to credit risk as at the reporting date is equal to the carrying amount of each class of financial assets detailed in Note 25. The Group has no property pledged to secure receivables.

(in millions of Russian Rubles, unless otherwise indicated)

The Group did not apply the above general rules with regards to consumer debts for heat energy generated by the Group's entities and made a separate allowance for such debts. The Group relied on the experience of recovering past due debts from previous years to assess expectations of recoverability of past due debts at the end of each period and calculate the necessary allowance.

The change in the allowance for expected credit losses is presented as follows:

	2023	2022
Balance, beginning of the year	**(827)**	**(922)**
Allowance	(881)	(118)
Amounts written off	70	31
Amounts recovered	463	180
Disposal of subsidiaries	45	-
Translation to presentation currency	(2)	2
Balance, end of the year	**(1,132)**	**(827)**

The aging analysis of trade and other receivables and the allowance for expected credit losses as at 31 December 2023 and 2022 is presented as follows:

	31 December 2023		31 December 2022	
Trade and other receivables	**Gross carrying amount**	**Lifetime ECL**	**Gross carrying amount**	**Lifetime ECL**
Not past due	4,688	0.0-0.1%	4,983	0.0%
Overdue 1-30 days	1,029	0.0-0.1%	1,471	0.0-0.2%
Overdue 31-90 days	1,131	0.0-0.5%	859	0.0-0.6%
Overdue 91-180 days	1,049	0.0-1.7%	377	0.0-1.7%
Overdue 181-365 days	1,752	14.4-29.3%	507	14.4-55.9%
Overdue more than 365 days	559	100%	392	100%
Total	**10,208**		**8,589**	

As at 31 December 2023, the Group had no receivables (31 December 2022: RUB 872 million) pledged as collateral to secure performance under loan agreements.

16. CASH AND CASH EQUIVALENTS

Below is the analysis of cash and cash equivalents as at 31 December 2023 and 2022:

	31 December 2023	31 December 2022
Cash on hand	5	5
Cash in current accounts	5,076	4,794
Bank deposits with original maturity of less than three months (interest rate 15.20-15.65%)	5,575	18,080
Total cash and cash equivalents	**10,656**	**22,879**

17. VAT REIMBURSABLE AND TAXES RECEIVABLE

	31 December 2023	31 December 2022
VAT reimbursable	2,792	2,094
Other taxes receivable	188	479
Total VAT reimbursable and taxes receivable	**2,980**	**2,573**

(in millions of Russian Rubles, unless otherwise indicated)

18. ADVANCES AND OTHER CURRENT ASSETS

	31 December 2023	31 December 2022
Advances issued	2,392	2,212
Less: allowance for advances paid	(46)	(77)
	2,346	**2,135**
Contract assets	473	1,281
Other current assets	1,271	1,697
Total advances and other current assets	**4,090**	**5,113**

19. SHARE CAPITAL

As at 31 December 2023 and 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.

25% of the Company's issued ordinary shares are traded in a public market (31 December 2022: 25%).

Profit distributable by the Company is defined on the basis of financial statements prepared in accordance with Russian Accounting Standards.

During the year ended 31 December 2023, the Company neither distributed nor paid dividends to its shareholders.

During the year ended 31 December 2022, the Company distributed dividends to its shareholders in the total amount of RUB 10,042 million based on the financial results for 2021. The dividends have been paid in June 2022, unpaid portion in the amount of RUB 229 million has been recognized within *'Dividends payable'* in the special purpose consolidated statement of financial position. Additionally, in January 2022 the Company paid dividends to its shareholders in the total amount of RUB 6,590 million, distributed based on the financial results for 9 months of 2021.

20. (LOSS)/EARNINGS PER SHARE

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

(Loss)/earnings per share for the years ended 31 December 2023 and 2022 is presented below:

	2023	2022
Net (loss)/profit attributable to shareholders of Segezha Group PJSC		
From continuing operations	(15,936)	5,547
From discontinued operations	(768)	488
Weighted average number of ordinary shares in circulation (million shares)	15,690	15,690
(Loss)/earnings per share attributable (in RUB)		
From continuing operations	(1.02)	0.35
From discontinued operations	(0.05)	0.03
Total (loss)/earnings per share attributable (in RUB)	**(1.07)**	**0.38**

21. LOANS AND BORROWINGS

All loans and borrowings represent financial instruments initially recorded at fair value, net of direct issue costs. Subsequently, loans and borrowings are recognised at amortised cost using the effective interest rate method.

