Volga
Joint-Stock Company

ANNUAL REPORT 2021

ANNUAL REPORT
of Volga Joint Stock Company for 2021

APPROVED:
by the Annual General Meeting
of Shareholders of Volga JSC
May 18, 2022, Minutes of the AGMS No. 67
as of 19.05.2022

PRE-APPROVED:
By the Board of Directors of Volga JSC
April 15, 2022, Minutes No. 05/2022
as of 15.04.2022

In this document, the terms Volga JSC, Company, and Enterprise refer to Volga Joint Stock Company.

Volga JSC, as well as the pronoun «we» and its various forms, should be understood as a number of companies that include of Volga JSC and its subsidiaries.

Content

Announcement of the General Director

Dear Shareholders,

The past year has become a landmark in the history of our Company: for the first time in the last 6 years we have crossed the threshold of production of 300 thousand tons of products per year. Total production volumes of all types of finished products amounted to 306 711 tons, and the share of Volga JSC in the volume of production among Russian paper manufacturers increased to 23%.

Thanks to the professionalism of Volga JSC team, paper machine No. 8 worked continuously during the entire year, and paper machine No. 5 reached full capacity for the first time since 2015.

Despite the fact that the past year was not easy in financial terms due to the COVID-19 pandemic and related restrictions, according to the results of the Company's work in 2021, the EBITDA per IFRS showed a significant increase compared to the previous year and amounted to RUB 3.11 billion. Revenue from sales of products also increased to RUB 13 billion, and net profit – up to RUB 2.7 billion.

The sales service sold 40% more newsprint on the Russian market than a year earlier. In 2021, new types of products were mastered: fluting and testliner, including those with normalized absorbency. Our Company's products are supplied to 67 countries of the world. Along with the domestic market, the key markets for us include China, India, Africa, and Southeast Asia.

I would like to note that in 2021 the Company was audited and received an FSC® Certificate valid until February 2024 (registration code NC-COC-031831, license code FSC-C146241) for all our products.

The Company has successfully passed the voluntary certification procedure and received a certificate of compliance with the requirements of the international standard ISO 9001:2015 valid until January 26, 2024. Compliance with this standard is a confirmation of the high quality management that we have at our enterprise. The introduction of a quality management system (QMS) is a strategic decision made by Volga JSC, which will provide a solid foundation for further sustainable development.

Another significant event of the last year was the increase by Expert rating agency of the rating of Volga JSC to the level of ruA-, which is due to the improvement in the assessment of the risk profile of the industry in which Volga JSC operates, the extensive work of management on the transformation of business processes and the depth of strategic planning.

In 2021, all the Company's quality goals were successfully achieved. According to the results of the All-Russian competition «100 Best Goods of Russia-2021», four types of products of Volga JSC were awarded at once. Paper for corrugation (the beginning of production – 2019) became the Winner of the competition, and three more types of finished products produced by Volga JSC – newsprint of increased weight, paper for corrugation (the beginning of production – 2018) and packaging paper for technical purposes became the Diploma winners of the competition.

In 2021, Volga JSC implemented major updates of its corporate website, during the development of which much attention was paid to creating an intuitive interface that facilitates the search for the necessary information. The website has the ability to create a personal account for suppliers and buyers. There is also a subscription function for managing clients' own email subscriptions.

The program of technical re-equipment of Volga JSC is aimed at increasing the volume of output, improving its quality and reducing the negative impact of the Company on the environment.

Continuous development allows Volga JSC to create the necessary margin of safety, thanks to which we manage to comply with all social obligations and successfully overcome the challenges of the present time associated with the COVID-19 pandemic and the unstable geopolitical situation in the world.

In agreement with the Board of Directors of Volga JSC, in August 2021, a contract was signed with one of the world's leading manufacturers of equipment for pulp and paper industry – Andritz AG (Austria) for the supply of basic technological equipment required for expanding the production of packaging papers and cartons as part of the Company's development program until 2023. Investments in the project at the first stage of the program will amount to more than RUB 5 billion.

The implementation of this, by far, the largest investment project in the modern history of Volga JSC will allow the company to create more than 300 jobs, increase the amount of tax payments to the regional and federal budgets, reduce the environmental burden in the region of activity through the further introduction of «green» technologies.

Another major investment project within the first stage of the implementation of the Company's strategic development program aimed at expanding the product range, increasing production capacity and improving energy efficiency was the project for the modernization of the energy complex (NiGRES). As part of the contract concluded in 2021, Kaluga Turbine Plant (KTP) will manufacture and supply to Volga JSC a K-27-1,3 type condensing turbine. The delivery package will include an automatic control system for the steam turbine installation and a generator.

In 2021, Volga JSC, also as part of the implementation of the environmental program, completed an investment project to modernize the sludge dewatering section of the steam turbine shop. The Company acquired and installed two technological dewatering lines of BELLMER Kufferath Machinery GmbH (Germany). Investments in the project exceeded RUB 100 million.

Today, the Company employs more than 1 700 people. Within the framework of the concluded collective agreement, Volga JSC strictly complies with all its obligations to provide benefits and social guarantees, takes care of the well-being of its employees, implements measures for their training, disease prevention, improvement of working conditions and compliance with labor protection legislation.

In 2021, as part of the investment program, we implemented a whole range of measures aimed at improving the living, work and recreation conditions for our employees. In 2022, this program will continue and in accordance with the approved corporate standard, the adjacent territory of Volga JSC will be landscaped.

The corporate social responsibility of Volga JSC is aimed at ensuring not only its own sustainable development, but also the development of the Company's region of business: Balakhna, Nizhny Novgorod and the entire Nizhny Novgorod region.

In 2021, the Government of Nizhny Novgorod Region signed a cooperation agreement with Volga JSC, which involves close cooperation between the parties in the framework of areas related to the socio-economic development of Nizhny Novgorod region and support for the investment activities of the enterprise by the regional Government.

Along with this, public and charitable events, support of projects in the field of culture, education, sports and other socially-oriented programs are an integral part of the activities of Volga JSC.

In 2021, our Company became a partner of Autonomous Non-Commercial Organization Center 800 and the exhibition «Kandinsky Prize.15 Years» within the framework of the program of celebrating the 800th anniversary of Nizhny Novgorod and assisted in holding large-scale anniversary events, including «REGATTA 800», «MARATHON 800» and «ECOSTART 800».

One of the key priorities of Volga JSC is environmental protection. The results of 2021 confirm the Company's commitment to the principles of the green economy. The total amount of the Company's current expenses for environmental protection in 2021 amounted to about RUB 400 million. The leading specialized engineering centers carried out technical and environmental assessments of the Company's production facilities and formed a strategic plan to increase the efficiency of investments for the period of long-term development until 2025.

In addition, Volga JSC organized and participated in various environmental actions aimed both at preserving and increasing the fish fauna of the Volga River, and at improving the level of ecological culture and literacy of residents of Nizhny Novgorod and the region. As part of the FSC-Friday international holiday in September 2021, employees of Volga JSC held an environmental action «Alley of Memory» in Balakhna, timed to celebrate the 800th anniversary of Nizhny Novgorod.

The reforestation program was implemented by Volga JSC in 2021 in full, and such an indicator as EBITDA for the logging site was exceeded by 30% compared to the plan of 2021. Reforestation activities were carried out on a total area of 700 hectares. Planting of new seedlings with full artificial reforestation was carried out on 214 hectares of land, which exceeded the plan by 18%. All obligations of the Company regarding forestry, reforestation, fire prevention measures were fulfilled on time.

In 2021, Volga JSC voluntarily passed an audit and received an FSC® Certificate (certificate code NC-COC-031831, FSC 100%) for round timber and fuelwood/firewood of various wood species valid until April 2026.

In conclusion, I would like to thank the shareholders and the staff of Volga JSC for the trust and support they gave me in 2021, and express confidence that by continuing to work in a team, having strong professional, economic and production reserves, we will achieve all our goals in 2022.

Respectfully,

Sergey Iosifovich Pondar,
General Director of Volga JSC

Section 1

ABOUT THE COMPANY

1.1. Information about the Company

Volga Joint-Stock Company (Balakhna, Nizhny Novgorod region) is one of the leading manufacturers of packaging types of papers and paper for printing from 100% thermomechanical pulp in Russia.

The products of Volga JSC repeatedly awarded with Diplomas of the All-Russian competition «100 Best Goods of Russia», are exported to more than 70 countries of the world.

Volga JSC is included in the Top 50 largest timber companies in Russia, the Top 100 largest companies of Nizhny Novgorod region and in the «Rating of the Largest Exporters of Nizhny Novgorod Region».

Volga JSC is included by the Ministry of Industry and Trade of Russia in the list of system-forming (socially significant) companies of the Russian timber industry.

Location and postal address:

1 Gorky str., Balakhna, Balakhninsky district, Nizhny Novgorod region, Russian Federation, 606407.

The date of state registration of Volga JSC – April 13, 1994, Certificate No. 33/ 94, series AOOT, issued by Administration of Balakhninsky district, Nizhny Novgorod region. The Company is registered with the Inspectorate of the Federal Tax Service of Russia for Balakhninsky district, Nizhny Novgorod region with the Primary State Registration Number 1025201418989, the date of making an entry – August 30, 2002.

By the decision of the Annual General Meeting of Shareholders dated July 13, 2020, a new version of the charter of Volga JSC was approved, registered in the interdistrict Federal Tax Service of Russia No. 15, Nizhny Novgorod region on July 30, 2020, Primary Registration Number 2205200578218.

Taxpayer Identification Number:

5244009279.

Registrar of the Company:

Independent Registrar Company R.O.S.T., Joint Stock Company. License of the Central Bank of the Russian Federation No. 045-13976-000001 dated December 03, 2002, Legal address: 107076, Moscow, Stromynka str., 18, building 5B, PSRN (OGRN): 1027739216757, Date of assignment of PSRN (OGRN): September 18, 2002, TIN: 7726030449, KPP: 771801001.

Auditor of the Company:

KPMG JSC, a company registered in accordance with the legislation of the Russian Federation, a member of the global organization of independent firms – KPMG. Detailed information about the structure of KPMG global organization is available at: home.kpmg/governance page. The main registration number of the entry in the Register of Auditors and Audit Organizations No. 12006020351

Volga JSC website on the Internet:

http://www.volga-paper.ru.

Volga JSC discloses information about its activities in accordance with the requirements of the Central Bank of the Russian Federation on the Internet at: http://www.e-disclosure.ru/portal/company.aspx?id=1711.

.

Average number of employees	1 716 people
Revenue RUB*	12 726 million
Taxes and insurance premiums paid RUB	963 million
Sales volume	303 thousand tons
Geography of supplies	67 countries

* Revenue under IFRS amounted to RUB 12,999 million.

1.2. History of the Company creation

1928

In 1928, the first paper-making machine was launched at the Balakhna paper mill. During a month of operation, it produced 700 tons of newsprint. And already in the 30s, three more paper machines were put into operation. Since then, the Balakhna paper mill begun to increase its production capacity annually.

1940

In the 1940s, Pravda and Krasnaya Zvezda newspapers, dozens of army and divisional newspapers, and millions of leaflets were printed on our paper. During the years of the Great Patriotic War, the paper mill delivered 458 thousand tons of newsprint to the rear and front printing houses, and by the end of the 1950s the annual production volume reached 250 thousand tons of finished products.

1960

In 1960, a radical reconstruction of the enterprise began: complexes of the sixth and seventh paper machines, a new wood-mass plant and a warehouse for finished products were put into operation.

1970

In 1976, for great achievements in the development of industry, the Balakhna paper mill was awarded the Order of the October Revolution.

In 1977, Balakhna paper was awarded the State Quality Mark.

1990

An important milestone in the history of the enterprise was January 1991, when a decision was made to incorporate Volga, Open Joint-Stock Company

In 1994, a high-speed paper machine No. 8 by Voith (Germany), designed at the most modern technical level, was put into operation. Its speed was 1300 meters per minute, productivity – 250,000 tons of products per year.

1997

In 1997, an updated wood-preparation shop was put into operation, the modernization of the chemi-thermomechanical pulp (CTMP) shop was carried out). In the same year, the pulp production was finally closed down (i.e. the pulp shop and the associated acid and evaporation shops).

2002

Since 2002 JSC Volga has been accepting for processing only timber products grown in compliance with environmental requirements. The Company is certified by the Forest Stewardship Council® (FSC).

2006

In 2006, the reconstruction of the wood-pulp shop was completed, which made it possible to increase the production of wood pulp and improve its quality.

2008

Since 2008, all bark and wood waste, together with sludge from treatment facilities, are incinerated to obtain heat energy in a powerful Wellons boiler (USA), and the ash formed as a result of waste incineration is cooled and utilized without posing a threat of pollution to the environment.

2015

In 2015, Nizhny Novgorod State District Power Plant named after A.V. Winter became a part of Volga JSC and became an energy complex that supplies the paper mill with electricity, and also provides heat and hot water for enterprises and organizations in the city of Balakhna.
Since 2015, Volga JSC has been producing newsprint using a new technology that utilizes 100% thermomechanical pulp.

2017

In 2017, Volga JSC mastered the production of reduced-weight newsprint - 40 g/m2. The advantage of lightweight paper is the increased paper area per roll.

2018

In 2018, Volga JSC re-launched paper-making machine No. 4, which made it possible not only to expand sales markets for finished products, but also to create new jobs. The Company also started to create its own park of railway rolling stock as part of the Company's new development strategy.

In August 2018, the Company celebrated the 90th anniversary of the launch of the first finished product.

2019

In 2019, the phased implementation of the investment project of Volga JSC in the field of forest development «Expansion of the production of thermomechanical pulp (TMP)», which helped the Enterprise to start producing additional 40 thousand tons of paper a year, as well as other highly processed timber products.

2020

In 2020, the Company completed design of a full-cycle production: from the procurement of raw materials to the sale of finished products, becoming a vertically integrated timber company.
In 2020, Volga JSC completed the implementation of the largest in recent years investment project «Expansion of the production of thermomechanical pulp (TMP)».

2021

In 2021, Volga JSC implemented a quality management system according to the international standard ISO 9001:2015, which is a strategic decision of the Company that will help provide a solid foundation for further sustainable development.
In 2021, the Company invested more than RUB 1.5 billion in a project to repurpose production facilities in order to increase the production of packaging papers and cartons, and also began re-equipping the energy complex (NiGRES).

1.3. Awards, Events and Achievements of 2021

Production

Volga JSC invests more than RUB 5 billion in the production of packaging papers and cardboard

In agreement with the Board of Directors of Volga JSC, in August 2021, a contract was signed with one of the world's leading manufacturers of equipment for pulp and paper industry – Andritz AG (Austria) for the supply of basic technological equipment required for expanding the production of packaging papers and cartons as part of the Company's development program until 2023. Investments in the project at the first stage of the program will amount to more than RUB 5 billion.

The implementation of this, by far, the largest investment project in the modern history of Volga JSC will allow the company to create more than 300 jobs, increase the amount of tax payments to the regional and federal budgets, significantly reduce the environmental burden in the region of activity through the further introduction of «green» technologies.

Volga JSC has started re-equipment of the energy complex (NiGRES)

Within the framework of the concluded contract, Kaluga Turbine Plant (KTP) will manufacture and supply a K-27-1,3 type condensing turbine. The delivery package will include an automatic control system for a steam turbine installation and a TAP-30-2U3 type generator. The prototype of the product was the K-27-2.9 turbine, which KTP had previously manufactured and supplied for the Estonian Northern Thermal Power Plant. This is the first stage for implementation of the strategic development project of the enterprise aimed at expanding the product range, increasing production capacity and improving energy efficiency.

Volga JSC has completed the implementation of an investment project to modernize the sludge dewatering section of the steam turbine shop

As part of an environmental project implemented in accordance with the new development and modernization program of Volga JSC, two technological dewatering lines by BELLMER Kufferath Machinery GmbH (Germany) were purchased and installed. Investments in the project exceeded RUB 100 million.

This project was implemented within the framework of a new environmental program approved by Volga JSC, and is aimed at reducing the Company's impact on the environment.

Awards and Achievements

Four types of products of Volga JSC were included in the list of «100 Best Goods of Russia – 2021»

According to the results of the All-Russian competition «100 Best Goods of Russia-2021», four types of products of Volga JSC were awarded at once. Paper for corrugation (TU 17.12.72-007-00279278-2019) became the Winner of the competition, and three more types of finished products by Volga JSC – newsprint of increased weight (TU 17.12.11-004-00279278-2005), paper for corrugation (TU 17.12.72-006-00279278-2018) and technical packaging paper (TU 17.12.14-005-00279278-2018) –became the Diploma winners of the competition.

Paper for corrugation (TU 17.12.72-007-00279278-2019) also received the official status of «Novelty of the Year». This means that this product has appeared on the market for the first time in the last two years.

Sustainable Development

Volga JSC has implemented a quality management system according to ISO 9001:2015

The Company has successfully passed the voluntary certification procedure and received a certificate of compliance with the requirements of the international standard ISO 9001:2015 valid until January 26, 2024. Compliance with this standard is a confirmation of the high quality of enterprise management and becomes a significant advantage of the Company in the eyes of our customers. The introduction of a quality management system (QMS) is a strategic decision of the Company, which will help provide a solid foundation for further sustainable development.

Volga JSC has extended the validity of the FSC® Certificate to all types of products

The Company has been audited and received an FSC® Certificate (registration code NC-COC-031831) for all its products. Previously, the Company had a certificate, that covered newsprint and lumber used in the production of paper. The new Certificate is valid until February 2024. The FSC license code for the use of the trademark: FSC-C146241. The FSC mark confirms the legal and responsible origin of the paper produced by Volga JSC.

Volga JSC has received the FSC® Forest Management Certificate (license code FSC-C159981)

The Company has been audited and received an FSC® Certificate (certificate code NC-COC-031831, FSC 100%) for round timber and fuelwood/firewood of various wood species. This means that Volga JSC operates within the framework of Russian and international requirements for sustainable forest management and responsibly approaches forest development. The new Certificate is valid until April 2026.

By participating in the voluntary FSC Forest Certification, Volga JSC supports and implements the creation of a system of environmental and social responsibility of forest management.

Expert RA upgraded the rating of Volga JSC to the level of ruA-

The Company's rating upgrade is due to an improved assessment of the risk profile of the industry in which Volga JSC operates. This achievement is the result of the painstaking work of the Company's management on the transition to the best practices in the market. In addition to modernization of equipment, the Company has begun a lot of work on the transformation of business processes. As a result, we provided the rating agency with the necessary amount of information at a very high quality level and, most importantly, demonstrated the depth of strategic planning.

1.4. Company Structure

The structure of the Volga Company, the parent company of which is Volga JSC, includes the following enterprises

- **Volga** Joint-Stock Company
  - **Service Companies**
    - Volga-UK Housing and Communal Services LLC
    - VolgaResurs LLC
  - **Other Businesses**
    - Agro-Mir LLC

1.5. Priority Business Areas

One of the most important strategic objectives of the Company is to increase the efficiency of the enterprise in a competitive environment. The main mechanism for achieving this goal is to ensure high product quality, diversify the product portfolio and provide the maximum level of service at all stages of the production cycle.

The achievement of high efficiency indicators is expected due to an increase in productivity on existing equipment, an increase in the share of production of packaging types of papers and cartons in the product portfolio to 60%, an increase in the volume of own wood harvesting, an increase in the efficiency of existing generating equipment of the energy complex to reduce the cost of production, as well as optimization of costs for production and sale of products.

The projects planned for implementation in the Company are aimed at increasing productivity and production volumes, fully providing its own electricity, as a result, increasing the financial stability of the Company:

1 **Increase in the share of production of packaging types of papers and cartons**
is a key aspect of the Company's sustainable development program.

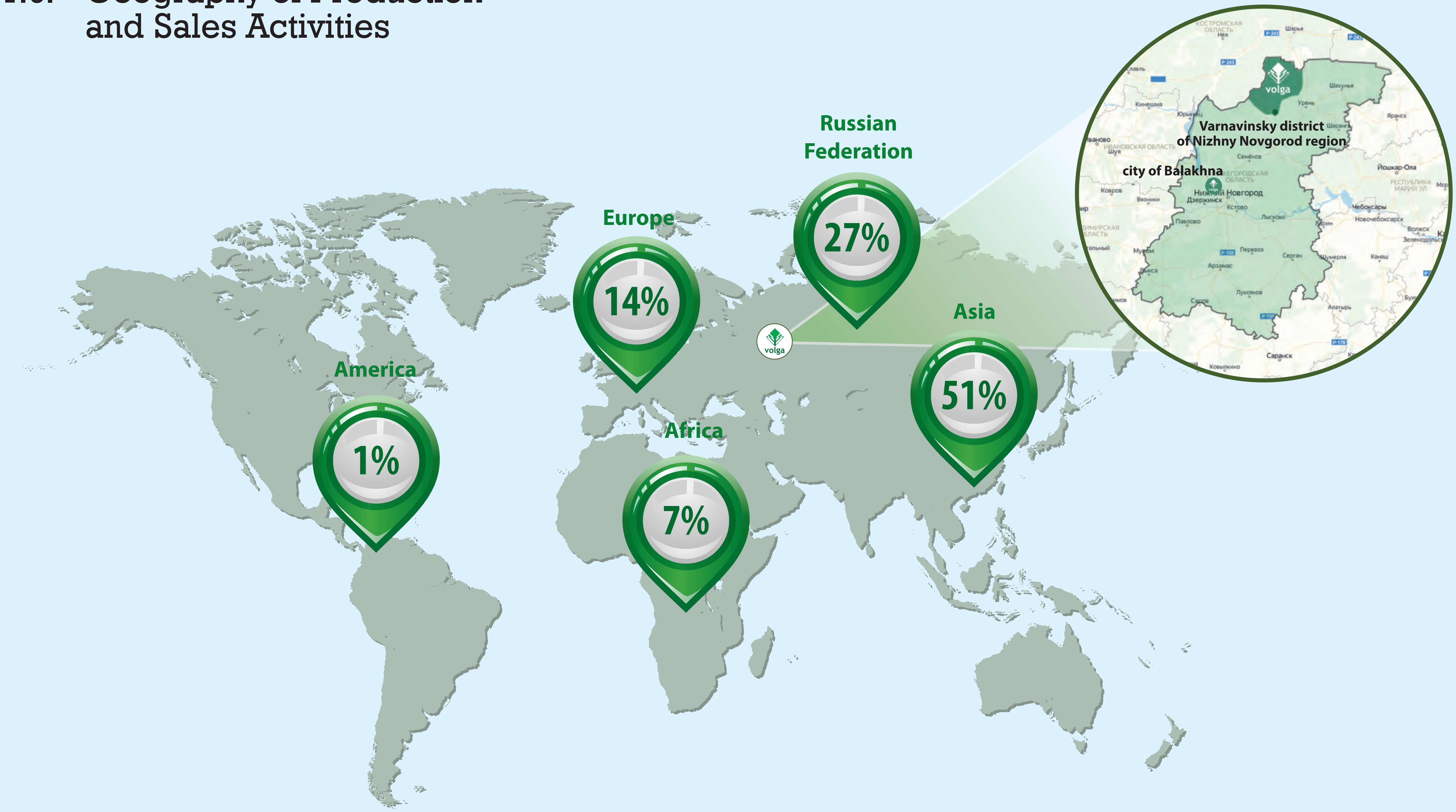
2 **Increasing own logging**
through the leasing of new areas, mainly in the Nizhny Novgorod region.

3 **Increasing the efficiency of existing generating equipment**
in the energy complex (NiGRES) to fully provide its own electricity to the new production facilities being introduced.

4 **Increasing the speed of the paper machine No. 8 and redesigning the paper machine No. 6.**
The repurposed paper machine No. 6 will produce packaging types of papers and cartons (liner and interliner), which will allow the Company to increase the output of this type of product as part of the production diversification program.

5 **The implementation of the environmental program,**
which includes the improvement of the wastewater treatment system, including ensuring the uninterrupted operation of socially significant facilities in Balakhna; the organization of reliable operation of the municipal wastewater disposal infrastructure complex. An important objective of this Program is to reduce waste generation, maximize the involvement of by-products in the production cycle.

1.6. Geography of Production and Sales Activities



Section 2

STRATEGY

2.1. Mission, Vision, Values

The corporate style of Volga JSC reflects respect for the traditions, reliability and openness of our Company, as well as the desire to be one of the leading companies in the pulp and paper industry of Russia.

Our Mission:

Using modern technologies, we produce packaging papers and cartons, paper for printing of newspapers, books and textbooks, in order to support growing needs of the e-commerce industry and education systems around the world.

Corporate values of Volga JSC

Leadership and continuous development.

We are striving to become a trendsetter in the development of our industry. Based on the experience of many generations of paper mills improving the present, the Company is mastering new technologies for the manufacture of paper products.

Reliability and high service customer service.

We are focused on long-term customer relationships based on trust and responsibility. The accumulated experience in logistics, innovative equipment, as well as high quality of finished products help us to provide a consistently high quality of the finished product.

Compliance and Security.

In the course of our activity, we flawlessly fulfill all the requirements of labor protection, industrial and fire safety, as well as environmental legislation.

Teamwork.

The strength of our team of professionals lies in mutual support and commitment of each team member.

Social Responsibility.

We believe that the success of the Company is tightly linked to the development of the local area and the society as a whole, therefore we make sure that our business strategies are a socially responsible. In carrying out its activities, our Company contributes to the development of the regional economy as well as the pulp and paper industry in Russia.

2.2 Development Prospects

Volga Joint Stock Company is one of the leading manufacturers of packaging types of papers and printing paper made of 100% thermomechanical pulp in Russia. The prospects for further development of the Company are determined by its strategic goals, priorities and ongoing projects.

The development focus is on:

- implementation of plans to further increase production by:
  - launch of new production facilities and modernization of existing production;
  - diversification of the raw materials used;
  - elimination of «bottlenecks» in all areas: papermaking equipment, semi-finished product (TMP) production, electricity generation, raw materials supply;
- achieving the maximum planned indicators for implemented and promising investment projects;
- reducing costs and improving the efficiency of equipment;
- improving the efficiency of operational activities and business processes.

The investment program provides for the development of the following five main areas:

- modernization of existing paper-making machines for the production of new types of products that meet the best available technologies;
- increasing the capacity for the production of semi-finished products for paper machines based on OCC (Old Corrugated Containers) due to the construction of a new line with a capacity of 500 tons per day, as well as increasing the efficiency of existing TMP lines;
- increase in electricity generation due to the construction of a new turbine and increase in the efficiency of electricity generation of the energy complex (NiGRES);
- implementation of measures aimed at reducing the impact on the environment, including through the introduction of advanced equipment;
- development of own logging sites.

The key projects of the investment program are the strategic development projects of the Company related to:

- by repurposing paper machine No. 6;
- organization of a new wastepaper line;
- installation of a modern transport and packaging line to increase productivity and produce paper of a wide range of formats;
- organization of a new turbine.

In addition to increasing productivity, efforts in the field of investment activities of Volga JSC are aimed at:

- continuation of building a vertically integrated timber company with a full cycle of logging and deep processing of wood;
- improving the efficiency of electricity generation;
- maintaining the reliability of existing equipment;
- generating plans for further development of the Company in order to increase scale, increase business efficiency and diversify supplies

Development Priorities for 2022:

Production and raw materials supply:

- continuation of the investment program and diversification of supplies;
- reducing environmental impact;
- development of own logging sites.

Personnel:

- personnel and organizational structure development;
- talent management.

Product portfolio and customer interaction:

- mastering the release of new products and diversification of the product portfolio and markets;
- product quality improvement;
- improving the efficiency of sales and logistics supply chains.

Finance and efficiency:

- implementation of the plan on key financial indicators;
- strengthening and automation of the Company's business processes in all directions.

2.3. Implementation of the Strategy

In 2021, Volga JSC started implementing the first stage of the development strategy, the priorities of which were the realization of the potential of existing production, as well as the construction of new production lines and improving operational efficiency.

The key trends for the next decade were outlined, including the maintenance of global trends in the pulp and paper industry.

The Company's strategic vision is to diversify its product portfolio and raw materials.

The strategy includes the modernization of the entire enterprise, from production facilities to logistics and IT infrastructure. One of the main directions is to maintain competitive positions in the cost price by fully providing the enterprise with its own electricity at the moment and in the future.

All newly created and upgraded facilities will meet the most modern requirements in accordance with the best available technologies.

As part of the implementation of the strategy, an environmental program will be additionally implemented in order to reduce the impact on the environment.

The strategic development concept provides for the choice of various scenarios for the development of the industry, existing and possible limitations, the development of measures to manage risks and opportunities that affect the Company's activities.

The Company continues to explore various development options to strengthen its position in the markets and increase the efficiency and value of the business in the medium and long term.

Product Portfolio

The global demand for newsprint is declining under the influence of the falling advertising market in newspapers and magazines. At the same time, the demand for packaging types of paper is growing, including under the influence of e-commerce. At the same time, the Company expects that the growth rate of waste paper types will exceed the growth rate of cellulose types.

As a strategic initiative, the Company considers expanding the range of packaging types of papers and specialties.

The strategy of Volga JSC is to produce liners as the basis of corrugated production and other types of packaging, focus on light and ultra-light types of paper, interest in which is generated due to changes in consumer habits, rapid growth of cross-border trade and logistics development. Already today, more than half of the Company's products are packaging types of paper, which are in increasing demand on the Russian market. In 2021, Volga JSC more than doubled its presence on the Russian market in the segment of packaging types of paper compared to the previous year.

The development of the product line upon completion of repurposing paper machine No. 6 will strengthen the position in the segment of packaging types of paper both in the Russian and foreign markets.

