volga

VOLGA
JOINT-STOCK
COMPANY

ANNUAL REPORT 2022

ANNUAL REPORT
of Volga Joint-Stock Company for 2022

APPROVED BY:
by the annual general meeting of Volga JSC
on June 16, 2023, Minutes of the AGM No. 70
dated June 19, 2023

PROVISIONALLY APPROVED BY:
the Board of Directors of Volga JSC
on May 12, 2023, Minutes No. 05/2023
dated May 15, 2023

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

Volga JSC and the pronoun “we” and its various forms, should be understood as a set of companies consisting of Volga JSC and its subsidiaries.

Content

Dear Shareholders!

The last 2022 was a difficult year for the vast majority of timber companies. Our Company also faced many challenges, but managed not just to resctructure, but to reconsider some lines of business dimensions, sales geography, and product distribution strategy.

During 2022, we changed the sales geography thrice, and each time it changed by at least 40%. At the same time, the efforts of management allowed structuring the processes of forecasting, planning, production and sales, which eventually strengthened the Company. On top of that, we managed to go through the year keeping up productivity and production volumes at the target level. This is a great credit to our entire close-knit team, which is able to quickly and efficiently meet the challenges of sustainable business processes in turbulent conditions.

Despite all the challenges that arise, according to the Company performance figures in 2022, the EBITDA per IFRS increased by 39% vs. 2021 and amounted to RUB 4.33 billion Revenues from product sales grew by 8% to 14 billion rubles, net profit amounted to RUB 2.7 billion.

Last year, the Company produced the most products since 2014: by the end of 2022, the group's outputs exceeded 300 thousand tons. The share of Volga JSC in the production output among Russian paper-makers in 2022 was 22%.

The geopolitical events of 2022 demanded us even more flexibility and elasticity: though there was a time when 60% of the "Volga" production structure was packing paper and 40% was newsprint paper, but in 2022, due to changes in the market environment, 60% was newsprint paper and 40% packing paper. Europe, which was a heavy consumer of packaging paper, has left our customer pool. At the same time, in China, in the run-up to the election and amid political changes, the consumption of newsprint has increased. Therefore, it has become more profitable for us to produce newsprint paper. And this is our leading edge: we can flexibly respond to market changes and quickly adjust the product portfolio.

At the same time, the key to success is the final consumer management. In this regard, Volga JSC plans to develop the customer service support activity.

In 2022, we exported our products to more than 50 countries around the world.

The markets that we are rediscovering the present day are China, the Middle East, Africa, Türkiye, and the CIS. Today, China is the key market for us. We are re-entering the African market because the existing logistical restraints urged us to seek alternative routes, new traders. Now we are getting back to our customers. But we are getting back not only with newsprint paper, but also with various types of papers.

Our conventional markets are Russia and India. Russia, of course, remains a priority market for us. And not only for newsprint paper, which has been the trademark of Volga over the years, but also for packing papers. In 2020, Volga came to the corrugated pack market, and in 2021 it consolidated its market power.

The Company's development strategy, which we have been gradually implementing starting from 2019, has made it possible for us not only to overcome every difficulty in 2022, but also to make much more headway.

In 2022, the Company invested heavily in expanding production, improving the energy efficiency of the enterprise and increasing the volume of paper output.

Last year, Volga JSC received a concessional loan for further production modernization, which will allow introducing the latest "green" technologies and increasing the production of packing types of paper by 40-50% in 2024.
The Company has started implementing a new investment project in the Nizhny Novgorod region, which includes the modernization of paper-making machine No. 6 and the expansion of logging operations in the region.

During 2022, the Investment project concept received all necessary approvals and was included in the list of priority investment projects in the forest exploitation.

The reforestation program was implemented by Volga JSC in 2022 in full measure. According to the logging unit progress, the annual allowable cut in 2022 was worked up by 95% of the plan, adjustments were periodically made by the market demand for forest products. The main role in the forest raw material supply was played by the implemented mechanism in the form of direct wood supplies and reciprocal deliveries of raw materials. Such a scheme of wood supply gives confidence in the future and guarantees uninterrupted supply of raw materials.

The large-scale investment program implementation will not only increase the production output and ensure competitiveness of Volga JSC in the domestic and global markets, but also create more than 500 additional jobs when adding new capacities.