(in millions of Russian Rubles, unless otherwise indicated)

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

		31 December 2023		31 December 2022	
	Currency	**Effective interest rate**	**Carrying amount**	**Effective interest rate**	**Carrying amount**
Short-term loans and borrowings					
Secured loans					
Short-term bank loans	RUB	9.40%	1,200	9.35%	1,152
Other			-		224
			1,200		**1,376**
Unsecured loans					
Short-term bank loans	RUB	17.97%	22,117	10.50%	14,285
Short-term bank loans	EUR	4.70%	2,998	3.91%	2,903
Short-term bank loans	CNY		-	3.50%	495
			25,115		**17,683**
Short-term portion of long-term corporate bonds and DFA	RUB	10.70%	**28,944**	9.05%	**18,198**
Long-term loans and borrowings					
Secured loans and borrowings	RUB	9.40%	**1,066**	9.14%	**2,131**
Unsecured loans					
Long-term bank loans	RUB	17.14%	31,381	10.34%	25,622
Other			294		225
			31,675		**25,847**
Long-term corporate bonds and DFA					
Long-term corporate bonds and DFA	RUB	10.79%	38,941	10.62%	53,659
Long-term corporate bonds and DFA	CNY	4.13%	6,288	4.15%	4,947
			45,229		**58,606**
Total loans and borrowings			**133,229**		**123,841**

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

	2023	**2022**
Balance, beginning of the year	**123,841**	**73,770**
Loans and borrowings received	42,577	101,102
Loans and borrowings repaid	(36,643)	(44,472)
Non-cash changes, including:		
Reclassification of the interests accrued to the principal	1,080	-
Fair value adjustments	234	(212)
Disposal of subsidiaries	(290)	-
Foreign exchange differences*	2,430	(6,347)
Balance, end of the year	**133,229**	**123,841**

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

Assets pledged as security

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

	31 December 2023	**31 December 2022**
Property, plant and equipment	2,381	3,692
Inventories	-	1,164
Receivables	-	872

In addition, as at December 2023 and 2022, the Group pledged its stakes in four and seven the Group's subsidiaries engaged in woodworking and forestry management accordingly.

(in millions of Russian Rubles, unless otherwise indicated)

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, taxes and depreciation and amortisation, adjusted for lease payments, which is equivalent to OIBDA adjusted for IFRS 16 lease payments as detailed in Note 25), 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.

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

As at 31 December 2023, the Group has reclassified RUB 2,298 million of Long-term loans and borrowings to Short-term loans and borrowings due to the breach a covenant (31 December 2022: RUB 2,337 million). 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.

22. TRADE AND OTHER PAYABLES

Trade payables and accruals are recognised when the counterparty fulfills its contractual obligations. Trade payables and accruals are initially recognised at fair value and then carried at amortised cost using the effective interest method.

Below is the breakdown of trade and other payables as at 31 December 2023 and 2022:

	31 December 2023	31 December 2022
Trade payables	9,206	10,144
Wages and salaries	1,622	1,955
Interest payable	3,332	1,628
Other payables	4,254	7,383
Total trade and other payables	**18,414**	**21,110**

Other payables mainly consist of payables to suppliers and contractor for capital construction projects.

23. TAXES PAYABLE

Taxes payable and payments to social funds are presented as follows:

	31 December 2023	31 December 2022
Payments to social funds	1,538	1,771
VAT	810	782
Personal income tax	182	161
Other taxes	125	150
Total taxes payable	**2,655**	**2,864**

(in millions of Russian Rubles, unless otherwise indicated)

24. PROVISIONS

Provisions are presented as follows:

	Reforestation	Employee benefits	Other	Total
At 31 December 2021	**541**	**649**	**363**	**1,553**
Accrued	798	908	119	**1,825**
Utilised	(541)	(649)	(118)	**(1,308)**
At 31 December 2022	**798**	**908**	**364**	**2,070**
Accrued	522	1,161	132	**1,815**
Disposal of subsidiaries	-	-	(233)	**(233)**
Reversed	-	(170)	(15)	**(185)**
Utilised	(789)	(738)	(112)	**(1,639)**
At 31 December 2023	**531**	**1,161**	**136**	**1,828**

25. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital risk management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt to equity ratio. The capital structure of the Group consists of net debt (borrowings as detailed in Note 21, less cash and cash equivalents) and equity comprising issued capital, additional paid-in capital, reserves, retained earnings and non-controlling.