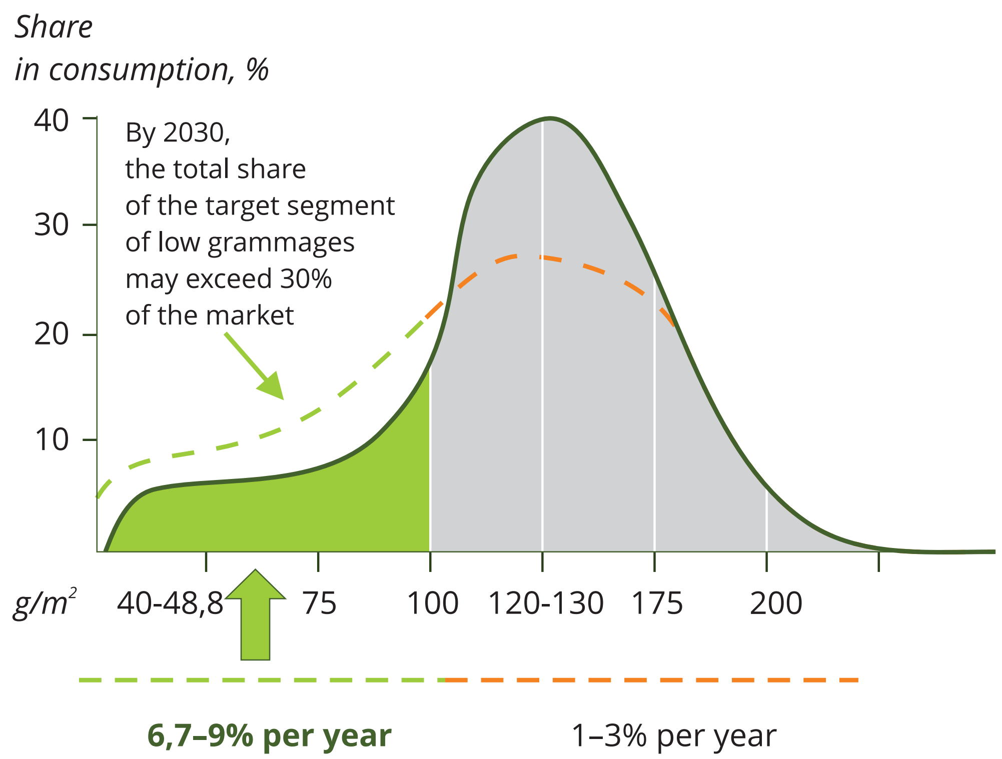
The implemented strategy provides a balance between high growth rates and maintaining a stable position of the Company.

Geographical Priorities

One of the main activities of the Company is to meet the needs of the domestic market. The growth of e-commerce has led to an increase in the number of new types of packaging paper, a significant part of which is targeted by the development strategy.

Also, in order to maintain the balance of capacity, the Company is considering increasing exports of products to the key markets of China, India, Africa and Southeast Asia, trends for lighter paper are increasing under the influence of ESG and e-commerce.

The structure of consumption of packaging papers in the context of grammages in the world



Forecast CAGR of consumption growth in 2021–2030

Distribution

The Company uses a balanced approach between direct sales and sales through professional traders.

In 2021, Volga JSC significantly increased the share of direct sales of packaging types of securities in the Chinese market to 45% of the total volume in this region.

At the same time, the key success factor is working with the end consumer, and Volga JSC plans to develop in the field of customer service support.

Production facilities

The Company is working on the second stage of the development strategy, which implies an increase in productivity to 500+ thousand tons per year. Audits of key technological equipment have been carried out, design and survey work is planned to modernize existing paper-making machines, as well as to expand the production of thermomechanical pulp and expand the possibilities of using waste paper raw materials. At the same time, the Company also implements projects in the field of technical re-equipment of the energy complex (NiGRES) in order to increase energy supply, reduce cost and increase self-sufficiency with wood raw materials.

For the effective implementation of the productivity increase program, the strategy implies a number of functional projects in the field of:

- logistics;
- ecology;
- wood supply;
- Information Technology.

Implementation of the Strategy in 2021

Volga JSC has diversified the logistics of finished products to China from sea to land transportation, thereby reducing the transport costs for the delivery of finished products and dependence on the operation of seaports against the background of rising sea freight rates against the background of the consequences of COVID-19. The volume of deliveries of finished products to China by rail in the fourth quarter of 2021 reached 90%.

Within the framework of the previously prepared concept of the development strategy in various areas of activity, plans were developed for promising products and markets, as well as distribution chains. The results of previous years confirmed the correctness of the decision to increase the share of packaging types of paper in the sales portfolio.

Based on the results of a comprehensive survey of the enterprise by independent experts and environmental audits, a technical development concept was prepared. In 2021, the production of the main equipment for the conversion of the papermaking machine No. 6, the construction of a new waste paper and transport packaging lines, as well as a bottom turbine with a capacity of 27 MW was ordered and started. Surveys of the supporting infrastructure were also conducted and measures for its development were initiated, including in the field of logistics and ecology.

The strategy is implemented at the expense of the Company's own funds as well as borrowed funds from strategic partners of Volga JSC. In October 2021, as part of the agreements reached, general contracts were signed between the Company and Sberbank PJSC to finance a strategy for the development of the production of packaging papers with an increase in the production capacity for processing raw materials and improving the energy efficiency of production. The total amount of loan-based funding from Sberbank PJSC is estimated at about 6.7 billion rubles. The use of bank financing is carried out within the framework of state–provided support measures for subsidizing the interest rate, viz. the Corporate Competitiveness Improvement Program (CCIP*).

In December 2021, changes were made to the register of modern technologies in order to conclude SPIC 2.0 (Special Investment Contract), approved by the Decree of the Government of the Russian Federation, which, based on the application from Volga JSC, includes the technology planned for implementation as part of the strategy for the development of the production of packaging papers. Based on the aforementioned, the Company initiated additional attraction of concessional financing for the implementation of the strategy in the form of a concessional loan FER (Foundation for Enterprise Restructuring and Financial Institutions Development) in the amount of RUB 1.5 billion under the program called Priority Projects. In addition, in December 2021, the Company made a proposal to the Ministry of Industry and Trade of the Russian Federation to conclude SPIC 2.0.

In 2021, a series of tests were conducted on pilot machines in order to identify promising products and improve their quality, as well as audits of paper-making machines were conducted and possible directions of their development were determined, including product portfolios, sales geography, and supply chains of raw materials. The new products of Volga JSC will be manufactured in accordance with modern market requirements and based on the best available technologies.

It should be noted that as part of the strategy implementation, significant changes have already taken place both in the field of productivity and diversification of the product portfolio due to the implementation of projects in the field of modernization of production, which allowed the production of packaging types of papers:

- the previously implemented project to put into operation a new line of thermomechanical pulp made it possible to increase the productivity of the enterprise by 63 thousand tons of finished products in annual terms;
- implemented projects in the field of ecology have significantly reduced the risks of environmental impact.

The agreement on the implementation of the CCIP was concluded between the Company and the Ministry of Industry and Trade of the Russian Federation in June 2021.

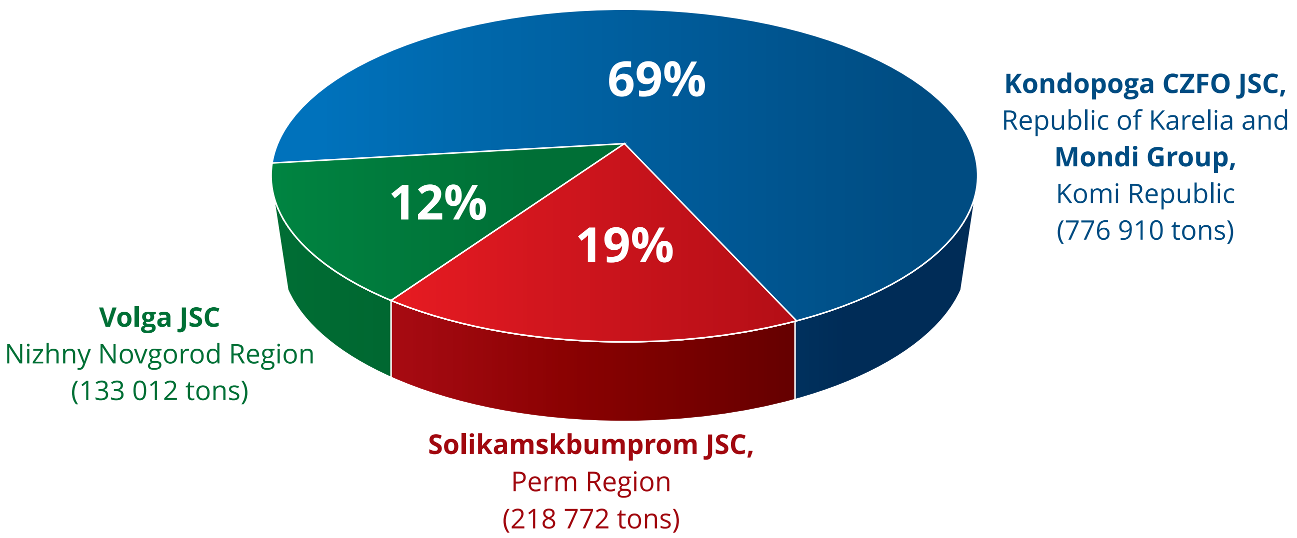
Section 3

DEVELOPMENT RESULTS IN PRIORITY AREAS OF ACTIVITY

3.1. Position in the Industry

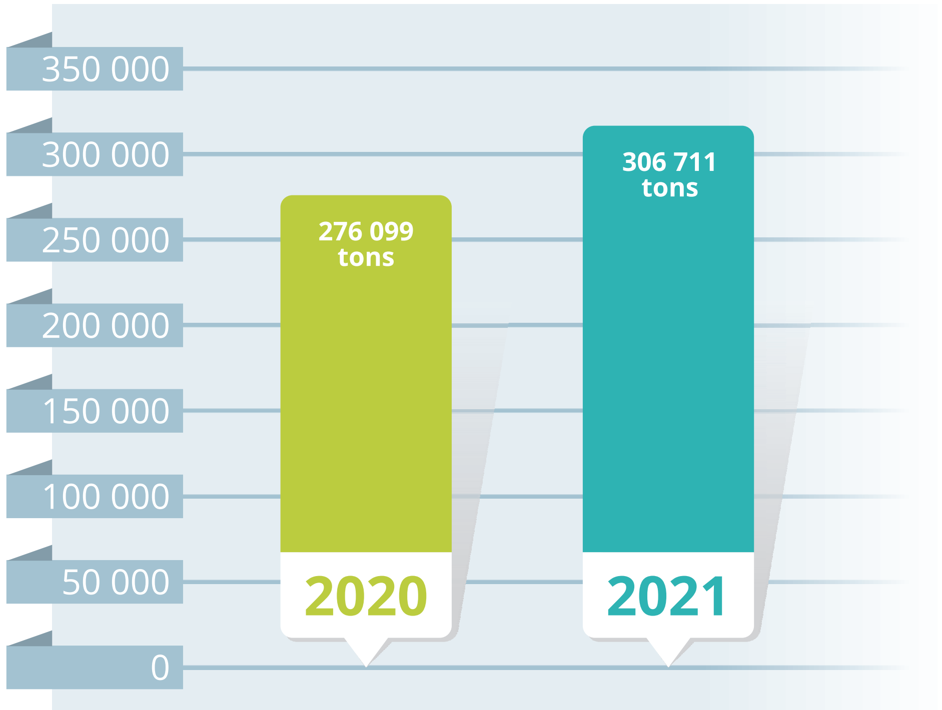
Volga JSC is one of the leaders of the Russian paper industry in terms of production volumes.

The share of companies in the production of newsprint, 2021*



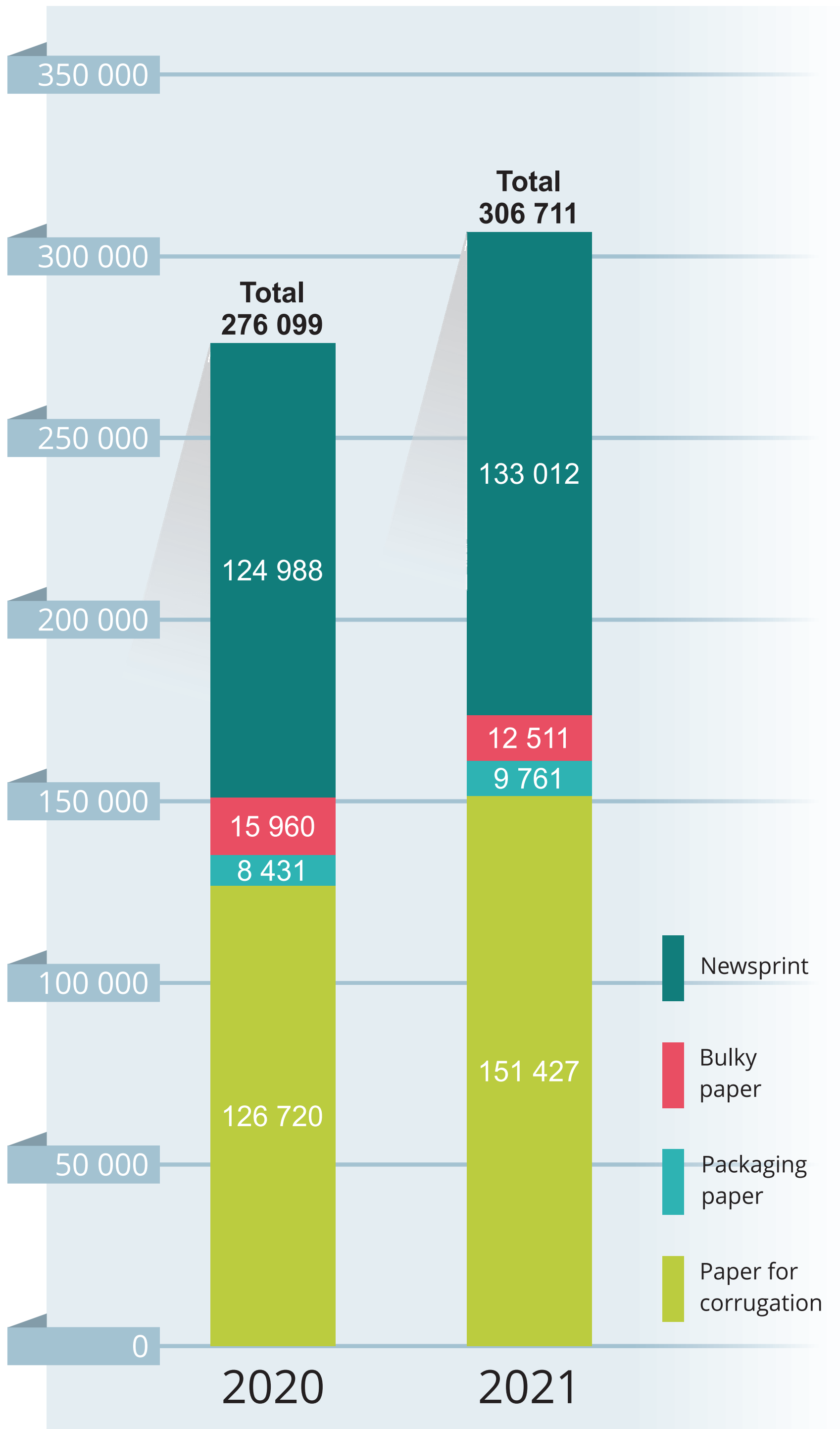
* Data received from the Association of RAO BUMPROM.

Production volumes of all types of paper products

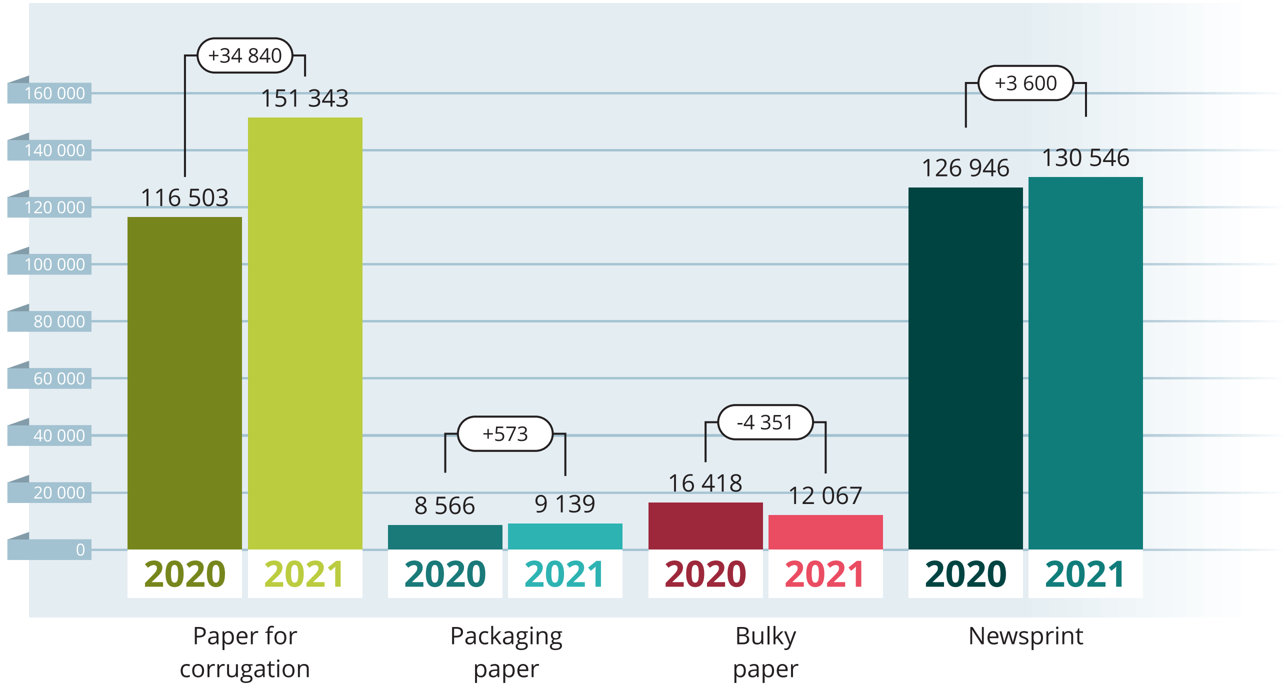


3.2. Key Financial and Production Indicators

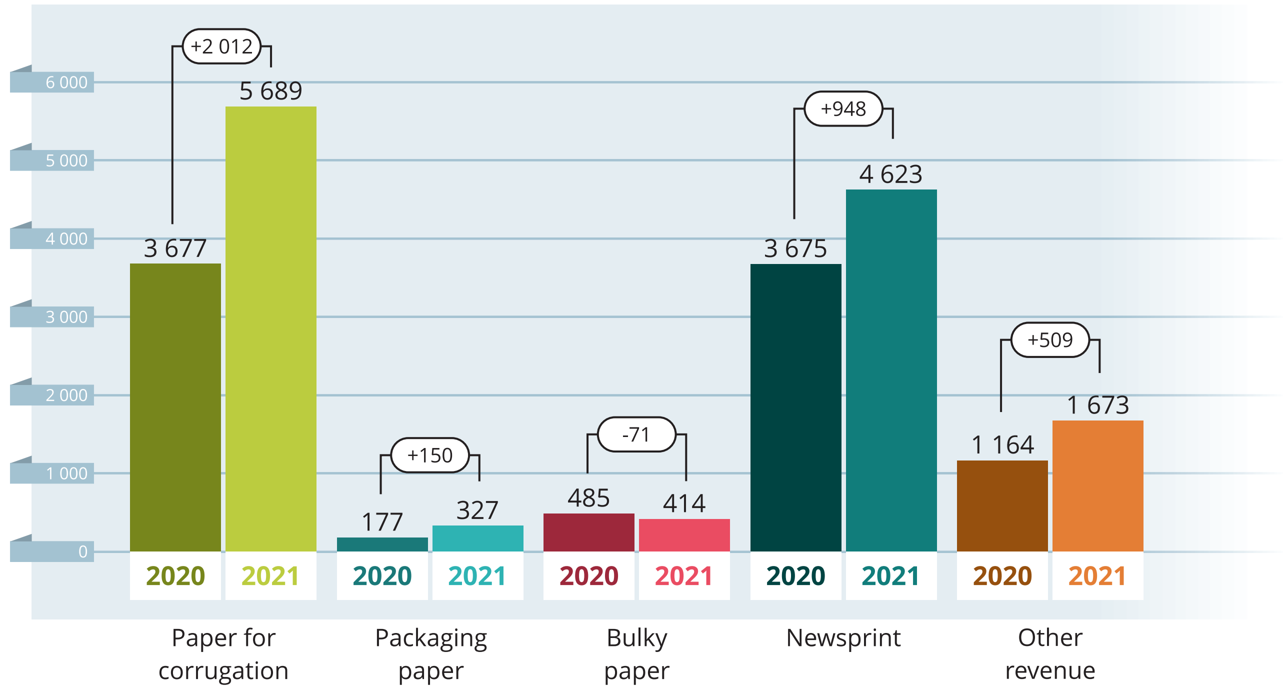
Volume of production of paper for corrugation, newsprint and other types of paper fact for 2020-2021 (t)



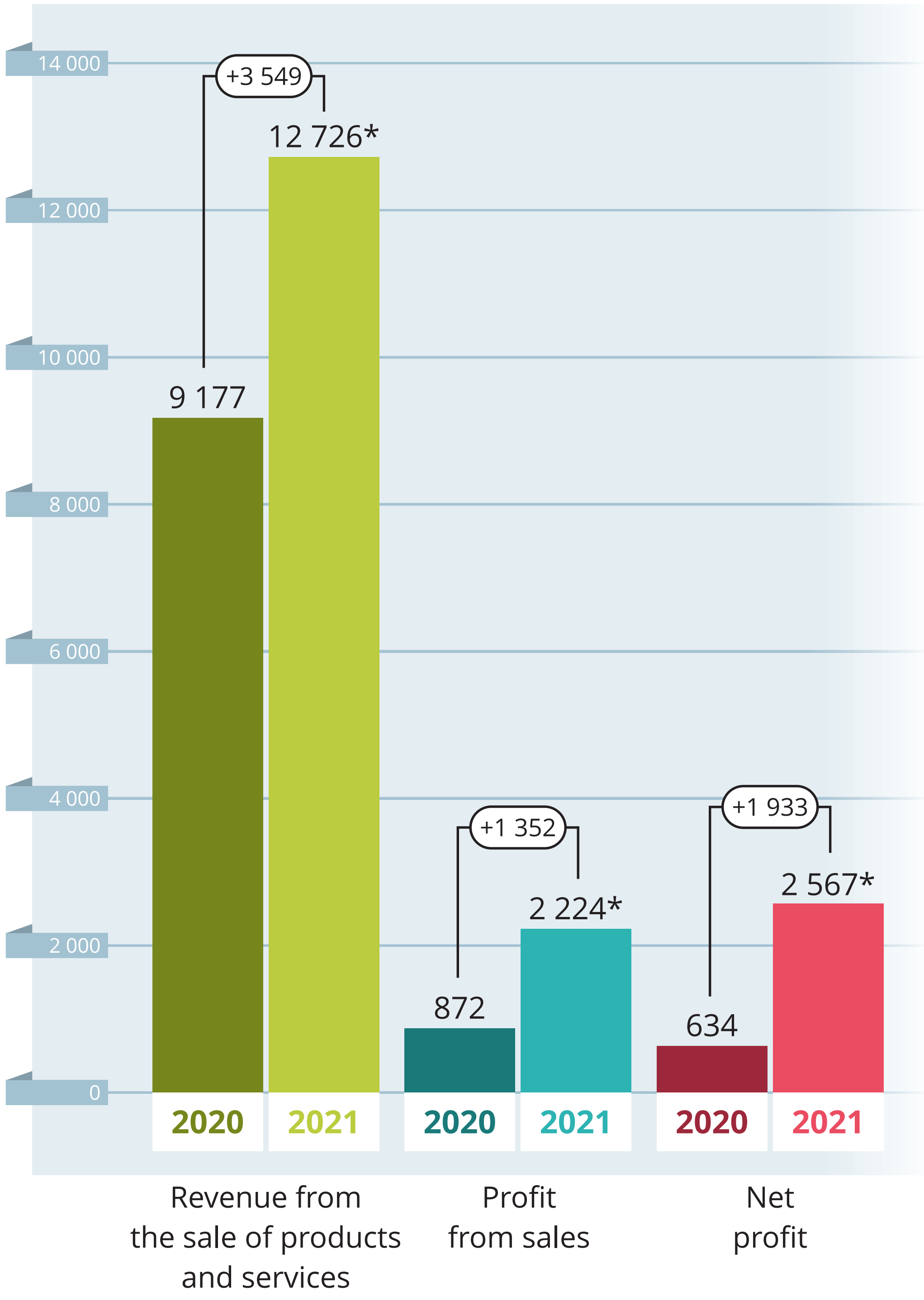
Dynamics of sales volume indicators (by main types of products) (t)



Dynamics of indicators of sales revenue (by main types of products) (RUB million)



Dynamics of the results of financial and economic activity (RUB million)



* Revenue under IFRS for 2021 amounted to RUB 12 999 million (for 2020: RUB 9 395 million)

* Profit from sales under IFRS for 2021 amounted to RUB 3 300 million (for 2020: RUB 1 375 million)

* Net profit under IFRS for 2021 amounted to RUB 2 727 million (for 2020: RUB 920 million)

3.3. Information on the Use of Energy Resources

Type of energy resource	Unit of measurement	Volume of consumption in physical terms	Volume of consumption,
Nuclear power	–	0	0
Thermal energy	Gcal	840 626	840 177
Electrical energy	MW*h	925 465	1 683 105
Electromagnetic energy	–	0	0
Oil		0	0
Automobile gasoline	L	182 472	6 462
Diesel fuel	t	706	33 312
Heating oil	t	1 396	29 093
Natural gas	thousand m3	406 573	2 062 981
Coal	–	0	0
Oil shale	–	0	0
Peat	–	0	0
Other:	–	0	0
– kerosene	t	131	6 752

3.4. Forest Supply

By Order of the Ministry of Industry and Trade of the Russian Federation No. 2317 dated July 28, 2019 On The Inclusion Of An Investment Project In The List Of Priority Investment Projects In The Field Of Forest Development, the investment project Construction Of The 2nd Line For The Production Of Thermomechanical Pulp (Tmp) At The Volga Paper Mill (hereinafter referred to as the Investment Project) is included in the list of priority investment projects in the field of forest development.

The main purpose of the Investment Project was the creation of a timber processing complex aimed at harvesting wood and complex processing of wood raw materials, and the production of deep processing products.

In order to implement the Investment Project in Varnavinsky municipal district of Nizhny Novgorod region, forest plots with a total area of 101 thousand hectares with an annual release of wood – 293 920 thousand m3 have been allocated.

Lease agreements for forest plots have been concluded. In 2021, on the basis of completely fulfilled obligations on the part of Volga JSC, within the framework of a priority investment project in the field of forest development, the project was closed.

According to the results of the logging site, the available annual estimated cutting area in 2021 was mastered by 93%. The main task in the forest resource provision was fulfilled by the site, providing 25% of the total annual volume of wood received, in the form of direct supplies of wood and counter supplies of raw materials due to the shipped harvested non-core forest products to suppliers. The said scheme of work secures confidence in our future and guarantees the supply of raw materials. In this regard, the management continues to increase the volume of sales of non-core timber products under the counter supply scheme, as a result of these measures, the share of counter supplies for the last 6 months of 2021 for business timber amounted to 96%.

After carrying out analytical work by the management in the field of logistics and mapping the efficiency of rolling stock movement, it allowed to increase the turnover coefficient of wagons for the transportation of technological chips, thereby increasing the volume of supply of the raw material and reducing the cost of transportation of one cubic meter.

In 2021, Volga JSC launched its own railway shipping terminal at Lapshanga station. Since June 2021, a terminal with a loading front of 16 railway platforms has been operating at full capacity, which made it possible to redistribute the shipment of products from motor transport to railway transport and increase rail shipment by 30% in general, which significantly increased the sales margin of timber products by reducing the cost of delivery. On the forest plots of Volga JSC, work has been organized on the arrangement of a shift site, a sauna house, a medical house, two mobile buildings have been purchased for the opening of a cafeteria near the new loading terminal at Lapshanga station (Severny village, Varnavinsky district), additional lighting will be installed around the perimeter of the lower warehouse. A contract has been signed for the manufacture and supply of two new imported Iveco timber trucks, which will also ensure additional jobs in Varnavinsky district. Work is underway on the facilities of forest infrastructure (roads, timber warehouses, etc.). The reforestation program was completed by Volga JSC in 2021 in full. In general, reforestation activities were carried out in 2021 on a total area of 700 hectares. Planting of new seedlings with full artificial reforestation was carried out on 214 hectares of land, which exceeds the 2021 plan by 18%. All obligations of the Company in terms of forestry, reforestation, fire prevention measures have been fulfilled and accepted by the regulatory authorities on the part of the Forestry Department. A working group has been organized to work out the second priority project in the field of forest development in order to increase an own forest resource base.

3.5 Investment Activity in 2021

The total volume of investments in 2021 amounted to RUB 1 500+ million. In addition to the implementation of strategic projects in 2021, the development strategy was supported by the implementation of other investment projects:

- technical re-equipment was completed and the equipment of the precipitation drying site was put into operation;
- projects to improve the quality of products produced by paper machine No. 8 have been continued, which have already shown a positive effect from their implementation in 2021.