The long-term hiring plan until 2025 provides for implementation of various career guidance projects, attracting recent graduates, skilled workers and engineers, training and development of personnel in the employment setting, training in in-demand jobs at the expense of the Company, setting and development of the succession pool.

In 2022, Volga JSC launched a new employee incentive scheme evolution program, and the Company gain the lead in the rating of employers of choice in the region in 2022.

More than 60 professionals from various business units of Volga JSC have already participated in the new "Reliability" ("Nadezhnost") project focused on building a system to improve the reliability of papermaking equipment. The "Reliability" project is large-scale and new initiative for our enterprise. Its main goal is the change from work on the elimination of emergency situations in production, to the prevention of such situations.

One of the main priorities for the Company is environmental protection. The results of 2022 confirm the Company's commitment to the principles of the "low-carbon economy", focusing on minimizing waste generation and efficient use of natural resources. The total amount of the Company's current expenditures for environmental protection in 2022 exceeded 300 mln rubles.

In implementing the Company's sustainable development program in 2022, we also managed to achieve a lot: in 2022, "Expert RA" rating agency confirmed the credit score of Volga JSC at the ruA- level with stable outlook.

In 2022, key equipment for a new turbine in the power complex (NiGRES - Nizhny Novgorod state regional power plant) was put into production, deliveries of the major equipment for modernization of paper-making machine No. 6 began, projects to improve the production quality of paper-making machines No. 8 and No. 5 continued, which demonstrated a positive effect from their implementation.

At the same time, focus was placed on search of new equipment and service suppliers, import relief actions and supply chain optimization.

In 2022, Volga JSC became a member of the Chamber of Commerce and Industry of the Nizhny Novgorod Region, having received additional opportunities to participate in regional state support programs and revitalize its activities, look for new markets, and develop economic links with companies in Russia and rest of the world.

Work on finished product quality improvement is in progress. In 2022, the Company received a "Conclusion on the state of measurements in the paper laboratory" valid until 2025. Compliance with this standard makes sure that the products of the paper mill meet all quality control requirements, which is confirmed by conclusions drawn up by the State Regional Center for Standardization, Metrology and Testing in the Nizhny Novgorod region.

Four types of Volga JSC products won prizes at the All-Russian competition "100 Best Products of Russia-2022": corrugating paper, newsprint paper (GOST), light-weight news stock and bulky plain paper.

In the future, the Company will continue to actively search for projects on efficiency enhancement, production improvement and business transformation.

In conclusion, I'd like to thank the shareholders and the team of Volga JSC for their vote of confidence and support. I am absolutely positive that our collaborative efforts will result in successful implementation of all development plans for the development of the Company and the retention of leading positions in the market.

Best regards,

Sergei Iosifovich Pondar
General Director of Volga JSC

Section 1

About the Company

1.1. Company’s profile

Volga Joint-Stock Company (Balakhna, Nizhny Novgorod region) is one of the leading manufacturers of packing papers and newsprint paper made of 100% thermomechanical pulp in Russia.

Volga JSC products, repeatedly awarded with Diplomas of the All-Russian competition “100 Best Products of Russia“, are exported to more than 50 countries across the world.

Volga JSC ranks among Top 50 largest timber companies in Russia, Top 100 largest companies of the Nizhny Novgorod region and “Largest exporters of the Nizhny Novgorod region.“

Volga JSC is put in the list of systemic (socially significant) companies of the Russian timber-processing complex by the Ministry of Industry and Trade of Russia.

Location and postal address:

1 Gorky Str., Balakhna, Balakhna District, Nizhniy Novgorod Region, Russian Federation, 606407

Volga JSC state registration date: April 13, 1994, Certificate Series AOOT No. 33/ 94, issued by the Administration of the Balakhna District the Nizhny Novgorod region. The Company is registered with the Inspectorate of the Federal Tax Service Inspection of Russia for the Balakhna district of the Nizhny Novgorod region under the primary state registration number 1025201418989, date of making an entry: August 30, 2002.

The Resolution of the Annual General Meeting of Shareholders dated 18.05.2022 approved the new addition of the charter of Volga JSC, registered with the Inter-District Federal Tax Service Inspectorate of Russia No. 15 in the Nizhny Novgorod region on 23.06.2022 under State Registration Number 2225200483473.