The Group's policy is to maintain a high level of capital that is sufficient to preserve the confidence of investors, lenders and the market for the future development of the Group's operations. The Group may sell assets to reduce its loans and borrowings payable, maintain or adjust the capital structure.

The Board of Directors monitors the ratio of consolidated net debt to operating income before depreciation and amortisation of non-current assets (OIBDA). As IFRS do not provide for these indicators, the meaning of OIBDA and consolidated net debt as used by the Group may differ from those of other companies. Below is the analysis of the ratio of net consolidated debt to OIBDA:

	2023	2022
Total consolidated net debt	122,573	100,962
OIBDA	9,281	23,231
Net debt-to-OIBDA ratio	**13.21**	**4.35**
Lease payments under IFRS 16 (Note 28)	(3,791)	(4,143)
OIBDA adjusted for lease payments under IFRS 16	5,490	19,088
Net debt to adjusted OIBDA	**22.33**	**5.29**

Below is the reconciliation of OIBDA and net debt:

	Notes	2023	2022
Operating (loss)/profit		(4,307)	8,967
Depreciation and amortisation		13,588	14,264
OIBDA		**9,281**	**23,231**
Loans and borrowings	21	133,229	123,841
Cash and cash equivalents	16	(10,656)	(22,879)
Total consolidated net debt		**122,573**	**100,962**

The Group is subject to certain external regulations and capital restrictions that are taken into account when managing the Group's capital. The Group is not subject to mandatory minimum capital requirements.

(in millions of Russian Rubles, unless otherwise indicated)

Financial risk management

The Group's Corporate Treasury function co-ordinates access to domestic and international financial markets, monitors and manages financial risks through internal management reports that analyse exposures by degree and magnitude of risks. These financial risks include market risks, credit risks and liquidity risks. The Group's management ensures policies that are aimed at reducing these risks without affecting, to the extent possible, the Group's competitiveness and flexibility.

Market risk is the risk of fluctuations in foreign exchange and interest rates. The Group may use derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

Currency risk is the risk of fluctuations in foreign exchange rates. Fluctuations in foreign exchange rates have a significant impact on financial performance of the Group as it exports goods produced in Russia to other countries. Moreover, the Group has a substantial loans and borrowings denominated in foreign currencies. Therefore, the Group is exposed to currency risks. The Group is exposed to fluctuations in foreign currency rates, with a major exposure coming from CNY/RUB, USD/RUB and EUR/RUB exchange rates.

Below are the carrying amounts of the Group's financial instruments denominated in foreign currencies (RUB equivalents using spot rate at the reporting date):

	31 December 2023			31 December 2022		
	CNY	USD	EUR	CNY	USD	EUR
Financial assets from related parties	-	-	3,994	-	-	-
Trade and other receivables	6,809	3,163	933	2,023	1,582	1,358
Cash	4,216	287	-	5,876	899	697
Trade and other payables	(113)	(2,788)	(826)	(2)	(265)	(1,775)
Loans and borrowings	(6,288)	-	(3,291)	(5,442)	-	(3,045)
	4,624	**662**	**810**	**2,455**	**2,216**	**(2,765)**

The following table details the Group's sensitivity to a 40% decrease (2022: 40%) in the RUB exchange rates against the relevant foreign currencies. A sensitivity rate of 40% (2022: 40%) is applied to report foreign currency risk internally to key management personnel. It reflects management's assessment of reasonably possible change in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their year-end translation change only where there are changes in foreign currency rates.

	2023		2022	
	Movements in RUB exchange rate against	Impact on profit or loss before tax	Movements in RUB exchange rate against	Impact on profit or loss before tax
CNY	+40%	1,850	+40%	982
USD	+40%	265	+40%	886
EUR	+40%	324	+40%	(1,106)

An increase in the RUB exchange rate against the above currencies will result in a decrease of profit or loss before tax.

In management's opinion, the sensitivity analysis is not fully representative of the inherent foreign exchange risk as the year-end exposure does not reflect exposure during the year.