Along with that, the implementation of projects to ensure the stable operation of production equipment, including equipment of the energy complex and logistics, was continued. Most of the projects are aimed at improving reliability, reducing costs, optimizing the use of raw materials and meeting the needs of consumers. The Company continues to actively search for projects to increase efficiency and improve production and business transformation.

3.6. Innovative Activity in 2021

The Company carries out innovative activities in accordance with the approved strategy, in a complex of scientific, technological, organizational, financial and commercial measures aimed at commercialization of accumulated knowledge, technologies, and equipment. The result of innovative activity is new or additional goods/services or goods/services with new properties and an increase in production efficiency, the development of new materials and products, the introduction of digital technologies.

The Company searches for projects that correspond to the innovation strategy through the use of open innovation tools (technology scouting, holding open competitions, and working with startups). The implementation is carried out in close cooperation with external partners at the stages of development (R&D), scaling (pilot installations) and commercialization of products.

In cooperation with one of the leaders of the world Pulp and Paper Industry, pilot developments of innovative products were carried out – packaging paper based on thermomechanical pulp and coated paper, the production of which will be mastered in the near future and will expand the product line of Volga JSC.

To implement projects aimed at increasing production efficiency, the Company uses:

1. internal divisions of the Company located at the production site of Volga JSC;
2. external research, consulting and educational organizations.

The main directions of the projects:

- organizational innovations – improvement of the management system, introduction of lean manufacturing technologies, step-by-step implementation of the equipment reliability system;
- training and retraining of personnel – training of managers and specialists under the program called Improving Personal Efficiency and Managerial Skills.

The main result of the Company's innovation activity in 2021 was the conclusion of an agreement with OrgRazvitie LLC (city of Moscow) for the provision of consulting services – the launch of the project called Improving the Reliability of Equipment, aimed at implementing a reliability system, improving the efficiency of equipment, involving personnel and training specialists in lean manufacturing techniques.

In 2021, 20 employees of the Company were trained under the Corporate University program of the City Business School, the purpose of which is to increase the efficiency of managers and specialists, improve problem solving skills and gain experience that will help in solving problems.

Section 4

CORPORATE GOVERNANCE

4.1. Securities and equity

The number of persons (personal accounts) registered in the register of shareholders of the Company as of December 03, 2021 – 786.

There were no changes in the authorized capital in the reporting year.

Authorized capital of the Company as on December 31, 2021	RUB **1 121 839** thousand
The Company has placed the following number of shares The nominal value of a share is RUB 95.00	**11 808 827** shares
The Company has the right to place additional shares The nominal value of a share is RUB 95.00	**1 677 780** shares

4.2. Report on the Payment of Declared (Accrued) Dividends

Data on declared (accrued) and paid dividends on the Company's shares:

Dividends based on the results of 2016 financial year.

The Annual General Meeting of Shareholders of Volga JSC, held on May 24, 2017, decided not to distribute profits based on the results of 2016, and not to pay dividends on ordinary shares of the Company based on the results of 2016 (Minutes No. 53 of May 29, 2017).

Dividends based on the results of 2017 financial year.

The Annual General Meeting of Shareholders of Volga JSC, held on May 31, 2017, decided not to distribute profits based on the results of 2017, and not to pay dividends on ordinary shares of the Company based on the results of 2017 (Minutes No. 57 of June 04, 2018).

Distribution of the Company's profits for previous years by paying (declaring) dividends.

Indicator	The value of the indicator for the corresponding reporting period – 2011, full year
Category of shares, for preferred shares – type	ordinary
The management body of the Company that made the decision to declare dividends, the date of making such a decision, the date of drawing up and the number of the minutes of the meeting of the Company's management body that made the decision	General Meeting of Shareholders dated May 31, 2018, Minutes No. 57 dated June 04, 2018.
The amount of declared dividends per share, RUB.	4.23
The amount of declared dividends in aggregate for all shares of this category (type), RUB.	49 951 338.21
The date on which the persons who have (had) the right to receive dividends are (were) determined	June 19, 2018
The reporting period (year, quarter) for which (based on the results of which) the declared dividends are paid (were paid)	2011, full year
Term (date) of payment of declared dividends	by July 23, 2018 (to the nominee holder by June 29, 2018)
Form of payment of declared dividends (cash, other property)	cash
Source of payment of declared dividends (net profit for the reporting year, retained net profit for previous years, a special fund)	retained earnings of previous years
The share of declared dividends in the net profit of the reporting year, %	34.83
The total amount of dividends paid on shares of this category (type), RUB.	49 951 338.21
The share of dividends paid in the total amount of declared dividends on shares of this category (type), %	100
If the declared dividends have not been paid or the Company has not paid them in full – specify the reasons for non-payment of the declared dividends	
Other information on declared and (or) paid dividends specified by the Company at its sole discretion	

Dividends based on the results of 9 months of fiscal year 2018.

Indicator	The value of the indicator for the corresponding reporting period – 2018, 9 months.
Category of shares, for preferred shares – type	ordinary
The management body of the Company that made the decision to declare dividends, the date of making such a decision, the date of drawing up and the number of the minutes of the meeting of the Company's management body that made the decision	General Meeting of Shareholders as of November 18, 2018, Minutes No. 58 dated November 20, 2018.
The amount of declared dividends per share, RUB.	30.48
The amount of declared dividends in aggregate for all shares of this category (type), RUB.	359 933 046.96
The date on which the persons who have (had) the right to receive dividends are (were) determined	November 27, 2018
The reporting period (year, quarter) for which (based on the results of which) the declared dividends are paid (were paid)	2018, 9 months.
Term (date) of payment of declared dividends	by December 29, 2018 (to the nominee holder – by December 10, 2018)
Form of payment of declared dividends (cash, other property)	cash
Source of payment of declared dividends (net profit for the reporting year, retained net profit for previous years, a special fund)	net profit for 9 months of 2018
The share of declared dividends in the net profit of the reporting year, %	26.32
The total amount of dividends paid on shares of this category (type), RUB.	359 933 046.96
The share of dividends paid in the total amount of declared dividends on shares of this category (type), %	100
If the declared dividends have not been paid or the Company has not paid them in full – specify the reasons for non-payment of the declared dividends	
Other information on declared and (or) paid dividends specified by the Company at its sole discretion	

Dividends based on the results of 2018 financial year.

Indicator	The value of the indicator for the corresponding reporting period – 2011, full year
Category of shares, for preferred shares – type	ordinary
The management body of the Company that made the decision to declare dividends, the date of making such a decision, the date of drawing up and the number of the minutes of the meeting of the Company's management body that made the decision	General Meeting of Shareholders as of May 29, 2019, Minutes No. 60 dated May 31, 2019.
The amount of declared dividends per share, RUB.	18.00
The amount of declared dividends in aggregate for all shares of this category (type), RUB.	212 558 886.00
The date on which the persons who have (had) the right to receive dividends are (were) determined	June 17, 2019
The reporting period (year, quarter) for which (based on the results of which) the declared dividends are paid (were paid)	2018, full year
Term (date) of payment of declared dividends	July 19, 2019
Form of payment of declared dividends (cash, other property)	cash
Source of payment of declared dividends (net profit for the reporting year, retained net profit for previous years, a special fund)	net profit for 2018
The share of declared dividends in the net profit of the reporting year, %	17
The total amount of dividends paid on shares of this category (type), RUB.	212 208 807
The share of dividends paid in the total amount of declared dividends on shares of this category (type), %	99.84 (including refunds in 2021)
If the declared dividends have not been paid or the Company has not paid them in full – specify the reasons for non-payment of the declared dividends	Incomplete data of the recipient, the refund took place for the following reason: unclaimed
Other information on declared and (or) paid dividends specified by the Company at its sole discretion	The Company plans to pay the declared dividends to persons to whom they have not been paid for reasons beyond the Company's control: incomplete recipient data, unclaimed money transfer

Dividends based on the results of the 1st quarter of 2019 fiscal year.

Indicator	The value of the indicator for the corresponding reporting period – 3 months of 2019.
Category of shares, for preferred shares – type	ordinary
The management body of the Company that made the decision to declare dividends, the date of making such a decision, the date of drawing up and the number of the minutes of the meeting of the Company's management body that made the decision	General Meeting of Shareholders as of May 29, 2019, Minutes No. 60 dated May 31, 2019.
The amount of declared dividends per share, RUB.	12.70
The amount of declared dividends in aggregate for all shares of this category (type), RUB.	149 972 102.90
The date on which the persons who have (had) the right to receive dividends are (were) determined	June 17, 2019
The reporting period (year, quarter) for which (based on the results of which) the declared dividends are paid (were paid)	3 months of 2019
Term (date) of payment of declared dividends	July 19, 2019
Form of payment of declared dividends (cash, other property)	cash
Source of payment of declared dividends (net profit for the reporting year, retained net profit for previous years, a special fund)	net profit for 3 months of 2019
The share of declared dividends in the net profit of the reporting year, %	25.1
The total amount of dividends paid on shares of this category (type), RUB.	149 727 426.82
The share of dividends paid in the total amount of declared dividends on shares of this category (type), %	99.84 (including refunds in 2021)
If the declared dividends have not been paid or the Company has not paid them in full – specify the reasons for non-payment of the declared dividends	Incomplete data of the recipient, the refund took place for the following reason: unclaimed
Other information on declared and (or) paid dividends specified by the Company at its sole discretion	The Company plans to pay the declared dividends to persons to whom they have not been paid for reasons beyond the Company's control: incomplete recipient data, unclaimed money transfer, etc.

Dividends based on the results of 9 months of 2019 fiscal year.

Indicator	The value of the indicator for the corresponding reporting period – 9 months of 2019
Category of shares, for preferred shares – type	ordinary
The management body of the Company that made the decision to declare dividends, the date of making such a decision, the date of drawing up and the number of the minutes of the meeting of the Company's management body that made the decision	General Meeting of Shareholders as of November 18, 2019, Minutes No. 61 as of November 21, 2019.
The amount of declared dividends per share, RUB.	29.64
The amount of declared dividends in aggregate for all shares of this category (type), RUB.	350 013 632.28
The date on which the persons who have (had) the right to receive dividends are (were) determined	November 29, 2019
The reporting period (year, quarter) for which (based on the results of which) the declared dividends are paid (were paid)	9 months of 2019
Term (date) of payment of declared dividends	December 19, 2019
Form of payment of declared dividends (cash, other property)	cash
Source of payment of declared dividends (net profit for the reporting year, retained net profit for previous years, a special fund)	net profit for 9 months of 2019
The share of declared dividends in the net profit of the reporting year, %	47.21
The total amount of dividends paid on shares of this category (type), RUB.	349 489 295.74
The share of dividends paid in the total amount of declared dividends on shares of this category (type), %	99.85
If the declared dividends have not been paid or the Company has not paid them in full – specify the reasons for non-payment of the declared dividends	Incomplete data of the recipient, the refund took place for the following reason: unclaimed
Other information on declared and (or) paid dividends specified by the Company at its sole discretion	The Company plans to pay the declared dividends to persons to whom they have not been paid for reasons beyond the Company's control: incomplete recipient data, unclaimed money transfer

Dividends based on the results of 2019 financial year.

Indicator	The value of the indicator for the corresponding reporting period – 2019
Category of shares, for preferred shares – type	ordinary
The management body of the Company that made the decision to declare dividends, the date of making such a decision, the date of drawing up and the number of the minutes of the meeting of the Company's management body that made the decision	General Meeting of Shareholders as of July 13, 2020, Minutes No. 63 as of July 14, 2010
The amount of declared dividends per share, RUB.	17.00
The amount of declared dividends in aggregate for all shares of this category (type), RUB.	200 750 059.00
The date on which the persons who have (had) the right to receive dividends are (were) determined	July 24, 2020
The reporting period (year, quarter) for which (based on the results of which) the declared dividends are paid (were paid)	2019
Term (date) of payment of declared dividends	August 14, 2020
Form of payment of declared dividends (cash, other property)	cash
Source of payment of declared dividends (net profit for the reporting year, retained net profit for previous years, a special fund)	net profit for 2019
The share of declared dividends in the net profit of the reporting year, %	14.97
The total amount of dividends paid on shares of this category (type), RUB.	200 412 059.33
The share of dividends paid in the total amount of declared dividends on shares of this category (type), %	99.83
If the declared dividends have not been paid or the Company has not paid them in full – specify the reasons for non-payment of the declared dividends	incomplete recipient data
Other information on declared and (or) paid dividends specified by the Company at its sole discretion	The Company plans to pay declared dividends to persons who have not received them for reasons beyond the Company's control, viz. incomplete recipient data

Dividends based on the results of 2014 financial year.

Indicator	The value of the indicator for the corresponding reporting period – 2014
Category of shares, for preferred shares – type	ordinary
The management body of the Company that made the decision to declare dividends, the date of making such a decision, the date of drawing up and the number of the minutes of the meeting of the Company's management body that made the decision	General Meeting of Shareholders as of February 02, 2021, Minutes No. 64 as of February 03, 2021
The amount of declared dividends per share, RUB.	27.74
The amount of declared dividends in aggregate for all shares of this category (type), RUB.	327 576 860.98
The date on which the persons who have (had) the right to receive dividends are (were) determined	February 13, 2021
The reporting period (year, quarter) for which (based on the results of which) the declared dividends are paid (were paid)	2014
Term (date) of payment of declared dividends	March 23, 2021
Form of payment of declared dividends (cash, other property)	cash
Source of payment of declared dividends (net profit for the reporting year, retained net profit for previous years, a special fund)	net profit for 2014
The share of declared dividends in the net profit of the reporting year, %	91.77
The total amount of dividends paid on shares of this category (type), RUB.	327 097 148.54
The share of dividends paid in the total amount of declared dividends on shares of this category (type), %	99.85
If the declared dividends have not been paid or the Company has not paid them in full – specify the reasons for non-payment of the declared dividends	incomplete recipient data
Other information on declared and (or) paid dividends specified by the Company at its sole discretion	The Company plans to pay declared dividends to persons who have not received them for reasons beyond the Company's control, viz. incomplete recipient data

Dividends based on the results of 2020 financial year.

Indicator	The value of the indicator for the corresponding reporting period – 2020.
Category of shares, for preferred shares – type	ordinary
The management body of the Company that made the decision to declare dividends, the date of making such a decision, the date of drawing up and the number of the minutes of the meeting of the Company's management body that made the decision	General Meeting of Shareholders as of June 17, 2021, Minutes No. 65 as of June 18, 2021
The amount of declared dividends per share, RUB.	29.63
The amount of declared dividends in aggregate for all shares of this category (type), RUB.	349 895 544.01
The date on which the persons who have (had) the right to receive dividends are (were) determined	June 28, 2021
The reporting period (year, quarter) for which (based on the results of which) the declared dividends are paid (were paid)	2020
Term (date) of payment of declared dividends	August 4, 2021
Form of payment of declared dividends (cash, other property)	cash
Source of payment of declared dividends (net profit for the reporting year, retained net profit for previous years, a special fund)	net profit for 2020
The share of declared dividends in the net profit of the reporting year, %	55.19
The total amount of dividends paid on shares of this category (type), RUB.	349 229 965.30
The share of dividends paid in the total amount of declared dividends on shares of this category (type), %	99.81
If the declared dividends have not been paid or the Company has not paid them in full – specify the reasons for non-payment of the declared dividends	incomplete recipient data
Other information on declared and (or) paid dividends specified by the Company at its sole discretion	The Company plans to pay declared dividends to persons who have not received them for reasons beyond the Company's control, viz. incomplete recipient data

Dividends based on the results of 2018 financial year.

Indicator	The value of the indicator for the corresponding reporting period – 2018
Category of shares, for preferred shares – type	ordinary
The management body of the Company that made the decision to declare dividends, the date of making such a decision, the date of drawing up and the number of the minutes of the meeting of the Company's management body that made the decision	General Meeting of Shareholders as of December 27, 2021 Minutes No. 66 as of December 28, 2021
The amount of declared dividends per share, RUB.	36.10
The amount of declared dividends in aggregate for all shares of this category (type), RUB.	426 298 654.70
The date on which the persons who have (had) the right to receive dividends are (were) determined	January 08, 2022
The reporting period (year, quarter) for which (based on the results of which) the declared dividends are paid (were paid)	2018
Term (date) of payment of declared dividends	February 11, 2022
Form of payment of declared dividends (cash, other property)	cash
Source of payment of declared dividends (net profit for the reporting year, retained net profit for previous years, a special fund)	net profit for 2018
The share of declared dividends in the net profit of the reporting year, %	34.19
The total amount of dividends paid on shares of this category (type), RUB.	0
The share of dividends paid in the total amount of declared dividends on shares of this category (type), %	0
If the declared dividends have not been paid or the Company has not paid them in full – specify the reasons for non-payment of the declared dividends	Not yet matured
Other information on declared and (or) paid dividends specified by the Company at its sole discretion	The Company plans to pay the declared dividends to individuals within the specified period

Dividends based on the results of 9 months of 2021 fiscal year.

Indicator	The value of the indicator for the corresponding reporting period – 9 months of 2021.
Category of shares, for preferred shares – type	ordinary
The management body of the Company that made the decision to declare dividends, the date of making such a decision, the date of drawing up and the number of the minutes of the meeting of the Company's management body that made the decision	General Meeting of Shareholders as of December 27, 2021 Minutes No. 66 as of December 28, 2021
The amount of declared dividends per share, RUB.	39.80
The amount of declared dividends in aggregate for all shares of this category (type), RUB.	469 991 314.60
The date on which the persons who have (had) the right to receive dividends are (were) determined	January 08, 2022
The reporting period (year, quarter) for which (based on the results of which) the declared dividends are paid (were paid)	9 months of 2021
Term (date) of payment of declared dividends	February 11, 2022
Form of payment of declared dividends (cash, other property)	cash
Source of payment of declared dividends (net profit for the reporting year, retained net profit for previous years, a special fund)	net profit for 9 months of 2021
The share of declared dividends in the net profit of the reporting year, %	22.81
The total amount of dividends paid on shares of this category (type), RUB.	0
The share of dividends paid in the total amount of declared dividends on shares of this category (type), %	0
If the declared dividends have not been paid or the Company has not paid them in full – specify the reasons for non-payment of the declared dividends	Not yet matured
Other information on declared and (or) paid dividends specified by the Company at its sole discretion	The Company plans to pay the declared dividends to individuals within the specified period

Dividends based on the results of 2021 financial year.

The Company did not make a decision (did not announce) on the payment of dividends on shares based on the results of 2021 financial year.

The issue of payment of dividends on shares based on the results of 2021 financial year is subject to consideration at the annual general meeting of shareholders to be held on May 18, 2022.

4.3. Corporate Governance

Volga JSC pays considerable attention to improving corporate governance as one of the key components of the Company's business efficiency.

The corporate governance standards adopted by Volga JSC provide shareholders and investors with confidence in the observance of their legitimate rights and interests, allowing them to improve the process of making managerial decisions aimed at preserving assets, maximizing profits and capitalization of the Company.

The corporate governance system of Volga JSC is based on the following principles:

- equal and fair treatment of all shareholders of the Company, observance and protection of their rights in accordance with the current legislation;
- ensuring effective strategic and operational management, effective system and mechanisms of internal control and audit;
- ensuring information and financial transparency of the Company for shareholders, investors and other interested parties;
- compliance with ethical standards of business conduct;
- accountability of the Company's Board of Directors to the Company's shareholders;
- effective interaction with the Company's employees in solving social issues and ensuring the necessary working conditions.

To date, the fundamental internal regulatory documents of Volga JSC in the field of corporate governance are:

- the Charter;
- the Regulations on the General Meeting of Shareholders;
- the Regulations on the Board of Directors;
- the Regulations on the Audit Commission;
- the Regulations on the Strategy Committee of the Board of Directors;
- the Regulations on the Audit Committee of the Board of Directors;
- the Regulations on the HR and Remuneration Committee of the Board of Directors.

Electronic versions of these documents are available on the website of Volga JSC at http://www.volga-paper.ru .

One of the most important principles of corporate governance is informational transparency. Volga JSC discloses information about its activities in accordance with the requirements of the Central Bank of the Russian Federation.

Despite the fact that Volga JSC is a non-public Company, the Board of Directors ensures that the Company adheres to the best practices of public disclosure and corporate governance for the benefit of all stakeholders.

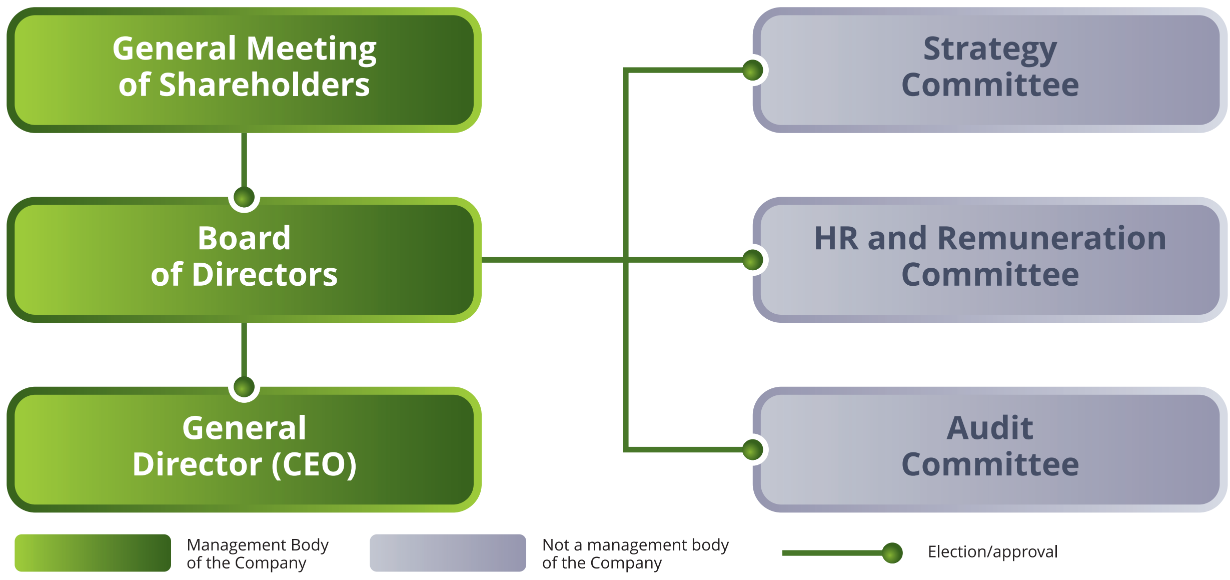
In the process of improving the corporate governance practice, Volga JSC follows the provisions of the Corporate Governance Code recommended for application by the Bank of Russia.

Management bodies of Volga JSC

In accordance with the Federal Law On Joint Stock Companies and the Charter of Volga JSC, the Company's management bodies include:

- the supreme body is the General Meeting of Shareholders;
- the collegial management body – the Board of Directors;
- the sole executive body of the Company is the General Director.

Corporate Governance Structure



4.3.1. General Meeting of Shareholders

On February 02, 2021, an Extraordinary General Meeting of Shareholders was held with the following agenda:

1. Distribution of the Company's profits for previous years by paying (declaring) dividends.

The Extraordinary General Meeting of Shareholders was held in the form of absentee voting with mandatory sending of ballots prior holding the General Meeting of Shareholders (Minutes of the Extraordinary General Meeting of Shareholders of Volga JSC No. 64 dated February 02, 2021).

On June 17 , 2021, the Annual General Meeting of Shareholders was held with the following agenda:

1. Approval of the Company's Annual Report for 2020, annual accounting (financial) statements of the Company for 2020.
2. Distribution of the Company's profit according to the results of 2020.
3. Approval of the Company's Auditor.
4. Election of the Company's Board of Directors.
5. Election of the Audit Commission of the Company.

The Annual General Meeting of Shareholders was held in the form of absentee voting with mandatory sending of ballots prior holding the General Meeting of Shareholders (Minutes of the Annual General Meeting of Shareholders of Volga JSC No. 65 dated June 18, 2021).

On December 27, 2021, an Extraordinary General Meeting of Shareholders was held with the following agenda:

1. On approval of a transaction (several interrelated transactions), which constitute a major transaction.
2. Distribution of the Company's profit based on the results of 9 months of 2021 by paying (declaring) dividends.
3. Distribution of the Company's profits for previous years by paying (declaring) dividends.

The Extraordinary General Meeting of Shareholders was held in the form of absentee voting with mandatory sending of ballots prior holding the General Meeting of Shareholders (Minutes of the Extraordinary General Meeting of Shareholders of Volga JSC No. 66 dated December 28, 2021).

4.3.2. Board of Directors

The Board of Directors is a key link in the corporate governance system of Volga JSC.

The Board of Directors of Volga JSC is responsible for a wide range of issues of strategic importance for ensuring the sustainable development of the Company, as well as issues related to the protection of the rights and interests of shareholders, interaction with management and compliance with corporate governance standards.

Volga JSC strives for maximum efficiency of the Board of Directors. This is ensured by the high qualifications of its members, the personal responsibility of each Director and the responsibility of the Board as a whole for the decisions taken. The work of the Board of Directors fully covered all issues within its competence.

In 2021, the Board of Directors paid special attention to the following issues:

- issues of strategic development of Volga JSC. The main directions (concept) of the long–term development strategy of Volga JSC until 2028 were approved, with a focus on the diversification of the product portfolio and the production of light and ultra-light types of packaging papers: testliner and fluting. The target vectors of functional strategies have been clarified, key investment projects of priority strategic interest for the Company at the first stage of development have been identified («Repurposing of paper machine No. 6», «Construction of a waste paper line of 500 tons/day», «Construction of a condensing turbine»). The Board of Directors approved contracts for the supply of the main technological equipment of paper machine No. 6, a waste paper line, a transport and packaging line, and a condensing turbine. A number of investment initiatives for further development have been analyzed: the production of a new 2-layer topliner product by paper machine No. 6, the modernization of paper machine No. 8, paper machine No. 5, paper machine No. 7 and the production of corrugated cardboard, increasing the productivity of the thermomechanical pulp line;
- issues of financial support in the long and short term, management of the Company's overall loan portfolio. The Board of Directors approved the Volga JSC borrowing strategy for 2021–2025. In order to finance strategic investment projects, General Agreements on the opening of non-renewable framework credit lines have been approved;
- sales strategy, key tasks in the field of geography and sales portfolio management, taking into account the current situation in the markets, production opportunities, inclusion of the most marginal types of products in the sales portfolio, distribution strategy. Decisions have been made to expand the Company's presence in strategically important regions. Due to the favorable market conditions, the Board of Directors analyzed a number of strategic initiatives to strengthen competitive advantages and ensure sustainable development of the Company in the long term;
- the risks that are most significant for business. The risk rating according to the degree of danger for the Company's development strategy and the risk management measures planned for implementation are considered;
- environmental issues. Taking into account special attention to sustainable development, the Company consistently implements initiatives in the field of reducing and preventing environmental pollution, compliance with the best available technologies and international practices. In 2021, the Board of Directors approved the activities of the strategic Environmental Program of Volga JSC until 2025. The implementation of large investment projects will allow the Company to significantly reduce the environmental burden in the region of its presence due to the further introduction of «green» technologies;
- development strategy in the field of forest supply with an emphasis on effective management of own logging, obtaining a raw material base within the framework of a priority investment project in the field of forest development;
- issues of providing wastepaper raw materials;

- HR issues – for the purposes of effective implementation of the strategy, the Board of Directors approved a Program for long-term motivation of key managers of Volga JSC. The system of short-term motivation of key managers has been revised taking into account the development strategy. With the support of the Board of Directors, measures and programs have been implemented to retain and motivate staff members;
- IT strategy, issues of ensuring an acceptable level of automation of processes, achieving a sufficient level of manageability of the Company. The idea of developing and further integrating the ERP system with production systems, updating the MES system/implementing an end-to-end planning system was supported;
- issues of control and risk management in the areas of occupational and industrial safety;
- issues related to efficiency of the internal audit system. The Board of Directors approved a new version of the Regulations on the Internal Audit Service;
- issues of improving the efficiency of business processes. Considerable attention was paid to technologies and innovations in production targeting at improving production efficiency. The reliability program of Volga JSC has been approved.

Thanks to the chosen strategy of product portfolio diversification aimed at the development of packaging types of low-weight paper, further improvement of operational efficiency and timely investments in the development of production facilities, the Company has demonstrated stable financial results and strengthened its competitive advantages.

Scheduled and other matters considered by the Board of Directors in 2021:

- decisions were made on corporate issues, including the convening of General Meetings of Shareholders, the Conclusion of a major transaction was approved, the price (monetary valuation) of the acquired/alienated property was determined in order to make a decision on the approval of a major transaction, the price of the Company's repurchase of shares subject to repurchase at the request of shareholders was determined in accordance with Article 75 of the Federal Law On Joint Stock Companies;
- quarterly management reports on the execution of the budget and investment program, the implementation of credit policy and credit plan were considered;
- management reports on the results and prospects of development in functional areas of activity were considered;
- the Loan Plan for the 1st and 2nd half of 2021 has been approved;
- quarterly reports on the results of the work of the Internal Audit Service were reviewed and the Work Plan of the Internal Audit Service for 2021 was approved;
- the results of key managers' achievement of 2020 goals were analyzed. It was decided to pay bonuses to key managers of Volga JSC based on the results of 2020;
- the contract for the provision of basic engineering services for the organization of the production of wastepaper and the conversion of paper machine No. 6 for the production of packaging types of papers was approved;
- the implementation of the project to increase the productivity of the wastepaper line from 400 to 500 tons per day was approved;
- the contract for the supply of equipment to maintain the quality of products using paper machine No. 8 was approved;
- amendments to the Company's budget for 2021 were approved in terms of increasing costs for the implementation of strategic projects, development projects and cost reduction, including maintenance projects;
- the budget for consulting support of the next stage of development (segmentation of sales markets, revision of the wastepaper strategy, technical alternatives) was approved;
- a new version of the Regulations on Investment Activities of Volga JSC was approved;
- transactions on attraction of loan funding, provision of collateral, financial lease agreements (leasing) of vehicles, additional agreements to forest lease agreements, freight forwarding service agreements, contracts for the sale of finished products were approved;
- the main directions of activity and development strategies of subsidiaries were defined;
- the directions of ensuring the insurance protection of the Company were determined, and the Company's Insurer was approved;
- The Regulation on long-term motivation of key managers of Volga JSC was approved;
- Regulations on relocation of employees of Volga JSC and on business trips and representation expenses for employees of Volga JSC at level N, N-1 were approved;
- decisions were made to provide charitable assistance;
- decisions were made to grant consent to a number of interested-party transactions;
- The Company's budget for 2022 was approved;
- The Work Plan of the Board of Directors for 2022 was approved.

The legislation of the Russian Federation and the Company's internal documents assign the Board of Directors the role of a body that secures the effective management of the Company and its strategic development.

There are three Committees under the Board of Directors:

- Strategy Committee;
- Audit Committee;
- HR and Remuneration Committee.

The activities of the Committees are aimed at improving the efficiency and quality of decisions taken by the Board of Directors.

Corporate Secretary Natalia Vladimirovna Tronova provides support for the work of the Board of Directors and Committees.

The Board of Directors of Volga JSC consists of 6 people.

Breus Shalva Petrovich serves as the Chairman of the Board of Directors of Volga JSC.

In 2021, the Board of Directors held 7 meetings in the form of joint attendance and 5 – in the form of absentee voting.

The Board of Directors works on a scheduled basis: the work schedule gets approved for a year.

The composition of the Board of Directors is balanced, and the competencies of the Directors meet the strategic goals of the Company. Members of the Board are elected for a term until the next Annual General Meeting of Shareholders with the possibility of re-election.

The composition of the Board of Directors remained unchanged during the reporting year of 2021:

1.	Breus Shalva Petrovich	Chairman of the Board of Directors
2.	Alexander Genin	Member of the Board of Directors
3.	Kravtsov Konstantin Aleksandrovich	Member of the Board of Directors
4.	Saraev Vladimir Aleksandrovich	Member of the Board of Directors

Information about members of the Board of Directors:

1. Breus Shalva Petrovich

Year of birth: 1957

Education: Higher education, Moscow State University n.a. M.V. Lomonosov, 1981, Specialty «Political Economy»

Positions for the last 5 years:

Period		Name of the Organization	Title
from	to		
2004	the present time	Volga JSC	Chairman of the Board of Directors
2007	the present time	BREUS FOUNDATION International Cultural Foundation	President

- The share of participation in the authorized capital of the Company/ordinary shares – 99.0035%.
- As of December 31, 2021, Breus Shalva Petrovich has the right to direct independent disposal of the number of votes attributable to the voting shares constituting the authorized capital of the issuer in the amount of 11 691 155 ordinary shares of the issuer, which corresponds to 99.0035% of the share in the authorized capital of the issuer.

2. Alexander Genin

Year of birth: 1969

Education: Higher Education, University of Massachusetts, 1992. Specialty «Finance and Accounting»; Harvard University Business School, 2003. Specialty «Management for Senior Managers»

Positions for the last 5 years:

Period		Name of the Organization	Title
from	to		
2016	May 2017	Bouquet Group of Companies	General Director (CEO)
June 2017	August 2017	Bouquet Group of Companies	Adviser to the President
September 2017	March 2019	Volga JSC	Deputy Chairman of the Board of Directors
January 2019	March 2022	VTB Capital Holding JSC	Deputy General Director
2019	the present time	RTK LLC	Vice President of Finance
2020	the present time	Demeter-Holding LLC	CFO

- He does not hold any interest in the authorized capital of the Company/owns no ordinary shares.
- There were no transactions on the acquisition or alienation of the Company's shares.

3. Konstantin Aleksandrovich Kravtsov

Year of birth: 1980

Education: Higher education, Financial Academy of the Government of the Russian Federation – State Educational Institution of Higher Professional Education, 1979. Economist in the specialty «Accounting, Analysis and Audit».

Positions for the last 5 years:

Period		Name of the Organization	Title
from	to		
2010	2017	ROSINTER RESTAURANTS LLC	Deputy CFO
2016	2017	ROSINTER RESTAURANTS LLC	Acting CFO
2018	the present time	City Invest LLC	CFO

- He does not hold any interest in the authorized capital of the Company/owns no ordinary shares.
- There were no transactions on the acquisition or alienation of the Company's shares.

4. Saraev Vladimir Aleksandrovich

Year of birth: 1986

Education: Higher education, Moscow State University n.a. M.V. Lomonosov, 2007, Economics.

Positions for the last 5 years:

Period		Name of the Organization	Title
from	to		
2017	2018	Rostov Electrometallurgical Plant LLC	CFO
2018	2021	Timber Invest Group LLC	Director of Business Process Optimization
2021	the present time	TFD Brok– Invest- Service and K, CJSC	Director of Strategy and Organizational Development

- He does not hold any interest in the authorized capital of the Company/owns no ordinary shares.
- There were no transactions on the acquisition or alienation of the Company's shares.

4.3.3. Committees of the Board of Directors

Strategy Committee of the Board of Directors

The Strategy Committee of the Board of Directors promotes the making by the Board of Directors of decisions aimed at improving the efficiency of the Company's activities in the long term.

With the direct participation of the Committee, management initiatives are analyzed, associated risks are assessed, and recommendations are prepared to the Board of Directors for making important decisions in the following areas:

- identification of the Company's priority areas of activity and assessment of the operational efficiency of management;
- development and implementation of the Company's consolidated development strategy and individual functional strategies;
- consideration of strategic investment projects and programs;
- improvement of key business processes

Personal composition of the Strategy Committee as of December 31, 2021:

- Breus Shalva Petrovich – Chairman;
- Genin Aleksander;
- Saraev Vladimir Aleksandrovich;

In 2021, the Committee held 9 meetings in the form of a joint attendance.

The main tasks assigned to the Strategy Committee in 2021:

- The Strategy Committee reviewed the consolidated development strategy of the Company until 2028, as well as individual strategies by segments and directions. The key indicators of the Company's financial model 2021–2028 and the most significant risks for the Company were considered;
- Under the leadership of the Committee, macroeconomic parameters and operational targets for strategic and budgetary planning were updated;
- Special attention on the Committee's agenda was devoted to issues of control over the implementation of strategic projects of the first stage of the Company's development («Repurposing of paper machine No. 6», «Construction of a wastepaper line of 500 tons/day», «Construction of a condensation turbine»). A project has been agreed to accelerate the productivity of the waste paper line from 400 to 500 tons/day. A number of investment initiatives for further development were analyzed: projects aimed at portfolio diversification, increasing productivity and profitability, such as repurposing paper machine No. 6 for the production of topliners, corrugated paper production, modernization of paper machine No. 5 in order to increase productivity and improve the quality of products, repurposing paper machine No. 8 in order to switch to packaging types of paper;
- The Committee's focus remained on the product portfolio development strategy, taking into account the forecasts of market development in the long term, maintaining and expanding its presence in strategic and marginal markets for Volga JSC. With the assistance of the Committee, the Volga JSC product portfolio modeling tool was finalized. Special attention was paid to the strategy and sales policy of Volga JSC;
- The concept of the Environmental Program of Volga JSC for 2020 – 2025 was agreed. Taking into account the relevance of environmental aspects, an environmental safety management system was developed in the group of companies;
- the analysis of the key components of the strategy in the field of forest supply, including an additional analysis of the potential for the exchange of assortment with vertically integrated companies, the main parameters of the concept of priority investment project No. 2 in the field of forest development were agreed, the project for the acquisition

of logging trucks for the logging site was approved;

- the energy development program of EC NiGRES was supported;
- the draft strategy of providing Volga JSC with wastepaper raw materials was considered;
- the Committee supported the IT development strategy of Volga JSC. Together with the Strategy Committee, the key directions of the IT strategy were adjusted, its priorities for the near and long-term prospects were determined;
- the Committee, together with management, evaluated the initiatives to implement a comprehensive program of continuous improvement and production excellence.

Audit Committee of the Board of Directors

The Audit Committee of the Board of Directors assists the Board of Directors in monitoring financial and economic activities through preliminary consideration of the following issues:

- supervising the work of the Internal Audit Service, including quarterly analysis of audit results and annual analysis of the overall effectiveness of audit activities;
- managing the preparation of management reports, regular analysis of the Company's performance;
- control over the implementation of the budget planning policy, assessment of the effectiveness of the budgeting system;
- evaluation of the results and effectiveness of the work of an independent auditor.

Personal composition of the Audit Committee as of December 31, 2021:

- Aleksander Genin – Chairman;
- Kravtsov Konstantin Aleksandrovich;
- Saraev Vladimir Aleksandrovich;

In 2021, the Committee held 10 meetings in the form of a joint attendance.

The main tasks assigned to the Audit Committee in 2021:

- along with the ongoing issues, the Committee considered the financing strategy in the long and short term, the issues of adjusting the investment budget and the costs of developing strategic projects in 2021, approving the budget to support the next stage of development (segmentation of sales markets, revision of the waste paper strategy, and technical alternatives);
- assistance was provided to the Board of Directors in issuing proposals to the General Meeting of Shareholders to approve the essential terms of several interrelated transactions that are a major transaction – General Agreements on the opening of non-renewable framework credit lines;
- the annual agenda of the Committee was supplemented with issues related to a detailed analysis of the processes of logistics, forestry, logging site, and procurement;
- the assessment of the developed approaches to determining and controlling the minimum recommended yield (MRY) and minimum recommended price (MRP) when confirming orders, determining the optimal combination of the product portfolio, maximizing margin income, EBITDA and net profit was provided;
- the activities carried out by the management to comply with the prospective requirements of the Forest Code of the Russian Federation were monitored on a regular basis;
- the project of centralization of warehouse economy was considered;
- the concept of investment controlling of strategic projects was considered;
- the project of standardization of materials for the Board of Directors and profile Committees, the project on digitalization of corporate governance was considered. The Committee supported the introduction of the BoardMaps electronic service to automate the work of the Board of Directors;
- the essential aspects of the activities of legal entities controlled by the Company were analyzed. The report on the implementation of corrective measures based on the results of the audit of subsidiaries was considered;
- the committee considered planned issues of preparation of financial statements (IFRS, RAS), as well as regular issues related to the assessment of the effectiveness of an external auditor, the amount of their remuneration, and the independence of the auditor;
- as part of its core activities, the Committee reviewed the reports of the Internal Audit Service on a quarterly basis, assessed the effectiveness of the Internal Audit Service, and agreed on a new version of the Regulations on the Internal Audit Service;
- a strategy has been generated in the field of insurance protection of the Company's assets;
- The course of the budget preparation process for 2022 was monitored in order to ensure a transparent and consistent approach

HR and Remuneration Committee of the Board of Directors

The HR and Remuneration Committee of the Board of Directors provides assistance to the Board of Directors in resolving personnel, social and corporate governance issues, including:

- preparation of recommendations to the Board of Directors on HR strategy, appointments and remuneration;
- preliminary evaluation of candidates for the position of CEO, Deputy CEOs, preliminary approval of the early termination of the powers of Deputy CEOs, as well as the terms of employment contracts with the General Director and Deputy CEOs;
- development of remuneration policy defining the principles and criteria for remuneration of members of the Board of Directors, CEO, Deputy CEOs;
- preliminary consideration of drafts of internal documents of the Company regulating personnel policy, criteria for the formation of managerial personnel, requirements and approaches to systems, methods of motivation and stimulation of personnel.

Personal composition of the HR and Remuneration Committee as of December 31, 2021:

- Breus Shalva Petrovich – Chairman;
- Kravtsov Konstantin Aleksandrovich;
- Saraev Vladimir Aleksandrovich;

In 2021, the HR and Remuneration Committee held 5 meetings in the form of a joint attendance.

The main tasks assigned to the HR and Remuneration Committee in 2021:

- the committee set tasks for management to further improve the business process of personnel management and supported programs and initiatives aimed at retaining, motivating, attracting personnel, developing the management team and reserve;
- management, with the support of the Committee, is developing new motivational tools. During the year, an interest-free loan program was proposed, which is part of a comprehensive program to improve the incentive system aimed at motivating staff to achieve the Company's overall strategic development goals. Options for the implementation of the Housing Program are being considered, personnel training and development programs are being implemented (including the «Green Belt» and «Equipment Reliability»). A system of bonuses for volume and economic indicators for the main workshops was developed. A relocation package was introduced to staff project teams and attract nonresident specialists;
- the Committee assessed the priorities and further actions of management to achieve the set goals for 2022–2024, including the implementation of a long-term recruitment program taking into account the Company's Development Strategy;

- the Committee continued to improve the system of motivation of senior management and agreed on an approach to the formation of its long-term component. In 2021, the Board of Directors approved the Program of Long-Term Motivation of Key Managers of Volga JSC;
- the Committee paid special attention to monitoring the state of the occupational safety and industrial safety system. Generation of a culture of industrial safety and achievement of effective management in this area remains one of the priority tasks of management. Volga JSC strives to improve procedures and systems of occupational and industrial safety in accordance with the best practices and standards;
- the Committee considered Management's proposals on options for building the marketing function;
- the Committee summed up the results of the Managers' achievement of the goals for 2020 and adjusted the goals for 2021 to ensure compliance of the Management's efforts with the strategic goals of the Company;
- the Chairman of the HR and Remuneration Committee and the members of the Committee made every effort to ensure that the Board of Directors and Management had the necessary skills, knowledge, and experience to achieve the Company's strategic goals and increase value for stakeholders.

4.3.4. General Director (CEO)

In accordance with the Charter of the Company, the powers of the sole executive body are exercised by the General Director (CEO), elected by the Board of Directors of the Company. The competence of the Board of Directors also includes defining the amount of remuneration and compensation of the Sole Executive Body.

Remuneration of the Sole Executive Body is defined as a fixed amount (monthly salary) in accordance with the employment contract, also at the end of each (month/ quarter /year) and for special achievements in accordance with the current Regulations on Remuneration and Stimulation of the Company's work, additional remuneration may be paid.

The Company's Charter does not provide for a collegial executive body.

Information about the Sole Executive Body as at 31.12.2021.

General Director (CEO)

Pondar Sergey Iosifovich

Year of birth: 1965

Education: higher education

Positions for the last 5 years:

Period		Name of the Organization	Title
from	to		
November 16, 2016	November 29, 2017	Segezha Group Management Company LLC (Segezha Group MC LLC)	Member of the Management Board – Vice President, Head of the Paper and Packaging Division.
July 08, 2019	to the present	Volga JSC	General Director (CEO)

- He does not hold any interest in the authorized capital of the Company/owns no ordinary shares.
- There were no transactions on the acquisition or alienation of the Company's shares.

4.4. List of transactions made in 2021 and requiring disclosure in the Annual Report

4.4.1. The list of transactions made by the Company in the reporting year, recognized in accordance with the Federal Law On Joint Stock Companies as major transactions, for which a decision on consent to its commission or its subsequent approval is required.

1) The date of the transaction: October 14, 2021

2) The date of approval of the transaction and the Body of the company that made the decision to approve the transaction: November 22, 2021 (Board of Directors), December 27, 2021 (General Meeting of Shareholders).

3) The subject of the transaction and its essential terms:

In accordance with sub–clause 16, Clause 10.1, Article 10, and clause 43, Article 11.7 of the Charter of Volga JSC, a transaction (several interrelated transactions) was approved, which is a major transaction – General Agreement No. GSNRKL – 6262 on the opening of a non-revolving framework credit line and General Agreement No. GSNRKL - 6263 on the opening of a non-revolving framework credit line concluded on October 14, 2021 on the following terms:

1) General Agreement No. GSNRKL–6262 on the opening of a non-revolving framework credit line dated October 14, 2021 between Sberbank PJSC and Volga JSC.

Transaction Parameters

Parties to the Transaction

Lender – Sberbank of Russia Public Joint Stock Company
Borrower – Volga Joint Stock Company

Subject of the Transaction

The Lender opens a non-revolving framework credit line to the Borrower for:

- within the framework of lending to the Borrower in accordance with the Decree of the Government of the Russian Federation No. 191 of February 23, 2019 On State Support for Organizations Implementing Corporate Programs to Improve Competitiveness and Amendments to the Rules for Granting Subsidies from the Federal Budget in the Form of a Property Contribution of the Russian Federation to the State Corporation – Bank for Development and Foreign Economic Affairs (Vnesheconombank) to Reimburse Part of the Costs Associated with Supporting the Production of High–tech Products (hereinafter, the Program):
  - financing of the project on the organization of export–oriented production in the territory of the Russian Federation of products included in the corporate competitiveness improvement program (hereinafter- CCIP) and included in the list established by the Order of the Ministry of Industry and Trade of the Russian Federation dated July 02, 2020 No. 2095 or other document in accordance with the Program, within the framework of the project for the development of the production of packaging papers by increasing the production capacity for processing raw materials and improving the energy efficiency of production (hereinafter referred to as the Project), for one or more of the following activities:
    - *development of design and estimate documentation;*
    - *acquisition, including under financial lease (leasing) agreements, construction, manufacture, and delivery of PP&E;*
    - *modernization and (or) construction or reconstruction of industrial buildings and (or) structures (including related infrastructure facilities), trade and logistics warehouses;*
    - *construction and reconstruction of industrial infrastructure;*
    - *construction, installation and commissioning works;*
    - *refinancing of previously incurred costs (subject to the restrictions below);*
  - refinancing of the Borrower's costs, which is possible provided the following conditions are met:
    - *the refinanced costs must be carried out by the borrower not earlier than ninety (90) days prior the date of conclusion of the Agreement on the implementation of the corporate competitiveness improvement program (CCIP);*
    - *the refinanced costs should be directly related to the implementation of the export project, in respect of which the borrower has concluded an Agreement on the implementation of the CCIP, and directed by the borrower to the activities provided for by the CCIP in respect of products included into the CCIP;*
    - *The volume of refinanced costs should not exceed twenty (20) percent of the total amount of financing under the Contract, provided that when issuing each tranche, only twenty (20) percent can be provided for the purpose of refinancing previously incurred costs;*
    - *the amount of the borrower's refinanced expenses in the case of loan refinancing (including an intra-corporate loan) should not include interest for the use of the loan;*
- within the framework of lending to the Borrower outside the Program:
  - financing costs within the framework of the project for the development of packaging paper production with an increase in the production capacity for processing raw materials and improving the energy efficiency of production (hereinafter referred to as the Project), including:
    - *development of design and estimate documentation;*
    - *acquisition, construction, manufacture, and delivery of PP&E;*
    - *modernization and (or) construction or reconstruction of industrial buildings and (or) structures (including related infrastructure facilities),*
    - *construction and reconstruction of industrial infrastructure;*
    - *construction, installation and commissioning works;*
    - *formation by the Borrower of the Lender's coverage under an import letter of credit for payment under contracts (hereinafter referred to as the Contract) with suppliers (hereinafter referred to as Beneficiaries), within the framework of the Project;*
    - *reimbursement of previously incurred costs aimed at financing the Project;*
    - *repayment of current debt under Loan Agreements concluded by Volga JSC for the purpose of financing the Project (hereinafter referred to as the Refinanced Loan).*

Term of the Credit Line

Until April 13, 2029

Limit Amount, Limit Validity Period

Limit Validity Period	Limit Amount (Euro)
From October 14, 2021 to April 13, 2029	Sixty-four million two hundred thousand (Euro 64 200 000)

Within the framework of the Agreement with the Borrower, in the period from October 14, 2021 to September 30, 2025, separate Contracts on the opening of a non-revolving credit line are concluded with the maximum amounts of limits under Credit Line Agreements up to Sixty-four million two hundred thousand (Euro 64 200 000) (inclusive) (hereinafter referred to as the Contracts), which are an integral part of the Agreement.

Conclusion of any Contract within the framework of the Agreement is made within the free balance of the limit determined by the following formula:

FLB = Lim - LA,

where

FLB – free limit balance;

Lim – limit specified by clause 1.1 of the Agreement;

LA – amounts of credit line limits for all Non-revolving Credit Line Opening Agreements concluded within the framework of the Agreement.

Interest Rates

Determination of interest rates on individual Contracts is made by agreement of the parties at conclusion thereof.

Interest is paid in the currency of loans in the following terms: monthly on the 20th day of each calendar month and on the date of full repayment of the loan under the Contracts.

When concluding Contracts on the opening of non-revolving credit lines in the future within the framework of the above-mentioned General Agreement, the interest rate will be determined by the Lender, but its size shall not exceed 10% (Rubles), 3.5% (Euro). As of October 14, 2021, the interest rate does not exceed CS+2.75% (Rubles), 3.38% (Euro).

Fees

	Accrual/Payment Procedure	Size
Reservation Fee	The reservation fee is paid by the Borrower to the Lender at a time prior to the first issuance of the loan, in the currency of the loan.	In the amount of zero point three (0.3) percent of the maximum limit of the credit line specified in clause 1.1 of the Contracts.
Payment for Using the Credit Line Limit	The fee for using the credit line limit is paid by the Borrower to the Lender on the interest payment dates set by the terms of the Contracts, in the amount of the fee accrued on the specified dates (inclusive), in the currency of the loan.	The amount of the payment for the use of the credit line limit under individual Contracts is determined by agreement of the parties at conclusion thereof.
Fee for early repayment of the loan previously established by clause 6.1 of the Contracts	The fee is charged for the loan amount that is repaid ahead of time. The fee for early repayment of the loan is paid by the Borrower to the Lender simultaneously with the payment for early repayment of the debt on the loan, in the currency of the loan.	The amount of the fee is specified in accordance with clause 4.5 of the Contracts.

Conditions for Granting Loans

Loans under separate Contracts are issued to the Borrower's accounts from the Lender:

- upon conclusion and provision to the Lender of an agreement(s) on the Lender's right to write off funds without the payer's order to repay overdue debts from the Borrower's account(s) specified in Appendix No. 1, except for accounts with other banks for which the Lender provides a grace period in the execution of the agreement(s);
- upon transferring the reservation fee;
- after the Borrower fulfills the obligations established by the terms of individual Contracts.

Each Contract is concluded provided at the time of its conclusion there are no overdue debts and unpaid penalties under the Agreement, under Contracts previously concluded within the framework of the Agreement and under all other credit agreements (including credit line opening agreements) and/or agreements, and/or surety agreements, and/or bank guarantee agreements/ counter-guarantees/ sureties concluded (or which may be concluded) between the Lender and the Borrower.

Repayment of Loans

The dates of full repayment of loans under the Contracts within the framework of the Agreement shall be not later than by April 13, 2029.

Penalties

	Accrual/Payment Procedure	Size
Penalty paid by the Borrower to the Lender in case of late transfer of payments for repayment of loans, or payment of interest, or other payments	The penalty is calculated on the amount of overdue payment for each day of delay in the period from the date of occurrence of overdue debt (not including this date) to the date of full repayment of overdue debt (inclusive). The penalty shall be paid in the currency of the loan.	In the amount of the Base Interest Rate increased by two (2) times, established by the terms of each Contract, as a percentage per annum.
The penalty in case of violation of the condition provided for in clause 12.6 of the Agreement, disclosure in any form (including, but not limited to: in the form of interviews, publications, and promotions) of information relating to the terms of the Agreement, without a written consent of the Creditor	The penalty is payable within eleven (11) business days from the date of delivery to the Borrower of the relevant notice from the Lender on the payment of the penalty (including the date of delivery).	At the rate of five (5) percent of the limit specified in clause 1.1 of the Agreement, but not exceeding RUB fifty thousand (RUB 50 000).
Penalty for each fact of non-fulfillment by the Borrower of the obligation to provide the Lender with documents on paper, provided for in clause 12.3 of the Agreement	The penalty is payable within eleven (11) business days from the date of delivery to the Borrower of the relevant notice from the Lender on the payment of the penalty (including the date of delivery).	In the amount of RUB five thousand (RUB 5 000)

Collateral

In order to ensure timely and full fulfillment of obligations under individual Contracts concluded within the framework of the Agreement, the Borrower provides / ensures the collateral, viz.:

Movable property:

- subject of pledge: movable property;
- Pledger: Volga Joint Stock Company (Borrower);

Real estate:

- Subject of pledge: real estate;
- Pledger: Volga Joint Stock Company (Borrower);

The Borrower is granted a deferral from the date following the date of conclusion of the Agreement (inclusive) in order to:

- conclude of a pledge agreement, perform state registration or registration of a pledge in accordance with the requirements of the applicable legislation of the Russian Federation with respect to the collateral specified in clauses 7.1.1, 7.1.2 of the Agreement for a period of Ninety (90) calendar days.

The Borrower is obliged to pledge at least once each calendar half-year any property previously acquired by the Borrower or acquired in accordance with contracts for the supply of property and/or construction and installation works within the framework of the project, as well as to pledge to the Lender the rights under the said contracts for the supply of property.

Special Terms and Conditions

Project Financing Structure:

Own funds: at least twenty (20) percent of the Project cost.

Form of investment of own funds: net profit of Volga JSC.

Borrowed funds: not more than eighty (80) percent of the Project cost, including the Lender's loan – not more than eighty (80) percent of the Project cost.

Provision by the Borrower to the Lender of the approval of the authorized collegial management body of Volga JSC corresponding to the requirements of Article 67.1 of the Civil Code of the Russian Federation for:

- conclusion of an Agreement with the Creditor and inclusion in the Agreement of the conditions provided for in clauses 6.1.19, 6.1.20 of the Agreement, within forty-five (45) calendar days from the date of conclusion of the Agreement (inclusive);
- conclusion of pledge/mortgage agreements with the Lender, within forty-five (45) calendar days from the date of conclusion of pledge/mortgage agreements (inclusive).

At each time of the provision of credit funds under Contracts concluded within the framework of the Agreement, and until the simultaneous fulfillment of the following conditions:

- provision by the Borrower to the Lender of the initial permits specified in clauses 10.5, 10.6, 10.7 of the Agreement;
- registration of collateral in accordance with clauses 7.1.1, 7.1.2 of the Agreement;

The total debt per the Contracts concluded within the framework of the Agreement on the opening of a non-revolving credit line concluded under the General Agreement on the Opening of a Non-Revolving Framework Credit Line No. GSNRKL-6263, the date of generation on October 14, 2021, may not exceed RUB One billion five hundred million (RUB 1 500 000 000).

At each time when credit funds are provided under Contracts provided the conditions specified in clause 10.3 of the Agreement are fulfilled, the aggregate debt under Contracts concluded within the framework of the Agreement, Contracts for the Opening of a Non-Revolving Credit Line concluded under the General Agreement on the Opening of a Non-Revolving Framework Credit Line No. GSNRKL-6263, the date of generation on October 14, 2021, and the amount of the loan/credit and interest received in accordance with the terms of the Target Loan/Credit Agreement to be concluded by the Borrower with the Federal State Autonomous Institution – Russian Fund for Technological Development for the purpose of financing Project costs, may not exceed RUB six billion eight hundred million (RUB 6 800 000 000) or the equivalent amount in Euro at the exchange rate of the Bank of Russia.

Pre-Acceptance

The Borrower is obliged to conclude and provide the Lender with agreements to bank account agreements opened with Alfa-Bank JSC, VTB Bank PJSC on the consent (pre-acceptance) of the Borrower to the specified banks to write off from the Borrower's operating account (without the latter's additional order) of funds due to the Lender in order to repay overdue debts to the Lender and other payments, within Fifteen (15) calendar days from the date following the date of conclusion of the Agreement (inclusive).

Volga JSC is obliged to ensure non-payment of dividends to shareholders without prior written agreement with Sberbank PJSC, in the case of:

- Net debt/EBITDA ratios exceed three (3) on a quarterly basis,
- the ratio of borrowed and own funds exceeds one point two (1.2).

In case of simultaneous fulfillment of the above indicators (the ratio of net debt/EBITDA at the level of not exceeding three (3) quarterly, and the ratio of borrowed and own funds not exceeding one point two (1.2) the Borrower has the right to pay dividends in the aggregate amount of not exceeding fifty (50) percent of net profit for the reporting period (first quarter, half-year, and nine months, and based on the results of the reporting year).

The indicator «the ratio of borrowed and own funds» is calculated on the basis of the Balance Sheet (hereinafter form No. 1, at the last reporting date),

Borrowed funds – the sum of lines 1410 and 1510 form 1 Balance Sheet, RAS.

Own funds – the value of line 1300 form 1 Balance Sheet, RAS.

Volga JSC is obliged, without prior written consent from Sberbank PJSC, not to carry out: changes in the composition of shareholders of the company; changes in the organizational and legal form of the company; incorporation of subsidiaries.

Volga JSC is obliged, until complete fulfillment of its obligations to Sberbank PJSC under the General Agreement No. GSNRKL – 6262 on the Opening of a Non-Revolving Framework Credit Line and Agreements concluded within its framework on the opening of a non-revolving credit line, without prior written approval from Sberbank PJSC, not to pledge the Borrower's shares to creditors other than to Sberbank PJSC.

The said restrictions apply until complete fulfillment of obligations under the General Agreement No. GSNRKL – 6262 on the Opening of a Non-revolving Framework Credit Line.

The Agreement comes into force from the date of being signed by the Parties and stays effective and binding until the Parties complete performance under the Agreement and Contracts concluded under the Agreement.

With the fees and penalties applicable on the terms of Sberbank PJSC.