Interest rate risk – the Group borrows funds at both fixed and floating interest rates. In 2023, the Group borrowed funds at a floating rate. Interest expenses on borrowings at floating interest rates were RUB 5,517 million for the year ended 31 December 2023 (2022: RUB 1,435 million).

(in millions of Russian Rubles, unless otherwise indicated)

In February 2022 the Central Bank of Russia has increased the key rate up to 20% with the subsequent step-by-step decrease up to 7.5%. Starting July 2023, the Central Bank of Russia gradually increased the key rate up to 16.0%. The impact of the possible future changes in the economic environment and Central Bank's of Russia actions on the future results of the Group's operations and its financial standing is difficult to assess.

The floating interest rate increasing by 1 percent point will result in RUB 593 million of extra future interest expenses.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss for the Group. The Group has adopted a policy of only dealing with creditworthy counterparties.

Trade receivables are represented by a large number of customers across various geographical areas. The Group reviews the financial position of debtors on a regular basis and monitors whether debt is repaid in a timely manner. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. An analysis of expected credit losses is presented in Note 15.

As at 31 December 2023 and 2022, cash and cash equivalents were placed with the banks that had the following credit ratings:

Rating agency	National rating assigned	31 December 2023	31 December 2022
RAEX, Acra	ruAAA	5,772	5,635
Moody's	A1	3,932	-
Acra	ruBBB+	227	-
RAEX	ruA	146	-
RAEX	ruA-	-	12,768
RAEX	ruAA+	-	2,036
RAEX	ruA+	-	1,221
RAEX	ruAA	-	634
	Other	574	580
		10,651	**22,874**

Liquidity risk is the risk that arises as the Group manages working capital, financial expenses and repayment of the principal amounts due under debt instruments. This risk may arise if the Group faces difficulties with regards to settling its financial liabilities as they fall due.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Group maintains a balance between short-, middle- and long-term borrowings to ensure that the target value of short-term borrowings is below 15% of the Group's credit portfolio.

Below is the maturity analysis of the Group's financial liabilities:

	0 - 30 days	31 - 365 days	1 year – 5 years	Over 5 years	Total amount including repayments related to interest expenses	Carrying value
At 31 December 2023						
Loans and borrowings*	9,699	58,452	94,409	-	**162,560**	**133,229**
Trade and other payables	9,301	9,112	-	-	**18,413**	**18,414**
Lease liability	235	3,227	10,346	64,092	**77,900**	**17,938**
Other non-current liabilities	-	-	2,392	-	**2,392**	**2,175**
	19,235	**70,791**	**107,147**	**64,092**	**261,265**	**171,756**

(in millions of Russian Rubles, unless otherwise indicated)

	0 - 30 days	31 - 365 days	1 year – 5 years	Over 5 years	Total amount including repayments related to interest expenses	Carrying value
At 31 December 2022						
Loans and borrowings*	11,710	32,518	104,590	978	**149,796**	**123,841**
Trade and other payables	13,770	7,340	-	-	**21,110**	**21,110**
Lease liability	216	3,837	10,961	62,106	**77,120**	**23,515**
Other non-current liabilities	-	-	1,583	-	**1,583**	**1,430**
	25,696	**43,695**	**117,134**	**63,084**	**249,609**	**169,896**

** Maturity profile for loans and borrowings does not include reclassification to short-term liabilities disclosed in Note 21 due to the absence of the demand of early repayment from banks as of the date of these financial statements.*

As at 31 December 2023, unused credit line facilities were RUB 44,860 million (31 December 2022: RUB 22,132 million, EUR 1 million and DKK 3 million). In the future, the Group expects to settle its liabilities with operating cash flows and long-term financing.

26. FAIR VALUE

Fair value measurements are analysed by levels in the fair value hierarchy as follows:

- ***Level 1*** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ***Level 2*** fair value measurements are those derived from models based on significant inputs for the asset or liability, which are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- ***Level 3*** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Management applies judgements to place financial instruments within the fair value hierarchy. If a fair value measurement uses observable data that require significant adjustment, that measurement is a Level 3 measurement. The significance of the inputs to a fair value measurement is assessed against the fair value measurement in its entirety.

Fair value of long-term loans and borrowings is generally measured using discounted cash flows (Level 3 of the fair value hierarchy).

Fair value of long-term corporate bonds and DFA is measured using market quotations (Level 1 of the fair value hierarchy).