The remaining terms are determined by the General Agreement No. GSNRKL-6262 on the Opening of a Non-Revolving Framework Credit Line dated October 14, 2021 between Sberbank PJSC and Volga JSC.

The terms of the Agreement No. GSNRKL-6262/1/EXPRTMPT on the Opening of a Non-Revolving Credit Line, concluded on October 14, 2021, within the framework of the Agreement, and Contracts on the Opening of a Non-Revolving Credit Line, which will be concluded under the Agreement on the above terms, as well as other terms at the discretion of Sberbank PJSC and Volga JSC, shall be considered approved, and therefore, separate consents (decisions) of the general meeting of shareholders of Volga JSC for the conclusion of each separate Contract on the Opening of a Non-Revolving Credit Line are not required

2) General Agreement No. GSNRKL – 6263 on the Opening of a Non-Revolving Framework Credit Line dated October 14, 2021 between Sberbank PJSC and Volga JSC.

Transaction Parameters

Parties to the Transaction

Lender – Sberbank of Russia Public Joint Stock Company
Borrower – Volga Joint Stock Company

Subject of the Transaction

The Lender opens a non-revolving framework credit line to the Borrower for:

- within the framework of lending to the Borrower in accordance with the Decree of the Government of the Russian Federation No. 191 of February 23, 2019 On State Support for Organizations Implementing Corporate Programs to Improve Competitiveness and Amendments to the Rules for Granting Subsidies from the Federal Budget in the Form of a Property Contribution of the Russian Federation to the State Corporation – Bank for Development and Foreign Economic Affairs (Vnesheconombank) to Reimburse Part of the Costs Associated with Supporting the Production of High–tech Products (hereinafter, the Program):
  - financing of the project on the organization of export–oriented production in the territory of the Russian Federation of products included in the corporate competitiveness improvement programm (hereinafter CCIP) and included in the list established by the Order of the Ministry of Industry and Trade of the Russian Federation dated July 02, 2020 No. 2095 or other document in accordance with the Program, within the framework of the project for the development of the production of packaging papers by increasing the production capacity for processing raw materials and improving the energy efficiency of production (hereinafter referred to as the Project), for one or more of the following activities:
    - *development of design and estimate documentation;*
    - *acquisition, including under financial lease (leasing) agreements, construction, manufacture, and delivery of PP&E;*
    - *modernization and (or) construction or reconstruction of industrial buildings and (or) structures (including related infrastructure facilities), trade and logistics warehouses;*
    - *construction and reconstruction of industrial infrastructure;*
    - *construction, installation and commissioning works;*
    - *refinancing of previously incurred costs (subject to the restrictions below)*
  - refinancing of the Borrower's costs, which is possible provided the following conditions are met:
    - *the refinanced costs must be carried out by the borrower not earlier than ninety (90) days prior the date of conclusion of the Agreement on the implementation of the corporate competitiveness improvement program (CCIP);*
    - *the refinanced costs should be directly related to the implementation of the export project, in respect of which the borrower has concluded an Agreement on the implementation of the CCIP, and directed by the borrower to the activities provided for by the CCIP in respect of products included into the CCIP;*
    - *The volume of refinanced costs should not exceed twenty (20) percent of the total amount of financing under the Contract, provided that when issuing each tranche, only twenty (20) percent can be provided for the purpose of refinancing previously incurred costs;*
    - *the amount of the borrower's refinanced expenses in the case of refinancing the loan (including intra-corporate) shall not include interest for the use of the loan*

- within the framework of lending to the Borrower outside the Program:
  - financing costs within the framework of the project for the development of packaging paper production with an increase in the production capacity for processing raw materials and improving the energy efficiency of production (hereinafter referred to as the Project), including:
    - *development of design and estimate documentation;*
    - *acquisition, construction, manufacture, and delivery of PP&E;*
    - *modernization and (or) construction or reconstruction of industrial buildings and (or) structures (including related infrastructure facilities),*
    - *construction and reconstruction of industrial infrastructure;*
    - *construction, installation and commissioning works;*
    - *formation by the Borrower of the Lender's coverage under an import letter of credit for payment under contracts (hereinafter referred to as the Contract) with suppliers (hereinafter referred to as Beneficiaries), within the framework of the Project;*
    - *reimbursement of previously incurred costs aimed at financing the Project;*
    - *repayment of current debt under Loan Agreements concluded by Volga JSC for the purpose of financing the Project (hereinafter referred to as the Refinanced Loan).*

Term of the Credit Line

Until April 13, 2029

Limit Amount, Limit Validity Period

Limit Validity Period	Limit Amount (RUB)
From October 14, 2021 to April 13, 2029	RUB One billion two hundred and fifty million (RUB 1 250 000 000)

Within the framework of the Agreement with the Borrower, in the period from October 14, 2021 to December 31, 2023, separate Agreements on the Opening of the Non-Revolving Credit Line are concluded with the maximum amounts of limits under the Contracts on the Opening of the Credit Line up to RUB One billion two hundred and fifty million (RUB 1 250 000 000) (inclusive), (hereinafter referred to as the Contracts), which are an integral part of the Agreement.

Conclusion of any Contract within the framework of the Agreement is made within the free balance of the limit determined by the following formula:

FLB = Lim - LA,

where
FLB – Free Limit Balance;
Lim – limit specified by clause 1.1 of the Agreement;
LA – amounts of credit line limits for all Non-Revolving Credit Line Opening Agreements concluded within the framework of the Agreement.

Interest Rates

Determination of interest rates on individual Contracts is made by agreement of the parties at conclusion thereof.

Interest is paid in the currency of loans in the following terms: monthly on the 20th day of each calendar month and on the date of full repayment of the loan under the Contracts.

When concluding Contracts on the opening of non-revolving credit lines in the future within the framework of the above-mentioned General Agreement, the interest rate will be determined by the Lender, but its size shall not exceed 10% (Rubles), 3.5% (Euro). As of October 14, 2021, the interest rate does not exceed CS+2.75% (Rubles), 3.38% (Euro).

Fees

	Accrual/Payment Procedure	Size
Reservation Fee	The reservation fee is paid by the Borrower to the Lender at a time prior to the first issuance of the loan, in the currency of the loan.	In the amount of zero point three (0.3) percent of the maximum limit of the credit line specified in clause 1.1 of the Contracts.
Payment for Using the Credit Line Limit	The fee for using the credit line limit is paid by the Borrower to the Lender on the interest payment dates set by the terms of the Contracts, in the amount of the fee accrued on the specified dates (inclusive), in the currency of the loan.	The amount of the payment for the use of the credit line limit under individual Contracts is determined by agreement of the parties at conclusion thereof.
Fee for early repayment of the loan previously established by clause 6.1 of the Contracts	The fee is charged for the loan amount that is repaid ahead of time. The fee for early repayment of the loan is paid by the Borrower to the Lender simultaneously with the payment for early repayment of the debt on the loan, in the currency of the loan.	The amount of the fee is specified in accordance with clause 4.5 of the Contracts.

Conditions for Granting Loans

Loans under separate Contracts are issued to the Borrower's accounts from the Lender:

upon conclusion and provision to the Lender of an agreement(s) on the Lender's right to write off funds without the payer's order to repay overdue debts from the Borrower's account(s) specified in Appendix No. 1, except for accounts with other banks for which the Lender provides a grace period in the execution of the agreement(s);

upon transferring the reservation fee;

after the Borrower fulfills the obligations established by the terms of individual Contracts.

Each Contract is concluded provided at the time of its conclusion there are no overdue debts and unpaid penalties under the Agreement, under Contracts previously concluded within the framework of the Agreement and under all other credit agreements (including credit line opening agreements) and/or agreements, and/or surety agreements, and/or bank guarantee agreements/ counter-guarantees/ sureties concluded (or which may be concluded) between the Lender and the Borrower.

Repayment of Loans

The dates of full repayment of loans under the Contracts within the framework of the Agreement shall be not later than by April 13, 2029.

Penalties

	Accrual/Payment Procedure	Size
Penalty paid by the Borrower to the Lender in case of late transfer of payments for repayment of loans, or payment of interest, or other payments	The penalty is calculated on the amount of overdue payment for each day of delay in the period from the date of occurrence of overdue debt (not including this date) to the date of full repayment of overdue debt (inclusive). The penalty shall be paid in the currency of the loan.	In the amount of the Base Interest Rate increased by two (2) times, established by the terms of each Contract, as a percentage per annum.
The penalty in case of violation of the condition provided for in clause 12.6 of the Agreement, disclosure in any form (including, but not limited to: in the form of interviews, publications, and promotions) of information relating to the terms of the Agreement, without a written consent of the Creditor	The penalty is payable within eleven (11) business days from the date of delivery to the Borrower of the relevant notice from the Lender on the payment of the penalty (including the date of delivery).	At the rate of five (5) percent of the limit specified in clause 1.1 of the Agreement, but not exceeding RUB fifty thousand (RUB 50 000).
Penalty for each fact of non-fulfillment by the Borrower of the obligation to provide the Lender with documents on paper, provided for in clause 12.3 of the Agreement	The penalty is payable within eleven (11) business days from the date of delivery to the Borrower of the relevant notice from the Lender on the payment of the penalty (including the date of delivery).	In the amount of RUB five thousand (RUB 5 000)

Collateral

In order to ensure timely and full fulfillment of obligations under individual Contracts concluded within the framework of the Agreement, the Borrower provides / ensures the collateral, viz.:

Movable property:

- subject of pledge: movable property;
- Pledger: Volga Joint Stock Company (Borrower);

Real estate:

- Subject of pledge: real estate;
- Pledger: Volga Joint Stock Company (Borrower);

The Borrower is granted a deferral from the date following the date of conclusion of the Agreement (inclusive) in order to:

- conclude of a pledge agreement, perform state registration or registration of a pledge in accordance with the requirements of the applicable legislation of the Russian Federation with respect to the collateral specified in clauses 7.1.1, 7.1.2 of the Agreement for a period of Ninety (90) calendar days.

The Borrower is obliged to pledge at least once each calendar half-year any property previously acquired by the Borrower or acquired in accordance with contracts for the supply of property and/or construction and installation works within the framework of the project, as well as to pledge to the Lender the rights under the said contracts for the supply of property.

Special Terms and Conditions

Project Financing Structure:

Own funds: at least twenty (20) percent of the Project cost.

Form of investment of own funds: net profit of Volga JSC.

Borrowed funds: not more than eighty (80) percent of the Project cost, including the Lender's loan – not more than eighty (80) percent of the Project cost.

Provision by the Borrower to the Lender of the approval of the authorized collegial management body of Volga JSC corresponding to the requirements of Article 67.1 of the Civil Code of the Russian Federation for:

- conclusion of an Agreement with the Creditor and inclusion in the Agreement of the conditions provided for in clauses 6.1.19, 6.1.20 of the Agreement, within forty-five (45) calendar days from the date of conclusion of the Agreement (inclusive);
- conclusion of pledge/mortgage agreements with the Lender, within forty-five (45) calendar days from the date of conclusion of pledge/mortgage agreements (inclusive).

At each time of the provision of credit funds under Contracts concluded within the framework of the Agreement, and until the simultaneous fulfillment of the following conditions:

- provision by the Borrower to the Lender of the initial permits specified in clauses 10.5, 10.6, 10.7 of the Agreement;
- registration of collateral in accordance with clauses 7.1.1, 7.1.2 of the Agreement;

The total debt per the Contracts concluded within the framework of the Agreement on the opening of a non-revolving credit line concluded under the General Agreement on the Opening of a Non-Revolving Framework Credit Line No. GSNRKL-6262, the date of generation on October 14, 2021, may not exceed RUB One billion five hundred million (RUB 1 500 000 000).

At each time when credit funds are provided under Contracts provided the conditions specified in clause 10.3 of the Agreement are fulfilled, the aggregate debt under Contracts concluded within the framework of the Agreement, Contracts for the Opening of a Non-Revolving Credit Line concluded under the General Agreement on the Opening of a Non-Revolving Framework Credit Line No. GSNRKL-6262, the date of generation on October 14, 2021, and the amount of the loan/credit and interest received in accordance with the terms of the Target Loan/Credit Agreement to be concluded by the Borrower with the Federal State Autonomous Institution – Russian Fund for Technological Development for the purpose of financing Project costs, may not exceed RUB Six billion eight hundred million (RUB 6 800 000 000) or the equivalent amount in Euro at the exchange rate of the Bank of Russia.

Pre-Acceptance

The Borrower is obliged to conclude and provide the Lender with agreements to bank account agreements opened with Alfa-Bank JSC, VTB Bank PJSC on the consent (pre-acceptance) of the Borrower to the specified banks to write off from the Borrower's operating account (without the latter's additional order) of funds due to the Lender in order to repay overdue debts to the Lender and other payments, within Fifteen (15) calendar days from the date following the date of conclusion of the Agreement (inclusive).

Volga JSC is obliged to ensure non-payment of dividends to shareholders without prior written agreement with Sberbank PJSC, in the case of:

- Net debt/EBITDA ratios exceed three (3) on a quarterly basis,
- the ratio of borrowed and own funds exceeds one point two (1.2).

In case of simultaneous fulfillment of the above indicators (the ratio of net debt/EBITDA at the level of not exceeding three (3) quarterly, and the ratio of borrowed and own funds not exceeding one point two (1.2) the Borrower has the right to pay dividends in the aggregate amount of not exceeding fifty (50) percent of net profit for the reporting period (first quarter, half-year, and nine months, and based on the results of the reporting year).

The indicator «the ratio of borrowed and own funds» is calculated on the basis of the Balance Sheet (hereinafter form No. 1, at the last reporting date),

Borrowed funds – the sum of the lines 1410 and 1510 form 1 Balance Sheet, RAS.

Own funds – the value of line 1300 form 1 Balance Sheet, RAS.

Volga JSC is obliged, without prior written consent from Sberbank PJSC, not to carry out: changes in the composition of shareholders of the company; changes in the organizational and legal form of the company; incorporation of subsidiaries.

Volga JSC is obliged, until complete fulfillment of its obligations to Sberbank PJSC under the General Agreement No. GSNRKL – 6263 on the Opening of a Non-Revolving Framework Credit Line and Contracts concluded within its framework on the opening of a non-revolving credit line, without prior written approval from Sberbank PJSC, not to pledge the Borrower's shares to creditors other than to Sberbank PJSC.

The said restrictions apply until complete fulfillment of obligations under the General Agreement No. GSNRKL – 6263 on the Opening of a Non-revolving Framework Credit Line.

The Agreement comes into force from the date of being signed by the Parties and stays effective and binding until the Parties complete performance under the Agreement and Contracts concluded under the Agreement.

With the fees and penalties applicable on the terms of Sberbank PJSC.

The remaining terms are determined by the General Agreement No. GSNRKL-6263 on the Opening of a Non-Revolving Framework Credit Line dated October 14, 2021 between Sberbank PJSC and Volga JSC.

The terms of the Agreement No. GSNRKL-6262/1/EXPRTMPT on the Opening of a Non-Revolving Credit Line, concluded on October 14, 2021, within the framework of the Agreement, and Contracts on the Opening of a Non-Revolving Credit Line, which will be concluded under the Agreement on the above terms, as well as other terms at the discretion of Sberbank PJSC and Volga JSC, shall be considered approved, and therefore, separate consents (decisions) of the general meeting of shareholders of Volga JSC for the conclusion of each separate Contract on the Opening of a Non-Revolving Credit Line are not required.

Approved the transfer of a pledge/subsequent pledge to Sberbank PJSC as security for the fulfillment of obligations under General Agreement No. GSNRKL – 6262 on the Opening of the Non-Revolving Framework Credit Line and General Agreement No. GSNRKL - 6263 on the Opening of the Non-Revolving Framework Credit Line, concluded on October 14, 2021, Contract No. GSNRKL-6263/1/EXPRTMPT on the Opening of the Non-Revolving Credit Line, Contract No. GSNRKL-6262/1/EXPRTMPT on the Opening of the Non-Revolving Credit Line, concluded on October 14, 2021, and concluded in the future within the framework of General Agreements, of any movable property and real estate of Volga JSC, without restrictions, including property, the ownership of which will be acquired in the future, with an estimated value not lower than the residual value and the collateral value of not less than 50% of the estimated value on the terms determined by Volga JSC and Sberbank PJSC.

The pledge of the rights under equipment supply contracts belonging to Volga JSC to Sberbank PJSC was approved as part of the project to develop the production of packaging papers with an increase in the production capacity for processing raw materials and improving the energy efficiency of production, as well as the currently concluded – Contract No. RUS/2107/KUA/03 dated August 30, 2021 with Kaluga Turbine Plant PJSC, No. AUT/2106/SSS/203 dated August 18, 2021 with Andritz (Austria), and those that will be concluded in the future on the terms determined by Volga JSC and Sberbank PJSC.

The General Director of Volga JSC or a person authorized by the General Director or by the Board of Directors is instructed to carry out on behalf of Volga JSC all actions necessary for the conclusion, modification and termination of contracts for the the pledge of rightss to Sberbank owned by Volga JSC under equipment supply contracts as part of the project to develop the production of packaging papers with an increase in production capacity for processing raw materials and improving the energy efficiency of production, as well as the currently concluded – contract No. RUS/2107/KUA/03 dated August 30, 2021 with Kaluga Turbine Plant PJSC, No. AUT/2106/SSS/203 dated August 18, 2021 with Andritz (Austria), and those that will be concluded in the future on the terms defined by Volga JSC and Sberbank PJSC and other documents related thereto, including agreements and documents supplementing and/or modifying and/or terminating the above transactions.

4.4.2. The list of transactions made by the joint-stock company in the reporting year, recognized in accordance with the Federal Law On Joint-Stock Companies as transactions with an interest, for which a decision on consent to its performance or its subsequent approval is required:

Transaction Date	Date of Approval of the Transaction	The body of the company that made the decision to approve the transaction	Information about the person(s) interested in the transaction, the price and subject of the transaction and its essential terms
February 19, 2021	February 19, 2021	Board of Directors	In accordance with clause 7, Article 83, Federal Law On Joint Stock Companies, the cost of alienation of a land parcel is determined based on the market value of RUB Sixteen million five hundred and seventy-six thousand (RUB 16 576 000), which corresponds to 0.19% of the book value of assets of Volga JSC. A consent has been given to the transaction in which there is an interest of a shareholder of Volga JSC, who owns more than 20% of the voting shares of Volga JSC (the basis – the person controlling Volga JSC is the controlling person of Agro-Mir LLC) – a Land Plot Purchase and Sale Agreement between Volga JSC and Agro-Mir LLC on the following essential terms: the Seller transferred ownership, viz. sold, and the Buyer acquired ownership, viz. bought the following real estate object (hereinafter referred to as the Real Estate or Land Plot): – Land Plot – lands of residential settlements, for the construction of a production and warehouse facility of Class V of sanitary harmfulness, with a total area of 112 000 sq.m., cadastral number 67:18:0030201:575, located at: Russian Federation, Smolensk region, Smolensky district, Korokhotkinskoye rural settlement, Bylniki village, plot 2, without any capital construction facilities located thereon. The ownership right was registered on December 19, 2016 under No. 67-67/001-67/001/103/2016-5618/2 on the basis of the Acceptance and Transfer Certificate dated October 20, 2016. The Buyer is well aware of the condition of the Real Estate being sold on the day of the transaction and the Buyer has no claims against the Seller regarding condition of the Real Estate. The cost of the land plot by agreement of the parties shall be RUB Sixteen million five hundred and seventy-six thousand (RUB 16 576 000). The Buyer shall pay the cost of the land plot by bank transfer of funds to the Seller's bank account by January 31, 2023. The Buyer's obligation to pay to the Seller 100% of the price for the Real Estate shall be considered fulfilled from the moment of crediting the funds to the Seller's bank account. The Parties hereby agree that, until full payment under the Contract, the land plot sold on credit shall be recognized as being pledged by the Seller to ensure that the Buyer fulfills its payment obligations. The land plot shall be transferred by the Seller to the Buyer by executing a corresponding Acceptance and Transfer Certificate. Subject to Article 556 of the Russian Federation Civil Code, the Parties hereby agree that the Contract shall serve as an Acceptance and Transfer Certificate and shall be a document confirming the transfer and acceptance of the Real Estate from the Seller to the Buyer. The Seller's obligation to transfer the land plot to the Buyer shall be considered fulfilled upon signing by the Parties of the Contract. From the date of signing the Contract by the Buyer, the Buyer becomes responsible for the safety of the Real Estate, as well as for the risk of its accidental damage or loss. The Buyer shall make a final payment for the land plot in the manner and within the time limits stipulated by the Contract.

Transaction Date	Date of Approval of the Transaction	The body of the company that made the decision to approve the transaction	Information about the person(s) interested in the transaction, the price and subject of the transaction and its essential terms
April 05, 2021	April 05, 2021	Board of Directors	Subject to clause 7, Article 83 of the Federal Law On Joint Stock Companies, the amount of the donation in 2021 has been determined under the Donation Agreement concluded between Volga JSC and BREUS FOUNDATION, International Cultural Foundation, viz. RUB Forty-five million (RUB 45 000 000). A consent has been submitted for a transaction in which there is an interest of a member of the Board of Directors of Volga JSC and a person who is a controlling person of Volga JSC, viz. Breus Shalva Petrovich, who is also the President of BREUS FOUNDATION, International Cultural Foundation, the parties to the transaction (the basis – a person performing the functions of a member of the collegial management body of Volga JSC, holds a position in the management bodies of the legal entity that is a party to the transaction), – A Donation Agreement concluded between Volga JSC and BREUS FOUNDATION, International Cultural Foundation on the following basic terms: the Benefactor gratuitously transfers funds to the Foundation in the amount of RUB Forty-five million (RUB 45 000 000) as a donation, for generally useful purposes, the statutory activities of the Foundation. The Fund undertakes to accept the funds and use them in accordance with the purposes and conditions defined by the Donation Agreement. The Benefactor transfers the funds determined by the Donation Agreement to the bank account of the Foundation in full or in parts within the period not later than on December 31, 2021. The terms of the Donation Agreement are confidential and are not subject to disclosure.
July 01, 2021	July 01, 2021	Board of Directors	In accordance with clause 7, Article 83 of the Federal Law On Joint Stock Companies, the loan amount is determined under the Loan Contract 04/18 dated December 03, 2018 concluded between Volga JSC and City Invest LLC, and is equal to RUB One hundred million (RUB 100 000 000). The transaction was approved, in which there is an interest of a member of the Board of Directors and the controlling person of the Company, viz. Breus Shalva Petrovich, who is also the person controlling City Invest LLC, the parties to the transaction – Supplementary Agreement No. 6 to the Loan Agreement No. 04/18 between Volga JSC and City Invest LLC on the following basic terms: clause 1.5. of the Contract shall be construed as follows: «The Borrower undertakes to fully repay the loan amount received hereunder to the Lender by December 31, 2021». The rest of the Contract shall remain unchanged. The Supplementary Agreement comes into force from the moment of being signed by the parties and shall stay effective and binding until the parties complete performance thereunder.

No interested party transactions, the size of which exceeded 10% of the book value of assets, were carried out by the Company in the reporting year.

4.5. Information on compliance with the principles and recommendations of the Corporate Governance Code

The Company has not officially approved the Corporate Governance Code or other similar document, however, Volga JSC provides shareholders with all opportunities to participate in the management of the Company and to familiarize themselves with information about the Company's activities in accordance with the Federal Law On Joint Stock Companies, the Federal Law On the Securities Market and the regulations of the Bank of Russia.

The main principle of the Company's relationships with shareholders and investors is a reasonable balance of interests of the Company as an economic entity and as a joint-stock company interested in protecting the rights and legitimate interests of its shareholders.

The Company is governed by the following principles of the Corporate Governance Code approved by the Bank of Russia:

- equal and fair treatment of all shareholders when exercising their right to participate in the management of the Company;
- equal and fair opportunity for shareholders to participate in the Company's profits by receiving dividends;
- reliable and effective ways of accounting for shareholders' rights to shares, as well as the possibility of free and unencumbered alienation of their shares;
- shareholders have the right to regularly and timely receive complete and reliable information about the activities of Volga JSC in accordance with the requirements and provisions of the Federal Law On Joint Stock Companies;
- Volga JSC controls the use of confidential and proprietary information.

4.6. The main risk factors associated with the Company's activities

The Company, represented by its management, constantly monitors and evaluates risk factors associated with the Company's activities, and does not currently consider the risks listed below as significant for the Company's activities. The risk management policy of Volga JSC defines the basic principles of the organization, implementation and control of risk management processes at Volga JSC, priority actions for building a risk management system, the risk management strategy, basic risk management processes, risk management system architecture, and the risk reporting documentation. The Company's management bodies make maximum efforts to minimize the impact of risk factors on the current and future activities of the Company, responding adequately and in a timely manner to changes in the current and forecasted situation. In case of occurrence of one or more of the risks listed below, the Company will take all possible measures to limit their negative impact. In this regard, potential investors should carefully study the following risk factors when making investment decisions.

Industry Risks

Volga JSC is one of the largest producers of newsprint in the Russian Federation. The Company's products are sold both in the domestic market and in the countries of Europe, Southeast Asia, and the CIS. As a major exporter, the Company bears risks associated with changes in prices for its products, which may occur as a result of structural changes in supply/demand or an economic downturn in the markets of its presence, as well as in the event of changes in currency exchange rates.

Risks Associated with the Sale of Products

- In 2021, the Company continued to neutralize the market restrictions that arose in a number of countries due to the COVID-19 pandemic, namely, a sharp decline in demand for printing papers in these regions in general and for newsprint in particular.
- At the same time, the effect of deferred demand took place in the countries that came out of the restriction regime due to the COVID-19 pandemic, which led to a sharp increase in demand and prices for all types of paper.

Management has successfully mitigated these risks through the implementation of product and geographical diversification programs.

The Company's management regularly reviews analytical materials prepared by external and internal analysts regarding the expected dynamics of the market development of the products being sold by the Company. The Company's management bodies believe that in the medium term, the price of products will tend to increase.

The Risks Associated with the Activities of Monopoly Suppliers.

In the course of carrying out business activities, the Company uses materials and services (such as gas, timber, and chemicals) purchased from a wide range of suppliers. The Company has no control over the infrastructure of monopoly suppliers, the amount charged and the pricing of the said suppliers of raw materials and services.

At the same time, in 2021, the risk of a sharp restriction of the production of chemicals used in the process of bleaching paper (a fire at the BASF plant) was realized, as well as in 2020-2021 due to the logistics crisis, the costs of delivering products and raw materials for production significantly increased, and in 2021, due to the energy crisis, the cost of gas also increased significantly.

The Company's management believes that the associated risks are at an acceptable level in terms of impact, which allows ensuring the smooth operation of the Company.

Country-Specific Risks

In 2021, the political situation in the country was relatively stable, but uncertainty remains in terms of the possible access to sources of capital, as well as the cost of capital for the Company and its counterparties. In February 2022, after the recognition of the self-proclaimed republics of Donetsk and Lugansk, as well as the announcement and launch of a special military operation in Ukraine by the Russian Federation, the United States of America, the European Union and some other countries imposed additional sanctions against Russia. These circumstances led to a weakening of the Russian Ruble exchange rate, increased volatility of financial markets, and also increased the level of economic uncertainty in Russia. Instability in the capital markets may lead to a deterioration of liquidity in the banking sector and worsening of credit terms in the Russian Federation. In general, the Company does not consider this risk as significant, since the Company has sufficient experience and a reliable business reputation, which allows it to attract debt financing as needed, within acceptable timeframes and on market conditions. Volga JSC monitors the changes taking place both in the economy of the Russian Federation and in the global economy, and also takes them into account when making management decisions. On a regular basis, the sensitivity of the Company's forecast financial result is analyzed according to various macroeconomic parameters.

Financial Risks

Credit Risk

Credit risk is the risk that the Company will incur a financial loss caused by non–fulfillment by the buyer or a counterparty to a financial instrument of its contractual obligations. The most significant credit risk for the Company is the risk of non-fulfillment by counterparties of obligations in terms of payment for delivered products. To mitigate this risk, the Company focuses on cooperation with counterparties with a high credit rating, uses accounts receivable insurance, letters of credit and bank guarantees, in some cases requires advance payment for the products supplied.

To minimize the consequences of credit risk, the Company applies the credit policy to manage emerging sales risks. Thanks to a well-thought-out credit policy, the Company manages to maintain the amount of customer debt at an optimal level and prevent its increase.

Another group of credit risks includes risks associated with the activities of counterparty banks and a possible decrease in their financial stability. To mitigate these risks, the Company continuously monitors the credit rating of counterparty banks.

The Company has developed procedures that allow making decisions on granting deferred payment, which in turn should be justified from the point of view of market conditions and not have a negative impact on the assets and interests of the Company.

Exchange Risk

Having a large share of exports to the countries of Southeast Asia, as well as Western and Eastern Europe, the Company conducts operations using various currencies, mainly US Dollars and Euro. Also, part of the Company's expenses, assets and liabilities are denominated in foreign currency. Currency risk for the Company is associated with fluctuations in the Ruble exchange rate relative to the rates of the said foreign currencies. The Company constantly monitors changes in exchange rates to find a balance between incoming and outgoing cash flows, as well as assets and liabilities, in order to minimize the impact of currency exchange risk.

Interest Rate Risk

The Company's cash flows are not exposed to a significant risk of changes in market interest rates, since the provision of most of the Company's loans and borrowings by financial institutions is carried out at a fixed interest rate.

Liquidity Risk

Liquidity risk is the risk that the Company will have difficulties in fulfilling obligations related to financial liabilities, settlements for which are carried out by transferring funds or other financial assets. The Company's approach to liquidity management is to ensure, as far as possible, the constant availability of liquid funds sufficient to repay its obligations on time, both in normal and stressful conditions, preventing unacceptable losses and not putting the Company's goodwill at risk. In order to manage the liquidity risk, the

Company makes monthly cash flow forecasts. All payments are checked against financial plans and approved by responsible officials prior being implemented.

Legal Risks

Legal risks, including risks related to:

- changing the requirements for licensing the Company's core business or licensing the rights to use objects which circulation is limited (including natural resources): the main activity of the Company is not subject to mandatory licensing. The Company does not use objects, circulation of which limited (including natural resources);
- changes in judicial practice on issues related to the Company's activities (including licensing issues) that may negatively affect the results of its activities, as well as the results of ongoing judicial cases in which the Company participates;
- changes in judicial practice (including licensing issues): the Company assesses as having significance.

Being aware of the above risks, the Company makes all efforts depending on it to minimize the potential impact of risks and to reduce the likelihood of their realization.

Operational Risks

Risks Associated with Depreciation of Fixed Assets

The Company is exposed to risks due to the presence of worn-out PP&E, including equipment, buildings and technical structures. The risk factor is the aggressive environment (high temperature, humidity, vibration, etc.) of the operation of PP&E.

The Company implements preventive measures to mitigate the risks associated with depreciation of PP&E, which include an annual program for modernization and reconstruction of equipment. The Company implements large-scale investment projects involving the use of modern advanced technologies. In 2021, as part of the implementation of the program to mitigate the risks associated with the wear of PP&E, the ceramic elements of the grid table of paper machine No. 5 and paper machine No. 8 were replaced, the first stage of modernization of the longitudinal cutting machine No. 2 of paper machine No. 8 was carried out as part of the quality improvement program.

In 2021, an audit of the technological equipment of paper machine No. 5 was conducted.

Risks Related to Production Safety

The Company is exposed to the production safety risks due to the use of hazardous equipment in its production activities. Possible accidents carry the risks of significant losses and temporary suspension of activities. The Company has developed measures to reduce the risks of accidents and fires. As part of investment projects, automated security systems are being implemented, independent audits are being conducted to assess the risks of material losses and reduction of production activities due to material losses. The Company assesses this risk as manageable. In addition, the Company has a policy in the field of property insurance.

4.7. Audit Commission

The Audit Commission is provided for by the Company's Charter. Due to the absence of a quorum, the decision on the election of the Company's Audit Commission was not taken at the Annual General Meeting of Shareholders on June 17, 2021. Due to the absence of an elected Audit Commission, the reliability of the data contained in the Annual Report has not been confirmed by the Company's Audit Commission.

The reliability of the data contained in the Annual Report and Financial Statements is assessed by the Company's Internal Audit Service on a regular annual basis.

4.8. Internal Control and Internal Audit

Internal Control

Volga JSC has an internal control system aimed at ensuring reasonable confidence in achieving the goals of the Company.

The key objectives of the internal control system are:

- ensuring the efficiency of financial and economic activities;
- ensuring the safety of assets;
- ensuring the reliability and completeness of accounting (financial), management and other types of reporting;
- compliance with the legislation and regulatory instruments of the Russian Federation and regulatory documents of Volga JSC.

The composition of the participants of the Company's internal control system and the distribution of functions among them:

- The Board of Directors and the Audit Committee of the Board of Directors of the Company determine the general principles and approaches to the organization of the internal control system, review the results of evaluating its effectiveness and analyze its actual state;
- The General Director (CEO), Deputies CEOs are responsible for the organization and effective functioning of the internal control system at the corporate level;
- heads of departments organize and ensure the functioning of the internal control system at the operational level;
- employees ensure timely and high-quality implementation of established internal control procedures.

A separate structural unit for internal control has not been organized in the Company. The Internal Audit Service evaluates the effectiveness of the Company's internal control system and develops recommendations based on the evaluation results.

Internal Audit

Volga JSC has an independent structural unit responsible for internal audit – the Internal Audit Service.

The purpose of the Internal Audit Service is to assist the Board of Directors and management bodies of the Company in increasing the shareholder value of the business by conducting audits aimed at improving the effectiveness of the internal control system, risk management and corporate governance. In its work, the Internal Audit Service uses a systematic and consistent approach to assessing and improving the effectiveness of corporate governance, risk management and internal control processes.

In its activities, the Internal Audit Service of Volga JSC is governed by the Regulations on the Internal Audit Service of Volga JSC, the Regulations on the Audit Committee of the Board of Directors of Volga JSC, decisions of the General Meeting of Shareholders and the Board of Directors of the Company, the legislation of the Russian Federation, internal regulatory documents of the Company, standards of internal auditors determined by international professional standards of internal audit.

The Internal Audit Service of Volga JSC is functionally subordinate to the Board of Directors of Volga JSC and the Audit Committee of the Board of Directors, and administratively to the CEO of the Company. The Head of the Internal Audit Service – the Director of Internal Audit is appointed and dismissed by the CEO of the Company on the basis of a decision of the Board of Directors of the Company.

In 2021, the Company's Board of Directors approved a new version of the Regulations on the Internal Audit Service, prepared taking into account the best practices and recommendations of the Corporate Governance Code recommended for application by the letter of the Bank of Russia and best practices.

To achieve the set goals, the Internal Audit Service performs the following main functions:

- development and submission for approval to the Audit Committee and the Board of Directors of the annual work plan;
- conducting internal audits and consultations in the Company;
- independent and objective assessment of the reliability and effectiveness of the organization and functioning of the Company's risk management, internal control and corporate governance systems;
- communication of the results of the evaluation of internal control systems, risk management, corporate governance and proposals for their improvement to the Audit Committee and the Company's management;
- development and submission to the Company's management of proposals to eliminate deficiencies and violations, as well as recommendations for improving the Company's business processes;
- consulting support within the Company regarding the functioning of the Company's internal control, risk management and corporate governance systems;
- control of the completeness and timeliness of the implementation of measures to improve the internal control system, corporate governance and risk management processes developed based on the results of audits.

The Director of the Internal Audit Service reports to the Audit Committee on a quarterly basis on the results of the activities of the Internal Audit Service for the reporting period, as well as regularly provides information on other issues related to the competence of the Audit Committee during current meetings. The Board of Directors of the Company annually approves the work plan of the Internal Audit Service and reviews the report on the results of the activities of the Internal Audit Service for the reporting year.

In 2021, the Internal Audit Service carried out audits and procedures planned in the reporting period in terms of corporate governance, investment activities, and evaluation of the internal control system effectiveness of the Company's main business processes.

Based on the results of the audits, recommendations were issued to improve the Company's business processes, eliminate the identified shortcomings and comments. Taking into account the recommendations of the Internal Audit Service, the Company's management implements a set of measures to improve the efficiency of the internal control system of business processes and makes changes to the Company's regulatory documents. Also in 2021, the attention of the Internal Audit Service was focused on the development of consulting services aimed at improving the Company's business processes.

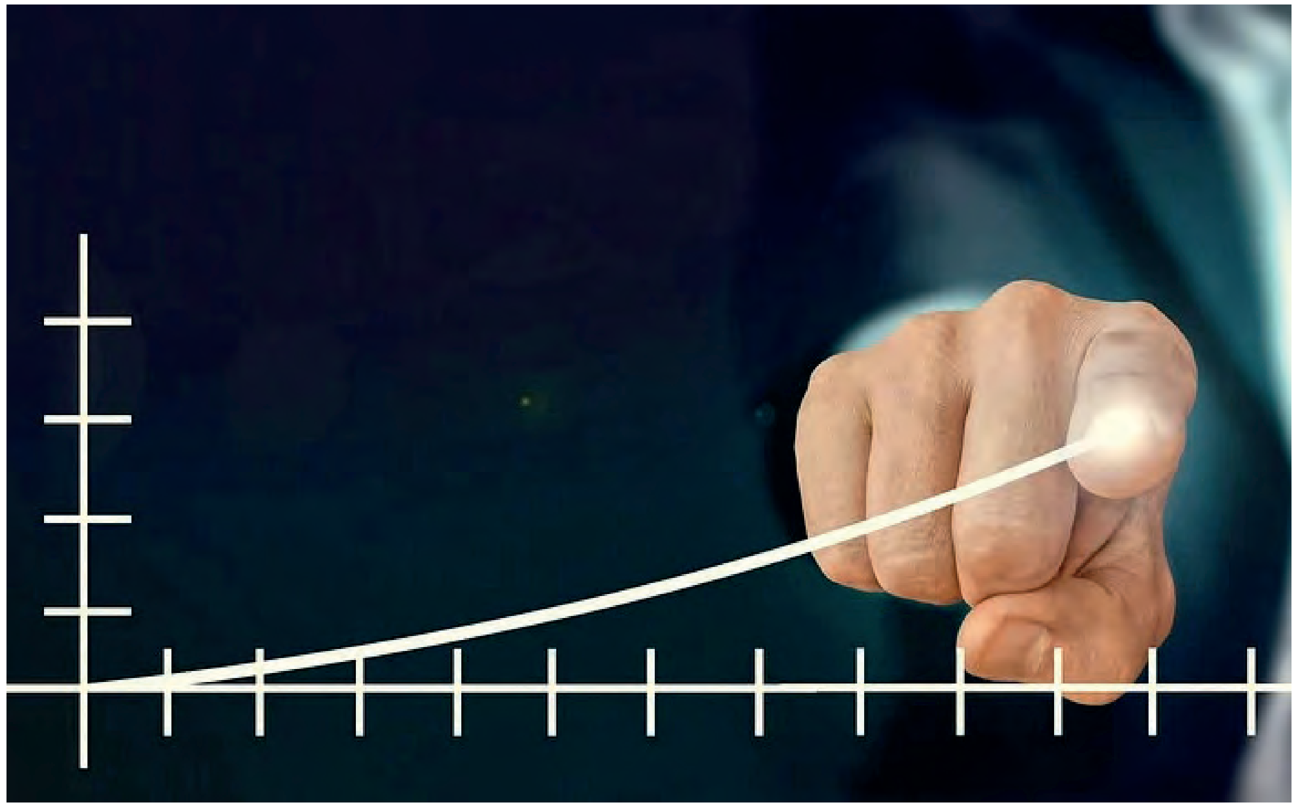
4.9. External Audit

The audit of the Company's financial and economic activities in accordance with the requirements of the legislation of the Russian Federation is carried out by the Company's auditor on the basis of a corresponding agreement.

The Auditor is selected based on the recommendations on the Auditor's candidacy of the Audit Committee of the Board of Directors and the proposal of the Board of Directors is annually approved at the General Meeting of Shareholders. The amount of remuneration for the Auditor's services is determined by the Company's Board of Directors.

By the decision of the Annual General Meeting of Shareholders of Volga JSC dated June 17, 2021 (Minutes No. 65 dated June 18, 2021), KPMG Joint Stock Company was approved as the Auditor of accounting (financial) statements under RAS for 2021 and consolidated financial statements under IFRS for 2021.

The Audit Committee of the Board of Directors of Volga JSC reviews and evaluates the conclusions issued by the Auditor, the Auditor's reports, and, if necessary, holds face-to-face meetings with the Auditor's representatives.



Section 5

SUSTAINABLE DEVELOPMENT

Sustainable Development

Volga JSC's activities in the field of sustainable development and corporate social responsibility are based on best practices, as well as on the international and Russian standards and principles. The Company has implemented a quality management system conforming to the international standard ISO 9001:2015.

Quality Control

Multi-Stage Quality Control includes:

- assessment of the quality of raw materials, fibrous materials, and chemicals;
- assessment of the quality of manufactured products.

Quality Control of Production Processes

Quality control of products and technological processes is carried out at each stage of production using automated control systems, high-tech tools, and scanners.

Product quality control – continuous control (visual). Laboratory control in accordance with the requirements of the technological regulations of paper production of Volga JSC.

Control of purchased products – input control of raw materials, fibrous materials and chemicals was organized in order to determine their compliance with GOST and TU.

The Company has formed a system of internal corporate codes and policies that regulates the most important issues in the field of sustainable development. Current key documents:

- The Company's Development Strategy until 2028;
- Environmental Policy;
- Occupational Safety and Fire Safety Policy;
- Anti-Corruption Policy;
- Social Policy;
- Personnel Policy.

5.1. Responsible Procurement

The main objectives of the procurement activities of Volga JSC include:

1. timely and complete satisfaction of the Company's needs in goods, work, and services, with the necessary indicators of price, quality and reliability;
2. cost-effective spending of funds for the purchase of goods, work, and services;
3. prevention of errors and abuse in procurement activities by the Company's employees;
4. expanding opportunities for suppliers to participate in the procurement of products by the Company.

The main principles of procurement by Volga JSC are information openness of procurement, equality and absence of unreasonable restrictions of competition in relation to procurement participants.

The total number of procurement procedures conducted in a competitive manner exceeded 90%.

The overall economic effect of the procedures carried out in 2021 was about 6%.

Diversification of chemical supplies made it possible to eliminate dependence on European imports across the entire strategically important range of products.

Development Plans:

- leveling the negative impact of sanctions;
- import substitution and diversification of supplies of consumables, spare parts and clothing, provision of insurance stock of key goods and materials;
- implementation of the strategy for the provision of waste paper raw materials;
- elaboration of the workwear outsourcing project and its implementation, if appropriate;
- elaboration of access to marketplaces for industrial procurement (Industrial.Market, etc.);
- development and implementation of measures to improve the processes of cross-functional interaction in order to reduce the deadlines for the execution of applications;
- advance training for employees.

5.2. Personnel and Social Policy

The personnel of Volga JSC is a valuable and key component of the Company's value, and the main goal of the Company's personnel policy is to create conditions for high–performance and advance training for personnel.

In 2020, as part of the development strategy of Volga JSC, a personnel strategy was developed aimed at achieving the Company's goals of implementing a large-scale investment program that allows not only to significantly increase production volumes and ensure the competitiveness of Volga JSC in the domestic and global markets, but also to create more than 450 additional jobs during the commissioning of new production capacities.

In 2021, the implementation of projects continued within the framework of the HR strategy, the main directions of which include:

- ensuring personnel security by hiring qualified personnel;
- reducing staff turnover;
- implementation of personnel training and development system in accordance with business needs;
- improvement of the motivation system: the financial one – through generation of a variable component of remuneration linked to the system of key performance indicators (KPIs), and the expansion of the social package; the non-financial one – through the implementation of programs to encourage the best ones and recognition of the contribution of both an individual employee and a team;
- outstripping labor productivity growth versus personnel number growth;
- implementation of an organizational structure consistent with the best practices in the industry;
- development of talents and personnel reserve.

In 2021, a long-term recruitment program for 2021–2025 was developed, the purpose of which was the timely staffing of newly commissioned facilities with properly qualified personnel. The program provides for the implementation of career guidance projects, engaging young professionals, training and development in the workplace, training in sought-after professions at the expense of the employer within the framework of cooperation with Secondary Specialized Educational Institutions.

One of the tools for engaging young specialists – graduates of specialized universities is the implementation of Volga NEXT long-term internship program. In 2021, in order to engage young specialists to the Company, Volga JSC actively continued to cooperate with specialized Secondary Specialized Educational Institutions and Universities. In 2021, about 50 students and graduates completed their internship at the enterprise, some of whom chose Volga JSC as their employer and joined the team of young specialists of the enterprise.

To create comfortable conditions for the new employees, there is an onboarding program, the purpose of which is to accelerate the process of entering a new position and involving newly hired employees in the labor process, familiarization with the norms and rules of corporate culture, establishing informal ties in the team, introducing a culture of effective communication in the form of feedback.

Since 2019, Volga JSC implemented a personnel performance management system based on KPIs – the Efficiency Roadmap, aimed at achieving the Company's strategic goals, employee development and the formation of a personnel reserve. The purpose of this system is the gradual cascading of KPIs to all levels of management in the Company to involve all categories of employees in the management process by goals. In 2021, the KPI system was cascaded to the following management levels, as a result of which middle managers of the N-3 level were covered.

Personnel risk management is also aimed at creating a succession system – an echeloned personnel reserve, which secure both the formation of a team for the urgent replacement of managers, and an echeloned reserve for managerial positions. Since 2020, there has been a program for evaluating reservists by levels to develop individual advance education plans and include them in the leadership competence development program. In order to form a managerial personnel reserve, more than 10 training programs were implemented in 2021, including the Presidential Program for Training Managerial Personnel. Promising specialists and managers of the Company had the opportunity to complete specialized higher education programs at the expense of the employer, which will contribute to the growth of the efficiency of Volga JSC as a whole.

The vector of the program of measures to improve methods of non-material motivation of personnel is aimed at improving the organizational climate in the Company. The mission of the program is to create a Company attractive to qualified and young professionals who want to work at a modern, dynamically developing enterprise, as well as to encourage the best employees by emphasizing their importance for Volga JSC. One of the main activities of the program is the implementation of the BRAVO program. The program being implemented in the Company since 2021 allows to identify and reward winners on a competitive basis according to the results of the quarter and year in the following categories: «The Best Employee of the Structural Division»; «The Best Division of the Company»; «The Best Employee of the Company»; «The Best Production Dynasty».

Another important component of the non-financial motivation program is the revival of the practice of the efficiency drive, which has deep roots in Volga JSC. In the future, the expansion of BRAVO nominations in terms of encouraging employees who are actively involved in the efficiency drive, a program to improve the reliability of equipment, as well as contributing to the introduction of non-price improvements.

The purpose of financial motivations is to increase labor productivity, maintain the financial interest of employees in obtaining the maximum financial result of the Company's activities. The incentive system covers the production sphere of activity, transport and logistics, commerce, timber and raw materials support. In 2021, the first stage of the incentive program of production personnel of the main workshops for the implementation of planned volume indicators was introduced. In 2022, the above motivational principles will be extended to employees of auxiliary production.

The Company's social policy includes programs and activities aimed at solving the most urgent tasks of the social development of the team, improving working conditions, ensuring social protection of employees, organizing their recreation and medical care. All social events are aimed at the most significant target groups for the Company, including not only employees, but also retired veterans of the enterprise, children and family members of the Company's employees.

Social benefits and payments to employees of Volga JSC are of a permanent nature and are of particular importance in the total income of employees and veterans of the Company. The provision of financial assistance to employees and veterans is carried out through the permanent Commission on social issues. In 2021, an interest-free loan program was developed for the Company's employees. From 2022, employees of production units will be able to participate in the program, who will be able to receive an interest-free loan for their own education or children's education; treatment of an employee or family members; repairs; and purchase of expensive household appliances.

The Company has developed and is implementing a long-term (2020–2023) program aimed at creating comfortable conditions based on modern standards of workplaces and recreation areas for employees.

An important component is taking care of the health of the Company's employees. During the year, employees can take advantage of the benefit of partial compensation for the cost of resort treatment. Also, free vouchers are allocated to employees who have occupational diseases or are engaged in work with harmful and/or dangerous production factors, as well as employees of retirement and pre-retirement age. Volga JSC has an annual program for allocating subsidies for employees' meals.

The Company's employees are given the opportunity to visit the Volga JSC sports and recreation complex with a swimming pool and a gym for free. The sports complex annually hosts a sports contest in more than ten sports, sports and recreation events for veterans and family competitions for employees and their children.

Caring for the younger generation is an important aspect of the Company's corporate social policy. To ensure comprehensive rest, children of our employees are provided with the opportunity to relax in health centers and resorts of the Nizhny Novgorod region.

The center for the implementation of youth policy is the Youth Council of Volga JSC, which proactively supports all cultural and social initiatives of the Company. The Youth Council is involved in volunteer projects not only in Volga JSC, but also at the regional level. It was volunteers from among the activists of the Youth Council who supported retired veterans during the pandemic.

Volga JSC conducts charitable and sponsorship activities, providing assistance to educational institutions and on-stage performance groups. Traditional charity events aimed at caring for employees with disabilities and drawing public attention to their problems are held on New Year's Day, the Day of the Elderly, and the Decade of the Disabled.

The Company operates in accordance with the applicable Collective and Labor Agreements, the Labor Code of the Russian Federation and other regulatory instruments of the Russian Federation.

5.3. Occupational Safety, Fire and Industrial Safety

Labor Protection by Volga JSC in 2021

The main priority of Volga JSC is the safety and health of the Company's employees. Volga JSC invests significant resources in safety measures, modernization of equipment, improvement of working conditions and occupational safety.

In 2021, a number of measures were implemented to improve occupational safety in Volga JSC in accordance with:

- the action plan to improve working conditions for employees and reduce risks;
- the schedule of administrative and public control on labor protection and fire safety in Volga JSC;
- the schedule of training on labor protection in specialized organizations of managers and specialists of the enterprise;
- the schedule of the assessment of knowledge on labor protection of managers and specialists of the enterprise;
- the schedule of training on occupational safety for work at height;
- the plan for conducting a special assessment of working conditions for compliance with applicable regulations and for the analysis of occupational risks;
- the plan for the reconstruction of artificial lighting, heating and ventilation systems to create a comfortable microclimate in the working premises.

The following documents have been reviewed and put into effect:

- the list of professions (positions) of employees of Volga JSC undergoing occupational safety training in training organizations admitted to the provision of services in the field of occupational safety;
- the list of professions (positions) of employees undergoing occupational safety training in Volga JSC;
- the list of professions of Volga JSC undergoing an internship on labor protection;
- the list of professions and positions of employees of Volga JSC who are exempt from the initial briefing session on labor protection at the workplace;
- orders in the field of labor protection on the appointment of responsible persons and the organization of work.

Work continues to identify and respond to all incidents, including the prerequisites for accidents and microtraumas.

During 2021, 2 mild accidents, 1 serious accident and 5 cases of microtraumas were investigated.

Occupational safety measures implemented by Volga JSC include scheduled production activities that are aimed at achieving the set tasks in the field of occupational safety.

The following activities are being implemented on an ongoing basis:

- revision of occupational safety instructions for professions and activities;
- training on labor protection of employees, including in specialized organizations;
- vouchers to the resort were allocated at the expense of Volga JSC to 47 employees of the enterprise operating under harmful or dangerous working conditions;
- provision to the employees at the expense of the employer's funds in accordance with the norms established by the Collective Agreement: of overalls, special shoes and other PPE, flushing and neutralizing agents, milk and other equivalent foodstuffs.

Restrictions related to COVID-19 have been added to the measures for occupational health and safety of workers. In this regard, in 2021, additional equipment was purchased to protect employees (disposable masks – 150 000 pcs. and gloves 13 000 pcs.).

Fire Safety of Volga JSC in 2021

In 2021, Volga JSC carried out scheduled work to ensure fire safety at the Company's facilities and increase the level of protection of working personnel.

There were 10 fires, which is 30% more than in the previous reporting period.

Financial resources in the amount of RUB 50.78 million were allocated to improve the fire protection of Volga JSC facilities in 2021. This made it possible to implement scheduled projects on fire safety, including the installation of highly efficient fire protection systems made in accordance with the current requirements of regulatory and technical documentation in the field of fire safety in the Russian Federation. To protect the Company's personnel and property from fires and emergencies, Volga JSC maintains a contractual fire department – Fire and Rescue Unit No.22 (FRU 22). It is the most equipped and combat-ready unit of the EMERCOM of Russia in Balakhna Municipal District. In 2021, two fire trucks were overhauled and a new tanker truck based on KAMAZ vehicle was additionally purchased to ensure fire safety measures by forces of FRU 22.

At the facilities of Volga JSC, work continues on the modernization of fire alarm systems (FAS) and warning and evacuation management systems in case of fire (WEMS).

Work has been carried out to improve the reliability and maintenance of fire safety equipment for buildings and structures of the enterprise.

Work continues to ensure fire safety of open storages of round forest materials in the territory of the wood preparation workshop.

The available sources of fire-fighting water supply are maintained in working condition. These include 135 fire hydrants, 705 fireplugs, 26 hydraulic monitors, 33 standpipes, 35 automatic fire extinguishing installations (stations), 24 air-foam apparatus (AFA) for extinguishing fires using mechanically mixed air water foam.

Work has been carried out to maintain in good condition the external fire escapes installed on 67 buildings belonging to the Company, the equipment of fire alarm systems, including warning and evacuation management systems in case of fire. The triggering signals of these systems are provided with an additional output to the communication point of the fire and rescue unit 22.

All the main and auxiliary divisions of the Company are provided with primary fire extinguishing means (manual and mobile carbon dioxide and powder fire extinguishers) in accordance with the applicable safety standards. Volga JSC has formed a team consisting of professionals, ready to perform tasks of any complexity. To ensure fire safety and emergency preparedness, training was conducted for the fire-technical minimum of employees performing fire work – 47 people, officials – 33 people. In order to practice the skills of actions in case of fires at facilities, as well as to exclude the possibility of fires, all employees of working professions of Volga JSC underwent annual course training according to approved programs and passed the appropriate tests.

The main efforts of Volga JSC in the field of fire safety, measures to prevent and eliminate emergencies are aimed at improving fire protection systems of technological processes and production facilities, as well as high-quality training of personnel for actions in case of emergencies.

Industrial Safety of Volga JSC in 2021

The activities of Volga JSC in the field of industrial safety are carried out in compliance with the following basic principles:

- the priority of people's life and health in relation to the result of production activity;
- the leading role of managers at all levels of Volga JSC in ensuring safe working conditions;
- the responsibility of each employee of Volga JSC and contractors for their own safety and the safety of the people around them, as well as the right to intervene in situations where work is performed unsafe;
- involvement of all employees of Volga JSC in activities aimed at reducing occupational injuries, risks of emergency situations, as well as human diseases;
- priority of preventive measures over measures aimed at localization and elimination of consequences of accidents.

In accordance with its obligations and strategic goals, Volga JSC sets itself the following tasks:

- to develop a culture of occupational safety and leadership qualities of managers at all levels to ensure industrial safety and labor protection;
- to identify and evaluate the actual and potential impact of the activities of Volga JSC on the life and health of people, including through high-quality preparation of project documentation and carrying out the necessary examinations;
- to identify and assess the risks of dangerous events that can have a negative impact on the life and health of people, the reliability of technological processes and the integrity of hazardous production facilities of Volga JSC on an ongoing basis and to effectively manage professional risks;
- to ensure a quick and effective response to all accidents and emergencies that occurred as a result of the activities of Volga JSC, in cooperation with specialized organizations and authorized state bodies;
- to introduce and apply advanced technologies that contribute to the prevention of occupational injuries and occupational diseases and emergencies;
- to ensure that employees of Volga JSC are notified about working conditions at the workplace, established process modes and applicable requirements in the field of industrial safety;
- to ensure the necessary level of competence of employees in the field of industrial safety through a system of briefings and training;
- to develop, implement and apply a system of motivation for safe work;
- in relation to all employees of Volga JSC, employees of contracting organizations and other persons associated with the activities of Volga JSC, to establish and control responsibility for the safe conduct of work at production facilities;
- to ensure systematic monitoring of the technical condition of hazardous production facilities of Volga JSC and compliance with requirements in the field of industrial safety, including with respect to the technical devices, tools, materials, and personal protective equipment used;
- to organize effective cooperation with government agencies, research organizations, the public and other interested parties in order to exchange experience and mutual information about activities affecting industrial safety issues, as well as the development and implementation of progressive norms and rules;
- to analyze and evaluate the results of activities of Volga JSC in the field of industrial safety in order to further improve the management system;
- to engage employees and the trade union committee to actively participate in all elements of industrial safety.

5.4. Environmental Safety

One of the Company's key priorities is environmental protection. Effective management of the impact of technological processes on the environment is the most important factor in the ability of Volga JSC to achieve its goal in the long term – to balance the development of production potential and social responsibility of business as much as possible.

Volga JSC strives to develop and implement technological solutions within the framework of sustainable development based on renewable raw materials and taking into account reused resources.

The Company's products are made from wood from forests in which an environmentally and socially responsible economy is implemented, aimed at maintaining and improving the socio-economic well-being of the local population, respecting their rights, preserving biological diversity, water resources, soils, as well as unique ecosystems and landscapes, including conservation of forests of high value. The wood is harvested in certified forests and supplied according to the optimal logistic scheme.

The environmental management system of Volga JSC covers almost all stages of production cycles, from the purchase of raw materials to the manufacture of products, establishing uniform requirements for the environmental management of the production activities of the enterprise and contractors affecting environmental safety, as well as minimizing the level of negative impact.

Each stage of production is provided with maximum control of the following environmental indicators:

- 100% control of emissions into the atmospheric air at the sources
- 100% control of the efficiency of gas cleaning equipment
- 100% control of atmospheric air at the border of the sanitary protection zone,
- 100% control of indicators for water in a water body.

The Company provides continuous accounting of educational programs, as well as control of the movement of production and consumption waste.

The results of environmental control are reported to state bodies. The generalized information is the basis both for the development of measures aimed at improving technological processes, planning the financing of environmental protection measures, and for monitoring the effectiveness of completed measures, as well as justifying investment decisions.

Volga JSC has approved and is implementing the Environmental Policy, which is based on the following principles:

- **the Principle of Compliance** – ensuring compliance with legal and other applicable requirements in the field of environmental safety and environmental protection;
- **the Principle of Consistent Improvement** – a system of actions to maintain a high level of environmental safety based on the use of the best available technologies;
- **the Principle of Prevention of Negative Impact** – a system of preventive actions aimed at preventing dangerous environmental impacts;
- **the Principle of Readiness** – a system of measures to maintain the constant readiness of the Company's personnel to prevent and eliminate emergencies of a natural or man–made character;
- **the Principle of Consistency** – an integral solution to issues of environmental safety and environmental protection based on modern methods of environmental risk analysis;

- **the Principle of Transparency** – the availability of environmental information, openness and effective information work of the enterprise with the public.