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

	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets from related parties(Level 3)	13,360	14,270	7,978	8,790
Long-term corporate bonds and DFA (Level 1)	45,229	36,703	58,606	59,232
Long-term loans and borrowings (Level 3)	32,741	28,935	27,978	27,589
Short-term corporate bonds and DFA (Level 1)	28,944	27,341	18,198	18,185

(in millions of Russian Rubles, unless otherwise indicated)

Fair value of financial assets and liabilities related to Level 3 of fair value hierarchy was measured using discounted cash flows applying historical interest rates for the funds borrowed close to the reporting date. As at 31 December 2023 and 2022, the Group used the following discount rates:

	31 December 2023	31 December 2022
RUB denominated financial assets from related parties	10.70%	6.91%
Currency denominated financial assets from related parties	1.06%	-
RUB denominated long-term loans and borrowings	18.95%	10.83%
Currency long-term loans and borrowings	4.50-5.86%	1.90-9.00%

27. RELATED PARTY TRANSACTIONS

In 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 special purpose consolidated statement of financial position as at 31 December 2023 and 2022:

		For the year		As at 31 December	
		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	114	2,760	16	555
	2022	41	2,316	21	532
Joint ventures and associates	2023	270	1,916	288	70
	2022	208	114	50	318

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 the year	Cash as at 31 December
Deposits maturing within to 3 months	2023	122	65
	2022	555	11,711
Cash in current accounts	2023	-	81
	2022	-	1,057

As at 31 December 2023 and 2022, the Group has outstanding financial assets from joint ventures engaged in plywood and boards, and forestry management as a part of joint ventures financing. On 18 August 2023, as a part of the completion of the procedures for the sale the Group’s foreign subsidiaries, the Group assigned the rights of claim on loans issued to these subsidiaries to a company under common control. The change in the financial assets for the years ended 31 December 2023 and 2022 are as follows:

	2023	2022
Balance, beginning of the year	**7,978**	**8,266**
Loans issued to joint venture	1,388	3,052
Recognised on disposal of subsidiaries	3,211	-
Disposed on consolidation of Group Segezha West	-	(3,340)
Foreign exchange differences	783	-
Balance, end of the year	**13,360**	**7,978**

(in millions of Russian Rubles, unless otherwise indicated)

The Group considers that future cash flows will be sufficient to meet related parties' obligations to settle their liabilities and, as a result, the credit risk associated with the relevant financial assets is limited.

For the year ended 31 December 2023 the Group received interest income on these financial assets in the amount of RUB 960 million (2022: RUB 886 million). As at 31 December 2023, interest receivable is RUB 1,917 million (31 December 2022: RUB 956 million).

The Group does not recognise expected credit losses on loans issued to joint ventures due to joint management over significant activities of the investees, as well as an 85% ownership in these ventures.

In 2023, remuneration to the members of the Board of Directors was RUB 28 million (2022: RUB 25 million). In 2023, short-term remuneration to key management was RUB 1,040 million (2022: RUB 469 million).

28. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group as lessee

The group leases land for the purpose of timber harvesting. All of the land leased for this purpose is owned by the Russian Federation in accordance with Russian regulations, including the Forest Code of the Russian Federation. The lease agreements define the intended use of these forest plots, and restricts the use of the land for any other purpose. As specified in the lease agreements, the Group leases certain forest plots for up to 49 years. The Group is not involved in any agricultural activity as it relates to the timber, such as managing the biological transformation process as defined in IAS 41 «Agriculture». The Group is only engaged in the process of harvesting the trees from unmanaged sources, and therefore accounts for the right-of-use assets in respect of the timber harvesting land rights in accordance with IFRS 16 «Leases». As trees are harvested, they are recorded as raw materials within inventories. After processing, the trees are recorded as work-in-progress or finished goods. The Group is responsible for the reforestation of cleared plots.

The Group has also entered into leases for cars, machines and equipment, as well as offices with an average lease term from two to five years without a renewal option. The Group is not subject to any limitations as regards entering into such leases.

In measuring the lease term and discounting rate, the Group assumes that:

- the lease term is equal to the non-cancellable agreement term unless the Group has an extension option. The Group takes into account the extension options where it is reasonably certain that the Group will exercise those options, and the early termination options that the Group is reasonably certain not to exercise. In considering such options, the Group takes into account the residual useful lives of leasehold improvements, the Group’s investment strategy and relevant decisions made, as well as time remaining until the exercise of extension or termination option;
- in calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease inception date if the rate implicit in the lease cannot be readily determined.