In its activities, Volga JSC is governed by the principles of closed-cycle economics, namely:

- to reduce the amount of waste generation,
- to return material resources to the economic turnover.
- to use resources repeatedly.

The long-term strategic environmental program of Volga JSC is aimed at maintaining the green vector of the Company's development.

Almost 100% of wood is transformed into products and used as a renewable energy source – wood-based biofuels.

The Company's products at the end of the life cycle are a source of raw materials for reuse. Currently, more than 4% of secondary waste paper fiber is used in the technological process. At the same time, the Company's strategy plans to increase its share to 28%.

The gas cleaning equipment used in the technological processes of the enterprise ensures the cleaning efficiency within 98–99%, thereby ensuring compliance with the standards of permissible emissions within the boundaries of the sanitary protection zone of the enterprise.

The results of 2021 confirm the Company's commitment to the principles of the green economy, focusing on minimizing waste generation and efficient use of natural resources.

- 97% of waste went to recycling;
- 81% of water was reused;
- 98% of emissions were caught in gas cleaning plants;
- 100% of industrial wastewater was directed to the 5-stage biological treatment.

In the manufacture of products, chlorine, chlorine-containing oxidants, and organochlorine compounds are not used. Therefore, chlorine-free emissions and reuse of water in technological processes has been secured.

Volga JSC strives to minimize negative impacts in its activities by implementing environmental protection programs, introducing and using the best available technologies, optimizing production processes, as well as improving the environmental protection and environmental safety management system.

The Company aims to preserve the local environment. One of the main priorities of the Company is the preservation of biological diversity and ecosystems in the region, including the replenishment of fish resources. In 2021, by order of the Company, almost 100 thousand individuals of young sterlet and carp were grown and released into the Volga River.

The total amount of the Company's current expenses for environmental protection in 2021 amounted to more than RUB 396 million*, while investments for the implementation of the action plan with the environmental protection effect amounted to about RUB 118 million, of which:

- the cost of implementing water protection measures exceeds RUB 3 million.
- the costs of preserving the biological diversity of the ecosystem of the region of presence (replenishment of fish resources – about RUB 2 million.
- the cost of upgrading the sludge dewatering section of the steam turbine shop exceeds RUB 100 million. As part of the project, two technological dewatering lines were purchased and installed by BELLMER Kufferath Machinery GmbH (Germany), which made it possible to increase the efficiency of using renewable energy sources. An important advantage of the project was the absence of additional sources of emissions into the atmosphere.

*** *taking into account payments for the environmental services.***

Promising Areas

In 2021, in order to prepare a list of compensatory measures for the development of the capacities at Volga JSC, the leading profile engineering centers carried out technical and environmental assessments of the Company's production facilities. A strategic plan has been developed in order to increase the efficiency of investments for the long–term development – the Environmental Program of Volga JSC. The implementation of the Environmental Program is designed until 2025.

The Program will make it possible:

- to optimize technological processes based on the introduction of the best available and modern technologies;
- to mitigate the environmental impact;
- to expand the list of secondary material resources involved in the economic turnover.

The key objectives of the Program include:

- reducing waste generation;
- maximum involvement of by-products into the production cycle;
- reducing the load on treatment facilities.

5.5. Anti–Corruption Policy

The Company has an Anti-Corruption Policy, which has been developed in order to identify, prevent and minimize cases of illegal, unethical, corrupt behavior of the Company's employees.

The Policy specifies:

- managerial and organizational bases of corruption prevention (anti-corruption actions);
- measures to minimize and/or eliminate the consequences of corruption offenses, of its participants;
- tasks, functions, powers and responsibilities, including in relations with third parties, including individuals, legal entities, state and municipal authorities and their representatives;
- This is aimed at forming a uniform understanding of the essence of corruption actions among all employees and managers of the Company, which, even potentially, may violate the requirements of the Russian Anti-Corruption legislation and other applicable requirements of the international law.

The Company has a Hotline – a secure and confidential information channel designed for employees of the Company and other third parties, including counterparties, to have the opportunity to report information about the intentions or facts of committing corruption-related actions against the Company and/or its employees, counterparties, allowing, inter alia, to report such information anonymously.

5.6. Responsible Forest Management

Volga JSC strives to be a Company with sustainable forest management, which is confirmed by the preservation and creation of highly productive, high-quality, biologically sustainable forests and forest fauna in the assigned rental territories that meet the high environmental, social and economic needs of the society and the state.

In 2021, representatives of the administration and the Youth Committee of the Company joined the employees of the logging site when carrying out forestry activities in the territory of Varnavinsky district forestry, Nizhny Novgorod region.

The participants of the ecological reforestation campaign planted more than 1 000 pine seedlings on the site of Lapshanga district forestry leased by Volga JSC.

Results of Reforestation Works

for 2021:

- artificial reforestation – 213 ha;
- soil preparation for forest crops – 316 ha;
- agrotechnical care – 408 ha;
- care for the young forest growth – 88 hectares;
- arrangement of new recreation areas – 29 km.

The FSC® mark on wood harvested from rental plots of Varnavinsky district, Nizhny Novgorod region is an indicator that the Company's products come from a forest in which economically efficient and, at the same time, environmentally and socially responsible forestry is conducted:

- the activity is aimed at maintaining and improving the socio-economic well-being of the local population and respect for their rights;
- conservation of biological diversity, water resources, soils, as well as unique ecosystems and landscapes;
- conservation of forests of high conservation value.

The FSC Certificate is an indicator of the Company's image and the opportunity to enter new world markets for the sale of products.

Section 6

APPENDICES

JSC Volga

Consolidated Financial Statements
for 2021
and Independent Auditors' Report

Contents

KPMG

Independent Auditors' Report

To the Shareholders and Board of Directors of JSC "Volga"

Opinion

We have audited the consolidated financial statements of JSC "Volga" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ 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 consolidated financial statements.

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

— Identify and assess the risks of material misstatement of the 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 auditors’ report to the related disclosures in the 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 auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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.

The engagement partner on the audit resulting in this independent auditors' report is:

АКЦИОНЕРНОЕ ОБЩЕСТВО ОГРН 1027700125628
КПМГ
KPMG
МОСКВА

Grichuk A.P.

Principal registration number of the entry in the Register of Auditors and Audit organizations 22006009405, acts on behalf of the audit organization based on the power of attorney without number as of 7 November 2019

JSC "KPMG"

Principal registration number of the entry in the Register of Auditors and Audit Organizations No. 12006020351

Moscow, Russia
1 April 2022

'000 RUB	Note	31 December 2021	31 December 2020
ASSETS			
Property, plant and equipment	11	5 861 491	4 790 779
Intangible assets		13 349	12 085
Non-current assets		**5 874 840**	**4 802 864**
Inventories	12	1 274 790	1 142 289
Trade and other receivables	14	1 399 244	1 802 759
Cash and cash equivalents	15	1 946 991	987 662
Current assets		**4 621 025**	**3 932 710**
TOTAL ASSETS		**10 495 865**	**8 735 574**
EQUITY AND LIABILITIES			
Equity			
Share capital	16	6 147 147	6 147 147
Additional paid-in capital		1 087 555	1 087 555
Reserves		171 912	171 912
Retained earnings		(1 875 920)	(2 982 264)
Equity attributable to owners of the Company		**5 530 694**	**4 424 350**
Non-controlling interests		(2 311)	(4 463)
Total equity		**5 528 383**	**4 419 887**
LIABILITIES			
Loans and borrowings	17	1 108 233	996 741
Deferred income	13	71 871	77 130
Deferred tax liabilities	9	488 657	338 875
Lease liabilities	17	197 664	429 785
Other non-current liabilities	19	296 707	364 451
Non-current liabilities		**2 163 132**	**2 206 984**
Loans and borrowings	17	481 788	626 165
Trade and other payables	18	1 891 023	1 040 953
Lease liabilities	17	231 290	283 323
Other current liabilities	19	200 250	158 264
Current liabilities		**2 804 350**	**2 108 703**
Total liabilities		**4 967 482**	**4 315 687**
TOTAL EQUITY AND LIABILITIES		**10 495 865**	**8 735 574**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 55.

'000 RUB	Note	2021	2020
Revenue	7	12 998 546	9 394 773
Cost of sales	8(a)	(9 286 178)	(7 382 253)
Gross profit		**3 712 368**	**2 012 520**
Distribution expenses	8(b)	(183 699)	(156 629)
Administrative expenses	8(c)	(1 079 054)	(872 874)
Other income, net	8(d)	850 611	392 237
Results from operating activities		**3 300 226**	**1 375 254**
Finance income	8(e)	97 631	56 686
Finance costs	8(e)	(125 341)	(155 193)
Net finance costs		**(27 710)**	**(98 507)**
Profit before income tax		**3 272 516**	**1 276 747**
Income tax expense	9	(545 946)	(357 058)
Profit and other comprehensive income for the year		**2 726 570**	**919 689**
Profit and other comprehensive income attributable to:			
Owners of the Company		2 724 418	917 243
Non-controlling interests		2 152	2 446
Earnings per share			
Basic earnings per share (RUB thousand)		0.23	0.08

These consolidated financial statements were approved by management on 1 April 2022 and were signed on its behalf by:

Pondar S. I.

Chief Executive Officer

Lomakin S. S.

Deputy Chief Executive Officer –

Chief Financial Officer

АКЦИОНЕРНОЕ ОБЩЕСТВО
JOINT STOCK COMPANY
"Волга"
"Volga"
NIZHEGORODSKIY REGION BALAKHNA
НИЖЕГОРОДСКАЯ ОБЛАСТЬ г.БАЛАХНА

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 55.

'000 RUB	Note	Share capital	Additional paid-in capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
		Equity attributable to owners of the Company						
Balance at 1 January 2020		**6 147 147**	**1 087 555**	**171 912**	**(3 664 757)**	**3 741 857**	**(6 909)**	**3 734 948**
Profit for the reporting year		-	-	-	917 243	917 243	2 446	919 689
Total comprehensive income for the year		-	-	-	**917 243**	**917 243**	**2 446**	**919 689**
Transactions with owners of the Company (Dividends)		-	-	-	(200 750)	(200 750)	-	(200 750)
Transactions recognised directly in equity		-	-	-	(34 000)	(34 000)	-	(34 000)
Total transactions with owners of the Company		-	-	-	**(234 750)**	**(234 750)**	-	**(234 750)**
Balance at 31 December 2020		**6 147 147**	**1 087 555**	**171 912**	**(2 982 664)**	**4 424 350**	**(4 463)**	**4 419 887**
Balance at 1 January 2021		**6 147 147**	**1 087 555**	**171 912**	**(2 982 264)**	**4 424 350**	**(4 463)**	**4 419 887**
Profit for the reporting year		-	-	-	2 724 418	2 724 418	2 152	2 726 570
Total comprehensive income for the year		-	-	-	**2 724 418**	**2 724 418**	**2 152**	**2 726 570**
Transactions with owners of the Company (Dividends)	16	-	-	-	(1 573 074)	(1 573 074)	-	(1 573 074)
Transactions recognised directly in equity	24	-	-	-	(45 000)	(45 000)	-	(45 000)
Total transactions with owners of the Company		-	-	-	**(1 618 074)**	**(1 618 074)**	-	**(1 618 074)**
Balance at 31 December 2021		**6 147 147**	**1 087 555**	**171 912**	**(1 875 920)**	**5 530 694**	**(2 311)**	**5 528 383**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 55.

'000 RUB	Note	2021	2020
Cash flows from operating activities			
Profit for the year		2 726 570	919 689
Adjustments for:			
Depreciation	11	540 936	354 184
Interest expense and discounting	8(e)	125 340	155 193
Foreign exchange differences	8(e)	(69 205)	(47 040)
Accrual/(Reversal) of allowance for expected credit losses	8(d), 20b(i)	41 717	(249 297)
Recovery of written-off bad debts	8(d)	(852 293)	-
Other expenses	8(d)	140 518	32 720
Income tax expense	9	545 946	357 058
		3 199 529	**1 522 507**
Changes in:			
Inventories		(41 875)	(138 058)
Trade and other receivables		351 186	(20 952)
Trade and other payables (including lease liabilities)		(148 200)	519 017
Provisions and employee benefits		(56 577)	(61 395)
Cash flows from operating activities before income taxes and interest paid		**3 304 064**	**1 821 119**
Income tax paid		(339 939)	(142 255)
Interest paid		(66 341)	(92 558)
Net cash from operating activities		**2 897 784**	**1 586 306**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 55.

Cash flows from investing activities			
Acquisition of property, plant and equipment		(1 503 032)	(806 200)
Assignment of right of demand	8(d)	852 293	-
Interest received		23 167	7 893
Net cash used in investing activities		**(627 572)**	**(798 307)**
Cash flows from financing activities			
Proceeds from borrowings		2 501 237	3 517 563
Repayment of borrowings		(2 512 802)	(3 010 340)
Payment of lease liabilities		(469 837)	(374 370)
Dividends paid		(676 036)	(200 750)
Repayment of long-term payables		(106 428)	(106 428)
Other distributions to related parties (Charity)		(45 000)	(34 000)
Net cash used in financing activities		**(1 308 866)**	**(208 325)**
Net increase in cash and cash equivalents		**961 346**	**579 674**
Net effect of movements in exchange rates		(2 017)	72 926
Cash and cash equivalents at 1 January		987 662	335 062
Cash and cash equivalents at 31 December		**1 946 991**	**987 662**

The Group has classified:

– cash payments for the principal portion of lease payments as financing activities;

– cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Group.

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 55.

1 Reporting entity

(a) Business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, and are subject to frequent changes accordingly.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

In February 2022, after the recognition of the self-proclaimed republics of Donetsk and Lugansk, as well as the announcement and launch of a special military operation in Ukraine by the Russian Federation, the United States of America, the European Union and some other countries imposed additional sanctions against Russia. Moreover, there is a high risk of further sanctions. This may have a significant negative impact on the Russian economy. These circumstances led to a fall in the exchange rate of the Russian rouble, increased volatility of financial markets, and also significantly increased the level of economic uncertainty in the conditions of economic activity in Russia (Note 25).

The pandemic of COVID-19 also increased the uncertainty of the conditions of economic activity.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(b) Organisation and operations

JSC Volga (the "Company") and its subsidiaries (the "Group") comprise legal entities registered under the laws of the Russian Federation. The Company was established as a state-owned enterprise in 1928. It was privatised as an open joint stock company on January 1991, as part of the Russian Federation's privatisation program. Since 30 June 2016 the company act as a Joint Stock Company "Volga".

The Company's registered office is 1 Gorkogo Street, Balakhna city, Nizhny Novgorod region, the Russian Federation, 606407.

The Group's principal activity is producing and sale of newsprint at the plant located in Balakhna city, Nizhny Novgorod region. The produced newsprint is sold in the Russian Federation and for export.

Additional activities of the Company are: Production of electricity on heating power plants, including activities to ensure the operating capacity of power plants; Production, transmission and distribution of steam and hot water, sale of forest products.

As at 31 December 2021, 99.0035% of shares (as at 31 December 2020: 99.0035% of shares) belong to the shareholder Breus Shalva Petrovich.

2 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand, except when otherwise indicated.

4 Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 26 (h) (iii) – useful lives of property, plant and equipment;
- Notes 14, 20 – measurement of expected credit losses (ECL) allowance for trade receivables;
- Note 19 – provision for site restoration;
- Note 17 – lease liability;
- Note 7 – revenue recognition.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following note:

- Note 20 – measurement of ECL allowance for receivables, key assumptions in determining the loss.

5 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information is included in Note 20.

6 Changes in significant accounting policies

Changes to existing standards effective from 1 January 2021 do not have a significant impact on the Group's consolidated financial statements.

7 Revenue

Revenue streams

The Group generates revenue primarily from the sale of newsprint and provision of heating and water supply services to its customers.

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Revenue from sales of newsprint and wrapping paper to foreign and local customers	Newsprint for export is delivered under conditions of Incoterms 2010 according to delivery terms specified in the order. Customers obtain control of standard paper products when the goods are dispatched from the Group's warehouse. Invoices are generated and revenue is recognised at that point in time. Invoices are usually payable within 30 days. No discounts are provided for standard paper products.	According to terms of concluded contracts for export of paper products, the Group delivers production to customers on different Incoterms. The cost of transportation is included in the total price. Generally, control transfers to the customer before transportation has completed. Revenue from transportation is a separate performance obligation and is recognised over time from the moment of control transfer up to the end of delivery. In case if contracts with customers stipulate the sale of finished goods under FCA delivery terms (Group's warehouse, transportation by customer), full revenue from the sale of finished goods is recognised at the moment of control transfer to the customer.

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Revenue from provision of heating and electricity supply services	The Group is involved in heating and electricity supply services to the third and related parties. Invoices are usually issued at the end of the month and paid within 30 days.	Revenue from provision of heating and electricity supply services is recognised over time as the services are provided (based on factual data on counters).
Revenue from sales of forest products	Customers obtain control at the time of acceptance of the products at the Customer's warehouse.	Revenue from sales of forest products is recognised when the product is accepted by the Customer.

'000 RUB	**2021**	**2020**
Revenue from sales of paper products to export *	8 602 059	6 774 729
Revenue from sales of paper products to local customers	2 528 289	1 238 777
Revenue from sales of services	951 679	961 486
Revenue from sales of forest products	758 048	353 464
Other revenue	158 471	66 317
Total revenue from contracts with customers	**12 998 546**	**9 394 773**

* Including revenue from transportation services to customers.

8 Income and expenses

(a) Cost of sales

'000 RUB	**2021**	**2020**
Raw materials and consumables	3 176 645	2 453 424
Electricity, fuels	2 530 289	2 194 607
Salaries and payroll taxes	801 744	720 856
Depreciation	487 533	301 775
Purchased services	708 990	567 898
Transportation expenses	1 482 526	1 203 190
Change in stock	(79 106)	(81 646)
Other expenses	177 557	22 150
Total cost of sales	**9 286 178**	**7 382 253**

(b) Distribution expenses

'000 RUB	2021	2020
Salaries and payroll taxes	70 333	40 021
Purchased services	61 974	57 090
Insurance of receivables	13 197	17 858
Other expenses	38 194	41 660
Total distribution expenses	**183 699**	**156 629**

(c) Administrative expenses

'000 RUB	2021	2020
Salaries and payroll taxes	745 035	596 972
Taxes and levies (excl. income tax)	16 153	6 867
Purchased services	269 812	228 383
Other expenses	48 053	40 652
Total administrative expenses	**1 079 054**	**872 874**

(d) Net other income

'000 RUB	Note	2021	2020
Recovery of written-off bad debts		852 293	-
Government grants – compensation of transportation costs	13 (a)	132 898	169 911
Income from reversal of allowance for impairment of inventory		8 147	35 841
Fines and penalties		4 049	12 912
Expenses from disposal of fixed assets		(108 082)	(16 308)
(Loss)/income from (accrual)/reversal of allowance for expected credit losses		(41 717)	249 297
Other income and expenses, net		3 023	(59 416)
Total other income, net		**850 611**	**392 236**

Hayard Investments Limited had an unfulfilled obligation to the Company for a share transferred on paid rights in the amount of RUB 852 293 thousand under the sales contract of share capital in Ethel LLC dated 11 March 2013. This debt was credit impaired and in 2019 the Company wrote off the entire amount of debt at the expense of retained earnings. In 2021, a cession agreement was concluded, according to which the Company (assignor) transfers to Nizhny Newsprint Holdings Limited (assignee) the right of claim to the counterparty Hayard Investments Limited in the amount of RUB 852 293 thousand. As of the reporting date, this debt has been fully repaid.

At 31 December 2020 the reversal of bad debt allowance of LAMARIN TRADING LIMITED in the amount of RUB 327 662 thousand was recognised in other income. As of the reporting date, this debt has been fully repaid.

(e) Net finance costs

'000 RUB	2021	2020
Net foreign exchange gain	69 205	47 040
Interest income on bank deposits and loans granted	23 167	7 893
Income from government funding	5 259	1 753
Total finance income	**97 631**	**56 686**
Financial liabilities measured at amortised cost – interest expense	(70 506)	(108 692)
Unwind of discount on site restoration provision	(5 878)	(5 462)
Finance costs – other	(48 957)	(41 039)
Total finance costs	**(125 341)**	**(155 193)**
Net finance costs	**(27 710)**	**(98 507)**

9 Income tax

(a) Income tax expense

The Group's applicable tax rate is the income tax rate of 20% for Russian companies.

'000 RUB	2021	2020
Current income tax		
Current year	(397 826)	(50 713)
	(397 826)	**(50 713)**
Deferred income tax		
Origination and reversal of temporary differences	(149 779)	(374 697)
Change in recognised deductible temporary differences (due to write-down of deferred tax assets)	1 659	68 352
Total income tax expense	**(545 946)**	**(357 058)**

(b) Reconciliation of effective tax rate:

'000 RUB	2021	2020
Profit before tax	3 272 516	1 276 747
Tax using the Company's domestic tax rate	(654 503)	(255 349)
Change in recognised deductible temporary differences (due to write-down of deferred tax assets)	(1 659)	(68 352)
Tax effect on income/(expenses), not included in tax base	110 216	(33 357)
Income tax expense	**(545 946)**	**(357 058)**

(c) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
'000 RUB	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Property, plant and equipment	-	-	(500 419)	(429 294)	(500 419)	(429 294)
Inventories	2 638	9 703	(41 834)	(19 756)	(39 196)	(10 053)
Trade and other receivables	-	10 145	(8 375)	-	(8 375)	10 145
Lease liabilities	53 297	93 155	-	-	53 297	93 155
Long-term liabilities	-	-	(12 214)	(17 724)	(12 214)	(17 724)
Other current liabilities	21 066	14 896	(2 815)	-	18 251	14 896
Tax assets/(liabilities)	**77 001**	**127 899**	**(565 657)**	**(466 774)**	**(488 656)**	**(338 875)**
Set off of tax	(77 001)	(127 899)	77 001	127 899	-	-
Net tax assets/(liabilities)	**-**	**-**	**(488 656)**	**(338 875)**	**(488 656)**	**(338 875)**

Change of deferred tax balance for 2021 and 2020 is recognised in profit or loss.

10 Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)

The Group's Management has presented the performance measure adjusted EBITDA as they monitor this performance measure at a consolidated level and they believe this measure is relevant to an understanding of the Group's financial performance. Adjusted EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of taxation, net finance costs, depreciation.

Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Reconciliation of adjusted EBITDA to profit for reporting period

'000 RUB	Note	2021	2020
Profit for the year		2 726 570	919 689
Income tax expense		545 946	357 058
Profit before tax		**3 272 516**	**1 276 747**
Adjustments for:			
- Net finance costs	8(e)	27 710	98 507
- Depreciation and amortisation	11, 8(a), 8(d)	547 563	358 701
- Provision for bonuses based on KPI	19	28 632	25 000
- Recovery of written-off bad debts	8(d)	(852 293)	-
- (Loss)/Income from (accrual)/reversal of allowance for expected credit losses	8(d) 20b(i)	41 717	(249 297)
- Other reserves		42 218	-
Adjusted EBITDA		**3 108 063**	**1 509 658**

11 Property, plant and equipment

'000 RUB	Land and buildings	Machinery and equipment	Other	Under construc-tion and prepay-ments	Total
Cost or deemed cost					
Balance at 1 January 2020	3 626 713	7 570 456	887 541	947 017	13 031 727
Additions	66 265	224 247	-	1 056 524	1 347 036
Change in the cost as a result of modification	-	58 241	-	-	58 241
Disposals	(12 018)	(22 994)	(19 002)	(22)	(54 036)
Transfers to other assets	-	-	-	(11 464)	(11 464)
Transfers	613 050	1 036 831	130 728	(1 780 609)	-
Balance at 31 December 2020	**4 294 010**	**8 866 781**	**999 267**	**211 445**	**14 371 503**
Balance at 1 January 2021	4 294 010	8 866 781	999 267	211 446	14 371 503
Additions	-	4 848	3 849	1 658 585	1 667 282
Change in the cost as a result of modification	-	68 290	-	-	68 290
Disposals	(91 977)	(266 294)	(26 119)	-	(384 390)
Transfers	87 364	563 870	117 723	(768 957)	-

'000 RUB	Land and buildings	Machinery and equipment	Other	Under construction and prepayments	Total
Balance at 31 December 2021	**4 289 397**	**9 237 495**	**1 094 720**	**1 101 074**	**15 772 686**
Depreciation and impairment losses					
Balance at 1 January 2020	(2 338 652)	(6 135 625)	(789 991)	-	(9 264 268)
Depreciation for the year	(97 928)	(237 720)	(18 537)	-	(354 184)
Disposals	11 478	10 161	16 089	-	37 728
Balance at 31 December 2020	**(2 425 102)**	**(6 363 184)**	**(792 439)**	-	**(9 580 725)**
Balance at 1 January 2021	(2 425 102)	(6 363 184)	(792 439)	-	(9 580 725)
Depreciation for the year	(122 000)	(371 209)	(47 727)	-	(540 936)
Disposals	12 928	227 584	19 954	-	260 466
Balance at 31 December 2021	**(2 534 174)**	**(6 506 809)**	**(820 212)**	-	**(9 861 195)**
Carrying amounts					
At 1 January 2020	**1 288 061**	**1 434 831**	**97 550**	**947 017**	**3 767 459**
At 31 December 2020	**1 868 908**	**2 503 597**	**206 828**	**211 446**	**4 790 779**
At 31 December 2021	**1 754 223**	**2 730 686**	**274 508**	**1 101 074**	**5 861 491**

Security

At 31 December 2021 properties with a carrying amount of RUB 1 081 277 thousand (2020: RUB 821 445 thousand) were subject to a registered debenture to secure bank loans.

Property, plant and equipment under construction

As at 31 December 2021, construction in progress includes capitalised costs of equipment and services related to the modernisation of PM №6 and construction of MM500.

Impairment test

As at 31 December 2021 the Group analysed assets for indicators of impairment. As a result of analysis of external and internal data, no indicators of impairment of the Group's Property, plant and equipment were identified.

Capital commitments

As at 31 December 2021 the Group has RUB 2 333 057 thousand of capital commitments under unfulfilled contracts (31 December 2020: RUB 90 632 thousand).

12 Inventories

'000 RUB	2021	2020
Raw materials and consumables	1 021 740	961 658
Work in progress	6 279	3 828
Finished goods and goods for resale	239 238	151 280
Others	20 722	44 531
Allowance for obsolete inventories (impairment of inventories)	(13 189)	(19 008)
Total inventories	**1 274 790**	**1 142 289**

13 Government grants

The Group received the following types of government grants:

(a) Compensation for transportation costs

In 2021, the amount of compensated costs was RUB 216 458 thousand, including RUB 83 506 thousand – compensation of costs incurred in 2021 year and classified in Cost of Sales net with transportation costs, and RUB 132 898 thousand – compensation of costs incurred in 2020 and classified in Other income. In 2020, the amount of compensated costs was RUB 375 000 thousand, including RUB 205 089 thousand – compensation of costs incurred in 2020 year and classified in Cost of Sales net with transportation costs, and RUB 169 911 thousand – compensation of costs incurred in 2019 and classified in Other income.

(b) Compensation of interest rate on the investment loan received

In 2018, the Group received a long-term loan from FGAU Russian Fund for Technological Development at a preferential rate of 1%. This loan was recorded in the financial statements at present value discounted at a market-related interest rate with the benefit included in deferred income. This deferred income in the amount of RUB 78 883 thousand was treated as a government grant and will reduce depreciation charges of fixed assets constructed using the loan.

14 Trade and other receivables

'000 RUB		2021	2020
Trade receivables		1 863 943	1 860 654
Other receivables		134 033	229 814
Allowance for expected credit losses on trade and other receivables	20(b)(i)	(983 817)	(939 242)
Total financial assets		**1 014 159**	**1 151 226**

'000 RUB	2021	2020
VAT receivables	255 465	232 919
Prepayments given	128 417	374 422
Income tax receivable	1 203	44 192
Total non-financial assets	**385 085**	**651 533**
Total trade and other receivables	**1 399 244**	**1 802 759**

Transfer of trade receivables

The Group transferred trade receivables to a bank for cash proceeds. The trade receivables have not been derecognised from the consolidated statement of financial position, because the Group retains substantially all of the risks and rewards, primarily credit risk. The amount received on transfer has been recognised as a secured bank loan (see Note 17).

The following table shows the carrying amount of trade receivables at the year-end that have been transferred but have not been derecognised.

'000 RUB	2021	2020
Carrying amount of trade receivables transferred to a bank	8 649	15 928
Carrying amount of associated liabilities	7 352	13 538

The Group's exposure to currency and credit risks and credit losses related to trade and other receivables are disclosed in Note 20.

15 Cash and cash equivalents

'000 RUB	2021	2020
Petty cash	182	128
Bank balances	367 197	295 093
Call deposits	1 579 612	692 441
Cash and cash equivalents in the consolidated statement of financial position and in the consolidated statement of cash flows	**1 946 991**	**987 662**

Call deposits represent callable deposits with maturities of three months or less from the acquisition date.

As at 31 December 2021 and 31 December 2020 the Group's cash is not restricted to use.

Sensitivity analyses for financial assets and liabilities are disclosed in Note 20 (b).

16 Capital and reserves

Share capital and additional paid-in capital

Number of shares unless otherwise stated	Ordinary Shares	
	2021	**2020**
In issue at 1 January	11 808 827	11 808 827
In issue at 31 December, fully paid	11 808 827	11 808 827

All ordinary shares rank equally with regard to the Company's residual assets.

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Capital indicators in these financial statements are disclosed according to IAS 29 *Financial Reporting in Hyperinflationary Economies* as at 31 December 2002.

Dividends

During the 12 months ended 31 December 2021 the Company announced dividends: for 2014 in the amount of RUB 327 577 thousand, which is RUB 27.74 per share; for 2018 in the amount of RUB 425 611 thousand, which is RUB 36.10 per share; for 2020 in amount of RUB 349 895 thousand, which is RUB 29.63 per share; for 9 months 2021 in amount of RUB 469 991 thousand, which is RUB 39.80 per share. In 2021 dividends in amount of RUB 676 036 thousand were paid.

Capital management

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Group's revenues and profit, and long-term investment plans financed by the Group's operating cash flows. With these measures the Group aims for steady profits growth.

17 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to foreign currency and liquidity risk, see Note 20.

'000 RUB	**2021**	**2020**
Non-current liabilities		
Secured bank loans	912 318	628 165
Secured borrowings	195 915	368 576
Total long-term loans and borrowings	**1 108 233**	**996 741**
Lease liabilities	**197 664**	**429 785**
Current liabilities		
Current portion of secured bank loans	284 817	204 911
Current portion of secured borrowings	196 970	-
Unsecured bank loans	-	421 254
Total short-term loans and borrowings	**481 787**	**626 165**
Current portion of lease liabilities	**231 290**	**283 323**

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

'000 RUB	Currency	Nominal interest rate	Year of maturity	31 December 2021 Carrying amount	31 December 2021 Nominal value	31 December 2020 Carrying amount	31 December 2020 Nominal value
Secured bank loans	RUB	6.51%	2021-2025	125 848	125 848	153 929	153 929
Secured bank loans	EUR	Variable rate 2.4% - 3.4%	2021-2024	470 352	470 352	665 609	665 609
Secured bank loans	EUR	Discounted rate 0.27%, Base rate 3.35%	2028	301 243	301 243	-	-
Secured bank loans	EUR	0.7%-0.8%	2020-2022	7 352	7 352	13 538	13 538
Secured bank loans	EUR	0.01%	2024	292 940	292 940	-	-
Unsecured bank loans	EUR	0.01%	2024	-	-	386 254	386 254
Unsecured bank loans	RUB	Key rate +1.55%	2021	-	-	35 000	35 000
Secured borrowings	RUB	1%*	2022-2023	392 285	392 432	368 576	392 432
Total liabilities				**1 590 020**	**1 590 167**	**1 622 906**	**1 646 762**

* As at 1 December 2019 the effective interest rate for this borrowing is 9.12%. Note 13(b).

Bank loans are secured by the following:

- land and buildings with a carrying amount of RUB 1 087 277 thousand at 31 December 2021 (31 December 2020: RUB 821 445 thousand) (See Note 11);
- receivables with a carrying amount of RUB 8 038 thousand at 31 December 2021 (31 December 2020: RUB 15 928 thousand) (See Note 14);
- lease liabilities are secured by the leased assets.

As at 31 December 2021 the Group has the opportunity to raise RUB 2 303 829 thousand of additional loans at the expense of unused credit lines.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2021		2020	
'000 RUB	**Lease liabilities**	**Loans and borrowings**	**Lease liabilities**	**Loans and borrowings**
Balance as at 1 January	713 108	1 622 906	647 473	921 526
Changes from financing cash flows				
Proceeds from loans and borrowings	-	2 501 237	-	3 517 563
Repayment of loans and borrowings	(432 137)	(2 512 802)	(300 429)	(3 010 340)
Other changes				
New leases	90 392	-	290 512	-
Interest expense	37 700	27 819	69 278	23 928
Interests paid	(37 700)	(28 642)	(69 278)	(23 280)
Unwinding of discount on loans and borrowings	-	24 190	-	28 489
Foreign exchange differences	-	(45 703)	-	166 803
Other changes	57 591	1 015	75 552	(1 783)
Balance as at 31 December	**428 954**	**1 590 020**	**713 108**	**1 622 906**

18 Trade and other payables

'000 RUB	**31 December 2021**	**31 December 2020**
Trade payables	348 050	693 907
Prepayments received	255 888	141 100
Income tax payable	22 945	4 677
Other taxes and levies payable, excluding income tax payable	33 685	25 920
Payables to employees	49 028	39 298
Payables to shareholders	915 638	18 639
Other payables	265 789	117 412
Total trade and other payables	**1 891 023**	**1 040 953**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 20.

19 Other liabilities

'000 RUB	31 December 2021	31 December 2020
Long-term account payables	216 353	289 975
Long-term provision for site restoration	80 354	74 476
Total other non-current liabilities	**296 707**	**364 451**

'000 RUB	31 December 2021	31 December 2020
Short-term provision for bonuses to key management	28 632	25 000
Short-term provision for unused vacations	69 931	31 577
Current part of long-term payables	101 687	101 687
Total other current liabilities	**200 250**	**158 264**

Other liabilities include payable to IDGC of Centre and Volga Region PJSC for electricity supply services. According to the settlement agreements of 26 December 2017, the debt was restructured and is repaying by the Group by equal instalments until June 2025. The discount rate was 9.24%.

The amount of the long-term provision for site restoration is the best estimate of the amount required to meet the current obligation to remediate contaminated land, determined at the reporting date, taking into account the risks and uncertainties specific to the obligation. A provision has been created by the Group in respect of the obligation to clean up the sludge collectors. Due to the long-term nature of this obligation, there is uncertainty in estimating the provision related to the costs that will be incurred. At the moment, the outflow of economic benefits is expected during 2062, which corresponds to the date of completion of the lease agreement for the respective land plots. The discount rate was 7.62%.

20 Fair values and risk management

(a) Fair value

Fair value of cash and cash equivalents, trade and other receivables, trade and other payables, short-term loans and borrowings equal to their carrying amount mainly due to the short maturity of these financial instruments.

(b) Risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular (planned) and ad hoc reviews of internal risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk (see Note 20 (b) (i))
- Liquidity risk (see Note 20 (b) (ii))
- Currency risk (see Note 20 (b) (iii))

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The most significant credit risk for the Group is non-fulfilment of obligations by counterparties in terms of payment for delivered products. To mitigate this risk, the Group focuses on sales to counterparties with a high credit rating, uses insurance of accounts receivable, letters of credit and bank guarantees, in some cases requires prepayment for goods.

Another group of credit risks includes bank's activities and possible decrease in their financial stability. To mitigate these risks, the Group constantly monitors the credit rating of banks.

The carrying amounts of financial assets represent the maximum credit exposure:

'000 RUB	**31 December 2021**	**31 December 2020**
Trade receivables	923 197	967 346
Other receivables	90 962	183 880
Cash and cash equivalents	1 946 991	987 662
	2 961 150	**2 138 888**

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

At 31 December 2021, the exposure to credit risk for trade and other receivables by types of receivables was as follows:

Gross carrying amount, '000 RUB	31 December 2021	31 December 2020
Accounts receivable for paper products sold for export	1 473 609	1 506 124
Accounts receivable for paper products sold in the domestic market	44 017	23 640
Accounts receivable for services	480 349	560 704
Total trade and other accounts receivables	**1 997 976**	**2 090 468**

An analysis of the aging of trade and other receivables at the reporting date is presented below:

	2021		2020	
'000 RUB	Gross carrying amount of receivables	Allowance for impairment of trade and other receivables	Gross carrying amount of receivables	Allowance for impairment of trade and other receivables
Current (not past due)	899 319	-	966 228	-
0-30 days past due	21 098	-	41 315	-
31-60 days past due	32 370	-	16 340	-
61-90 days past due	20 236	-	232	-
91-180 days past due	31 613	-	46 827	-
181-360 days past due	7 292	-	3 143	-
360 days past due	986 048	(983 817)	1 016 383	(939 242)
Total gross amount of trade receivables	**1 997 976**	**(983 817)**	**2 090 468**	**(939 242)**

Expected credit loss assessment for individual customers as at 31 December 2021

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agency Moody's.

The Group analyses customers on individual basis in case of significantly different exposure to a credit risk compared with other population of receivables.

Expected credit loss assessment for other customers

The Group uses an allowance matrix to measure the ECLs of trade receivables from other customers, which have similar credit rating and are not analysed on individual basis.

Loss rates are based on actual credit loss experience over the past three years. These rates if necessary are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movements in the allowance for ECLs in respect of trade and other receivables:

'000 RUB	2021	2020
Balance at 1 January	(939 242)	(1 418 924)
Recognised impairment loss	(61 236)	(123 354)
Reversal of allowance	14 842	372 662
Account receivable write-off using allowance	1 189	230 374
Balance at 31 December	(983 817)	(939 242)

Cash and cash equivalents

The Group held cash and cash equivalents of RUB 1 946 991 thousand at 31 December 2021 (31 December 2020: RUB 987 662 thousand). The cash, cash equivalents are held in banks and financial institutions, which are rated from AAA to BBB+ based on ACRA, from ruAAA to ruBBB- based on Expert RA ratings.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

31 December 2021		Contractual cash flows				
'000 RUB	**Carrying amount**	**Nominal value**	**Less than 1 year**	**From 1 to 2 years**	**From 2 to 5 years**	**More than 5 years**
Non-derivative financial liabilities						
Loans and borrowings (include interest expenses)	1 590 020	1 673 819	528 959	678 338	466 522	-
Lease liabilities	428 954	449 114	230 338	152 725	47 295	18 756
Trade and other payables	1 891 023	1 891 023	1 891 023	-	-	-
Other liabilities	496 957	372 097	106 428	106 428	159 241	-
	4 406 954	**4 386 053**	**2 756 748**	**937 491**	**673 058**	**18 756**

31 December 2020		**Contractual cash flows**				
'000 RUB	**Carrying amount**	**Nominal value**	**Less than 1 year**	**From 1 to 2 years**	**From 2 to 5 years**	**More than 5 years**
Non-derivative financial liabilities						
Loans and borrowings (include interest expenses)	1 622 906	1 708 549	653 823	450 029	604 697	-
Lease liabilities	713 108	1 045 491	330 366	223 613	180 147	311 365
Trade and other payables	1 022 313	1 022 313	1 022 313	-	-	-
Other liabilities	522 714	478 525	106 428	106 428	265 669	-
	3 881 041	**4 254 878**	**2 112 930**	**780 070**	**1 050 513**	**311 365**

(iii) Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group entities. The functional currency of the Group is the Russian Rouble (RUB).

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows:

'000 RUB	**USD-denominated**	**EUR-denominated**	**USD-denominated**	**EUR-denominated**
	2021	**2021**	**2020**	**2020**
Lease liability	-	(50 956)	-	(21 968)
Cash and cash equivalents	1 003 733	189 000	594 748	23 962
Secured bank loans	-	(1 036 921)	-	(1 065 401)
Trade payables	(10 386)	(88 003)	(16 536)	(58 045)
Trade receivables	1 326 814	162 560	1 404 777	118 815
Net exposure	**2 320 161**	**(824 320)**	**1 982 989**	**(1 002 637)**

The following main foreign exchange rates were applied during the year:

RUB	**Average rate**		**Reporting date spot rate**	
	2021	**2020**	**2021**	**2020**
1 USD	73.6685	72.3230	74.2926	73.8757
1 EUR	87.0861	82.8358	84.0695	90.6824

Sensitivity analysis

A reasonably possible strengthening (weakening) of the RUB, as indicated below, against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss before taxes by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast revenue and purchases.

'000 RUB	**Strengthening**		**Weakening**	
	Equity	**Profit or loss**	**Equity**	**Profit or loss**
31 December 2021				
USD (20% movements)	(464 032)	(464 032)	464 032	464 032
EUR (20% movements)	164 864	164 864	(164 864)	(164 864)
31 December 2020				
USD (20% movements)	(396 598)	(396 598)	396 598	396 598
EUR (20% movements)	200 527	200 527	(200 527)	(200 527)

21 Subsidiaries

Subsidiary	**Country of incorporation**	**31 December 2021 Ownership/voting**	**31 December 2020 Ownership/voting**
VolgaResource LLC	Russian Federation	100%	100%
AgroMir LLC	Russian Federation	100%	100%
Volga UK - Housing and Communal Services LLC	Russian Federation	80%	80%

22 Leases

Primarily, the Group leases vehicles (railway carriages for timber transportation), and also land. The Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

Information about leases for which the Group is a lessee is presented below.

i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (See Note 11).

'000 RUB	Land	Machinery and equipment	Total
Balance at 1 January 2021	140 506	1 019 578	1 160 084
Change in the original price of the asset due to the contract modification	(74 613)	71 092	(3 521)
Depreciation charge for the year	(12 904)	(189 915)	(202 819)
Additions to right-of-use assets	-	90 392	90 392
Disposals	-	(15 842)	(15 842)
Balance at 31 December 2021	**52 989**	**975 305**	**1 028 294**

ii) Amounts recognised in profit or loss

'000 RUB	2021
Interest on lease liabilities	37 700
Amortisation	202 819

iii) Amounts recognised in the statement of cash flows

'000 RUB	2021
Total cash outflow for leases	(469 837)

iv) Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

v) Enforceability and penalties

The determination of the lease term for lease contracts in which the Group is a lessee is based on the period for which the contract is enforceable. The enforceability of the lease is established not only by the written contract in combination with applicable legislation related to renewal or termination rights, but also by economic disincentives for the lessee and/or the lessor that might create a 'penalty' in a broader meaning. The Group has applied judgement to identify which lease contracts are renewable so that establishing the terms and conditions under which a lease will continue after the date on which both parties can terminate the lease.

This might result in the lease enforceability period going beyond the boundaries of the written renewable contract because of inclusion of additional period which lasts until the moment when the 'penalty' becomes insignificant for both parties. Contrary, in non-renewable lease contracts the penalties do not create additional lease enforceability beyond contractual end date and any subsequent usage in the periods beyond the boundaries of the written non-renewable contract is accounted for as a new lease or a modification of the existing lease.

As at 31 December 2021 the Group has not identified revolving leases as agreements establishing conditions under which the lease will continue beyond the date on which both parties can terminate the lease.

23 Taxation contingencies

Taxation contingencies in the Russian Federation

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year is generally open for review by the tax authorities during three subsequent calendar years. Currently the tax authorities are taking a more assertive and substance-based approach to their interpretation and enforcement of tax legislation.

Management believes that it has provided adequately for the tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts could differ and the effect on these consolidated financial statements, if the tax authorities are successful in enforcing their interpretations, could be significant.

24 Related parties

Parent and ultimate controlling party

The Group does not have a parent company. The ultimate controlling party is Breus Shalva Petrovich, holder of 99.0035 % shares of JSC "Volga.

Transactions with key management personnel

Key management received the following remuneration during the year, which is included in employee benefit expenses.

'000 RUB	2021	2020
Salaries	203 725	165 188
Bonuses to management personnel	24 861	21 707
Annual paid vacation	7 156	27 999
Other payments	3 236	2 633
Social security contributions	37 268	28 754
	276 246	**246 281**

Other related party transactions

	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2021	**2020**	**2021**	**2020**
Others:				
International Cultural Foundation "BREUS FOUNDATION"	(45 000)	(34 000)	-	-

25 Subsequent events

In 2022 the Group concludes with Sberbank PJSC a pledge agreement in the amount of RUB 3 791 471 thousand and a mortgage agreement in the amount of RUB 1 081 619 thousand for financing strategic investment projects.

In the period from 1 January 2022 the Group received loans and borrowings under existing agreements in the amount of RUB 302 520 thousand. The Group repaid loans and borrowings in the amount of RUB 219 807 thousand.

In 2022 dividends were paid for 2018 and 9 months 2021 in the amount of RUB 762 155 thousand.

In the past few days and weeks, in the wake of the special military operation launched by the Russian Federation in Ukraine, the United States of America, the European Union and several other countries have imposed additional tough sanctions on the Government of the Russian Federation, as well as major financial institutions and other businesses and individuals in Russia. In addition, restrictions were imposed on the supply of various goods and services to Russian enterprises. As a response, the Government of the Russian Federation adopted a set of currency control measures, and the Central Bank of the Russian Federation raised the key rate to 20%.

Currency risk

A significant depreciation of the Russian rouble will not lead to a significant weakening of financial position of the Company due to natural hedging. More than 70% of the Company's revenue is exported, so the upward revaluation of debt on liabilities denominated in foreign currency will be offset by an increase in assets. Despite the need to sell 80% of the proceeds, natural hedging remains effective.

Interest risk

There were no debt obligations linked to the key rate of the Central Bank of the Russian Federation as at 31 December 2021. After 31 December 2021, no sampling was carried out for existing floating rate loan agreements. An increase in the key rate to 20% will have no impact on interest expenses, based on the assumption that the structure of debt obligations will not change significantly.

Credit risk

The imposition of sanctions may affect the ability of some domestic buyers to repay their debts to the Group. The international rating agency Standard&Poor's has downgraded Russia's credit rating to CCC-. Accounts receivable from buyers in the domestic market are not significant (31 December 2021: RUB 44 million; 28 February 2022: RUB 57 million; the share of overdue debt has not changed).

At present, the Group has not identified a significant impact of this event on its financial position, financial results and future cash flows, however, it is in the process of continuously assessing the impact of these fluctuations.

Impairment

The company has prepared a financial model based on the most pessimistic scenario for the next 12 months. Management has adjusted its forecasts for 2022 using the following assumptions: decrease of sales volumes, reduction in the number of geographic segments for exports of finished products, significant devaluation of the rouble, continued implementation of the investment program.

Based on the results of the revised financial model, no impairment was identified.

Revenue

More than 70% of the Company's revenue is exported. Thus, according to Management's assessment, against of the weakening rouble and the continued growth in paper prices, no negative impact on revenue was identified.

Operating expenses

Up to 20% of operating expenses are dominated in USD and EUR. Settlements with Chinese suppliers are partially converted into CNY. The increase in expenses due to the growth of the exchange rate will be offset by the growth of foreign exchange earnings.

Currently, the stock of the Company's key resources, as assessed by Management, is sufficient. Due to restrictions imposed by different countries, there may be delays in deliveries. The Company's management is working on alternative routes.

26 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and the liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss for the period.

(ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The non-controlling interests at the reporting date represent the proportionate share of the fair value of the subsidiary's identifiable assets and liabilities at the acquisition date and of the change in net assets since the acquisition date. Acquisitions of non-controlling interests are accounted for as transactions with owners acting as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to the non-controlling interest are based on the proportionate amount of the net assets of the subsidiary.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated.

(b) Revenue

Information about the Group's accounting policies relating to contracts with customers is provided in Note 7.

(c) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;

- interest expense;
- dividend income;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses (and reversals) on investments in debt securities carried at amortised cost or FVOCI;

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(d) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising from the translation are generally recognised in profit or loss.

(e) Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(f) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or transactions recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

(g) Inventories

Inventories are recognised at the moment of transfer to the Group of significant risks and rewards associated with holding the inventories. This moment may not coincide with the date of transfer of ownership in the contract.

Upon initial recognition, the Group evaluates the inventories at the cost of purchase or manufacture, which is the sum of all costs incurred by the Group in connection with bringing the inventories to their current condition and location.

Cost of purchase includes:

- amounts paid in accordance with the contract to the supplier (minus trade discounts) – book value;
- amounts paid for information and consulting services related to the acquisition of inventory;
- fees paid to the intermediary for the purchasing of inventory;
- import customs duties;
- non-refundable taxes paid in connection with the purchase of inventory;
- costs of transport services for delivery to the place of use, loading / unloading;
- the cost of bringing the inventory to a condition in which they are suitable for use for the planned purposes;
- various costs directly related to the acquisition of inventory.

The cost of finished goods (excluding the cost of raw materials) is determined based on direct production costs, as well as systematically allocated fixed and variable production overheads arising from the processing of raw materials into finished goods.

The purchase price of raw materials nominated in a currency other than the functional currency is translated at the date of acquisition/ incurring costs.

Costs excluded from the cost of inventories and recognised as expenses in the period in which they are incurred are:

- abnormal amounts of wasted materials or other production costs;
- storage costs, unless those costs are necessary in the production process;
- administrative overheads that do not contribute to bringing inventories to their present location and condition;
- selling costs.

At the end of each reporting period the Group measures inventories at the lower of:

- cost of inventories, or
- net realisable value.

The actual cost of inventories may be higher than their net realisable value if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined in case of change in market conditions.

If the actual cost of inventories exceeds their net realisable value, the Group creates allowance for impairment of such inventories. The allowance is calculated based on the net realisable value of the inventory. The allowance is estimated in relation to inventory balances based on aging and turnover analysis of inventory balances.

In the financial statements, the amount of the allowance reduces the value of the inventory.

When determining whether inventories are impaired or not, the Group analyses the following factors:

- physical condition of inventory;
- opportunity to use them for the production and / or sale of goods, works, services or for administrative purposes;
- the level of market prices for identical / similar assets.

The net realisable value of inventories is calculated by the Group based on the information available prior to the date the financial statements were approved for issue. In calculating the net realisable value of inventories, changes in the price or cost of inventories associated with events after the balance sheet date are taken into account to the extent that they confirm conditions that existed at the balance sheet date.

The impairment of inventories to net realisable value through the creation of an allowance is recognised as an expense in profit or loss in the period in which a decrease in the value of inventories is detected.

The estimate of net realisable value at the end of each reporting month is revised.

If, in the reporting periods following the recognition of impairment of inventories, their net realisable value continues to decline, then the amount of allowance related to these inventories shall be adjusted for increase as an expense in profit or loss of current period.

If circumstances that previously caused the write-down of inventories below cost no longer exist, and the inventories have not yet been consumed, then the amount of write-down is reversed in the limit of the original write-down. The Group recognises a decrease (reversal) of the allowance previously created. Reversal of inventories above the origin cost is impossible.

(h) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve as revaluation surplus is transferred to retained earnings.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the lower of lease term and useful life, except cases when the Group has reasonable assurance that ownership on these assets will transfer to the Group at the end of lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment for the reporting period are as follows:

Name of group	**Useful lives in 2021**
Land	Not depreciated
Buildings	5-50 years
Equipment	3-30 years

Name of group	Useful lives in 2021
Fixtures and fittings	1-20 years
Vehicles	3-30 years
Other PPE	1-20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Estimates in respect of items of plant and equipment were revised in 2019 (see Note 11).

(i) Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(i) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

(ii) Amortisation

Amortisation is based on the cost of the asset less its estimated residual value.

Amortisation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.

The estimated useful lives of intangible assets for the current and comparative periods are as follows:

Software 7 years;

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(j) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI criterion), the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses: policy

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss for the period.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group has fixed rate bank loans for which the banks have the option to revise the interest rate following the change of key rate set by the CBR. The Group has an option to redeem the loan at par without penalty. The Group considers these loans as in essence floating rate loans.

(iii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Group analogises to the guidance on the derecognition of financial liabilities.

The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature).

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Group applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Group recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the CBR key rate, if the loan contract entitles banks to do so and the Group has an option to redeem the loan at par without penalty. The Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(iv) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(k) Impairment

(i) Non-derivative financial assets

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Loss allowances for other financial assets measured at amortised cost, measured at 12-month ECLs, if there is no significant increase of credit risk from the moment of recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- the financial asset is more than 365 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or being more than 90 days past due;

- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 360 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Allowance for expected credit losses for trade receivables

The Group uses an allowance matrix to measure the ECLs of trade receivables. ECL rates are set based on the number of days overdue for different segments with similar credit risk characteristics:

- accounts receivable for export sales of paper products;
- accounts receivable from sales of paper products in the domestic market;
- accounts receivable for the sale of energy transmission services to legal entities;
- accounts receivable for the sale of energy transmission services to individuals.

Allowance matrix is initially based on observable historical defaults. The Group reasonably uses the information for the three previous periods and updates an allowance matrix annually, taking into account the forecast factors specific to counterparties and economic conditions, as well as adjustments for factors that were in the past and no longer exist.

Impairment losses for individually significant customers are analysed on an individual basis and excluded from the allowance matrix.

Allowance for expected credit losses on trade and other receivables on an individual basis

ECL = EAD * PD * LGD

Where:

EAD - amount at risk in case of default;
PD - probability of default;
LGD - loss in case of default;
t - term to maturity.

The following formula is used to bring the probability of a default to the corresponding term of the receivable:

$$PD_t = 1 - (1 - PD_{12})^{t/365}$$

The probability of default during the life of a financial instrument is assessed by credit ratings based on data from rating agencies. In the event that a counterparty does not have a rating, the rating may be calculated based on the sovereign rating of the respective country, adjusted for the individual characteristics of the counterparty. Loss in case of default is estimated based on a counterparty rating and credit rating agency statistics on unsecured bond claims.

Allowance for expected credit losses on bank account balances

The Group believes that bank account balances have low credit risk if banks' credit ratings meet the generally accepted definition of investment quality ratings. The Group considers it to be equal to ruA- or higher according to Expert RA estimates or A- (RU) or higher according to ACRA estimates (estimates on the national scale).

(ii) *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine if there is any indication that they are impaired. If any such indication exists, the recoverable amount of the related asset is calculated.

At the end of each reporting year, the Group checks for any indications of assets impairment and, if identified, determines the recoverable amount of the assets. An asset is impaired if its carrying amount exceeds its recoverable amount.

Information obtained from both external and internal sources can be used as indicators of asset impairment.

External indicators of impairment:

- during the reporting period, the market value of the asset decreased by an amount significantly exceeding the decline in value expected as a result of its normal use;
- significant unfavourable changes have occurred during the reporting period or will occur in the near future in the technical, market, economic or legal environment in which the Group operates;
- the book value of the Group's net assets exceeds its market capitalisation.

Internal indicators of impairment:

- there are indicators of obsolescence of an asset;
- material changes that adversely affect the position of the Group in the degree of use or the way of using the asset in the present or in the future. These changes include plans to discontinue or restructure the activity to which the asset belongs, or to sell or liquidate the asset before a certain date;
- there is evidence that indicates that the current or future economic results of using the asset are worse than expected.

The above indicators are not exhaustive. The conclusion about the need for an impairment test is made on the basis of an analysis of the entire set of factors that may indicate the existing of indicators of impairment.

If the recoverable amount of an asset for which there is an indication of impairment cannot be measured reliably, then the recoverable amount of the cash-generated unit (CGU) that contains the asset is estimated.

The recoverable amount of an asset or CGU is the higher of the asset's (unit's) value in use and its fair value less costs to sell. In calculating value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in profit or loss for the period.

An impairment loss recognised in a prior period is reviewed at each reporting date to identify indications that the amount of the loss should be reduced or should no longer be recognised. Amounts written off for impairment losses are reversed if there has been a change in the estimates used to calculate the recoverable amount. An impairment loss is reversed only to the extent that the assets are restored to their carrying amount at which they would have been carried (less accumulated depreciation) if no impairment loss had been recognised.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Provision for site restoration and remediation of contaminated land

The Group recognises a provision for site restoration arising from the Group's business. Obligations to take measures to eliminate environmental pollution are recognised as soon as the corresponding pollution occurs and treated as operating expenses of the reporting period. The estimated liability is calculated on the expected cost of allotment/neutralisation of pollution at current prices.

(m) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable under a residual value guarantee; and

– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities separately as a part of non-current and current liabilities in the consolidated statement of financial position.

In accordance with IFRS 16 variable payments which do not depend on index or rate, e. g. which do not reflect changes in market rental rates, should not be included in the measurement of lease liability. In respect of municipal or federal land leases where lease payments are based on cadastral value of the land plot and do not change until the next revision of that value or the applicable rates (or both) by the authorities, the Group has determined that, under the current revision mechanism, the land lease payments cannot be considered as either variable that depend on index or rate or in-substance fixed, and therefore these payments are not included in the measurement of the lease liability.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

(n) Government grants

In accordance with the legislation of the Russian Federation, companies can receive certain government grants. Government grants are reflected in the financial statements of the Group only if there is reasonable assurance that all conditions necessary for their receipt are met and grants will be provided.

Most of these grants provided to the Group are government grants related to compensation of expenses for transportation of finished goods for export. These grants are not provided systematically, and the Group reflects them in the financial statements only upon receipt. The Group accounted grants for reimbursement of transportation costs as a reduction in transportation costs in the period to which they relate, or as part of other income, if grants received in the reporting period relate to compensation of expenses incurred in prior reporting periods.

Certain government grants compensate the cost of paying interest. The Group accounts these grants as compensation for interest expenses during the period to which they relate.

The benefit received from the loan provided by the government at a below-market rate of interest is treated as a government grant. The loan is recognised and measured in accordance with IFRS 9 *Financial Instruments*. The benefit from the use of below market rates is measured as the difference between the initial carrying amount of the loan, in accordance with IFRS 9, and cash proceeds.

Government grants related to the acquisition of an asset are treated as deferred income and included in profit or loss for the period when the respective asset is depreciated.

(o) Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(p) New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group has determined that there will be no uncompleted contracts among those existing as at 31 December 2021 before the amendments become effective.

Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Group accounts for deferred tax on leases and decommissioning liabilities applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. Under the amendments, the Group will recognise a separate deferred tax asset and a deferred tax liability. There will be no impact on retained earnings on adoption of the amendments.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

– *COVID-19-Related Rent Concessions beyond 30 June 2021* (Amendment to IFRS 16).

– *Annual Improvements to IFRS Standards 2018–2020 – different standards.*

– *Property, Plant and Equipment: Proceeds before Intended Use* (Amendments to IAS 16 *Property, Plant and Equipment*).

- *Reference to Conceptual Framework* (Amendments to IFRS 3).
- *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1).
- IFRS 17 *Insurance Contracts*.
- *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2).
- *Definition of Accounting Estimates* (Amendments to IAS 8).

www.
volga-paper.ru

https://t.me/
jsc_volga

https://vk.com/
bumkombinat_volga