The Group used the following average rates to calculate the present value of lease payments:

	2023	2022
Companies located in Russia	10.83-18.86%	9.70-11.00%
Companies located in EU and Türkiye	-	2.95-9.32%

(in millions of Russian Rubles, unless otherwise indicated)

As at 31 December 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 of RoU assets/ modification of lease agreements	381	297	(237)	(97)	30	3	**377**
Depreciation	(2,254)	(404)	(332)	(384)	(188)	(26)	**(3,588)**
Disposals of RoU assets	(66)	-	(55)	(17)	(36)	-	**(174)**
Consolidation of Group Segezha West	-	10	-	-	41	-	**51**
Translation to presentation currency	-	(98)	(33)	(4)	-	(1)	**(136)**
At 31 December 2022	**55,792**	**1,424**	**1,032**	**1,008**	**1,032**	**303**	**60,591**
Additions of RoU assets/ modification of lease agreements	(3,248)	106	(166)	(97)	(22)	(9)	**(3,436)**
Other additions	522	-	-	-	-	-	**522**
Reclassification between groups	204	55	449	(451)	9	(266)	**-**
Depreciation	(2,636)	(407)	(381)	(129)	(165)	(17)	**(3,735)**
Disposals of RoU assets	(342)	(64)	-	-	(31)	-	**(437)**
Disposal of subsidiaries	-	(556)	(280)	(22)	-	(5)	**(863)**
Translation to presentation currency	-	29	14	1	-	-	**44**
At 31 December 2023	**50,292**	**587**	**668**	**310**	**823**	**6**	**52,686**

The table below shows expenses recognised in the special purpose consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2023 and 2022:

	2023	**2022**
Depreciation of RoU assets	3,735	3,588
Short-term lease expenses	106	88
Interest on lease liabilities	2,352	2,273
	6,193	**5,949**

Changes in the liabilities arising from financial activities, including changes related to cash flows and non-cash changes:

	2023	**2022**
Balance, beginning of the year	**23,515**	**25,174**
Lease liability payments	(3,791)	(4,143)
Non-cash changes, including:		
Conclusion/(disposal) and modification of lease agreements	(3,494)	228
Interest expense	2,352	2,273
Consolidation of Group Segezha West liabilities	-	59
Disposal of subsidiaries	(874)	-
Foreign exchange differences*	230	(76)
Balance, end of the year	**17,938**	**23,515**

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

(in millions of Russian Rubles, unless otherwise indicated)

As at 31 December 2023 and 2022, lease liabilities comprised:

	31 December 2023	31 December 2022
Lease payments due under lease liabilities were as follows:		
Up to 1 year	3,462	4,053
From 1 year to 5 years	10,346	10,961
Over 5 years	64,092	62,106
Total lease payments	**77,900**	**77,120**
Less the effect of discounting	(59,962)	(53,605)
Present value of net lease payments, including:		
Up to 1 year	3,227	3,953
From 1 year to 5 years	6,644	8,717
Over 5 years	8,067	10,845
Total lease liability as per the Group's special purpose consolidated statement of financial position	**17,938**	**23,515**
Long-term liability	14,711	19,562
Short-term liability	3,227	3,953

29. CONTINGENT ASSETS AND LIABILITIES

Taxation

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

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

Operating environment

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

Potential adverse effect of economic volatility and sanctions in Russia – In February 2022, the EU, US and UK and certain other counties 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 7.5% at December 2022. During second half of 2023, the Central bank of the Russian Federation gradually adjusted key rate upwards to 16.0%. 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.

30. EVENTS AFTER THE REPORTING PERIOD

During January 2024, the Group partially settled corporate bonds with nominal value of RUB 8,674 million.

During January 2024, the Group entered into credit agreement for RUB 7,000 million with maturity date on June 2027 and issued DFA with nominal value of RUB 2,200 million with repayment date in January 2027.

In March 2024, the Group entered into share purchase agreement to acquire a 100% stake in a company specialising in logging services and owning a fleet of imported logging and timber transport equipment. The deal's purpose is the planned replacement of the Group's own logging and timber transport equipment to maintain the Group's uninterrupted operational process. The total consideration for the acquisition will not exceed RUB 3.7 billion.