Taxpayer identification number:

5244009279.

Company’s registrar:

Joint Stock Company «Independent Registrar Company R.O.S.T.», License of the Central Bank of the Russian Federation No. 045-13976-000001 dated 03.12.2002, Legal address: 107076, Moscow, Stromynka str.,18, bldg. 5B, OGRN: 1027739216757, OGRN assignment date: 18.09.2002, INN: 7726030449, KPP: 771801001.

Company’s Auditor:

Company’s Auditor – “Kept” JSC. «Kept» JSC is an audit organization, as defined in Federal Law of the Russian Federation No. 307-FZ On Auditing (Federal Law No. 307-FZ), and is included on the register of auditors of the Self-Regulatory Organization of Auditors of the “Commonwealth” association of accountants and auditors. «Kept» JSC is also included on the register of audit organizations providing audit services to publicly significant organizations. Audit activity in Russia is carried out through “Kept” JSC. Detailed information on “Kept” JSC is available at the link through the link: https://kept.ru.

The primary registration number of entry in the register of auditors and audit organizations: 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.

1 740
people
Average number of employees

313,6
thousand tons
Sales volume

13 833
million
Revenue RUB*

1 236
million
Taxes and Insurance Premiums paid RUB

54
countries
Geography of supplies

* IAS-based revenue amounted to 14,074 mln rubles

1.2. History of the Company creation

1928

In 1928, the first paper-making machine was launched at the Balakhna paper mill. In the 1930s, three more paper-making machines were put into operation. Since then, the Balakhna mill has annually enhancing its production capacity.

1940

In the 1940s, Pravda, Krasnaya Zvezda newspapers, dozens of army and divisional newspapers, and millions of leaflets were printed on Balakhna paper. In the course of the Great Patriotic War years, the paper mill supplied 458 thousand tons of newsprint paper to the printing works in the front lines and in rear areas. By the end of the 1950s, the volume of production reached 250 thousand tons of finished products.

1960

In the 1960s, a fundamental reconstruction of the enterprise began: complexes of the sixth and seventh paper-making machines, a new pulp plant and a warehouse of finished products were put into operation.

1970

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

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

1990

A key milestone in the history of the company 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, Volga JSC has been accepting for processing only forest products grown in compliance with environmental requirements. The Company is certified by the Forest Stewardship Council® (FSC).

2006

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

2008

Since 2008, all bark waste along with sewage treatment plant sediments have been burned to produce thermal energy in a large-capacity waste-heat boiler, and the ash generated by waste incineration is cooled and disposed in an environment-friendly manner.

2015

In 2015, the Nizhny Novgorod State Regional Power Plant n.a. A.V. Vinter joined Volga JSC and became a power complex that supplies the paper mill with electric power, and provides uninterrupted supply of heat and hot water to enterprises and organizations of Balakhna.

Since 2015, Volga JSC has been producing newsprint paper from 100% thermomechanical pulp using a new technology.

2017

In 2017, Volga JSC set up production of 40 g/m^2 low-weight newsprint paper. The advantage of this product is the extended density of paper wrapped around one reel.

2018

In 2018, Volga JSC restarted paper-making machine No. 4, which made it possible not only to expand the sales markets of finished products, but also to create new jobs. The Company has also started creating its own fleet of railway rolling stock within the framework of the Company's new development strategy.

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

2019

In 2019, a phased implementation of the Volga JSC forest exploitation investment project "Expansion of the thermomechanical pulp (TMP) production" began, which allowed the Company to start producing more than 40 ths. tons of paper per year, as well as other products made of deep-conversion wood.

2020

In 2020, the Company completed building the full-cycle production: from the procurement of raw materials to the sale of finished products, becoming a vertically integrated timber company.

In September 2020, Volga JSC completed the implementation of the largest investment project in recent years "Expansion of the thermomechanical pulp (TMP) production."

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 ensure a solid ground for further sustainable development.

In 2021, the Company invested more than RUB 1.5 bln in a project to reorient production facilities in order to increase the production of packing papers and cartons, and also began re-equipping the energy power complex (NiGRES).

2022

Volga JSC launched a new employee incentive scheme evolution program, and the Company gain the lead in the rating of employers of choice in the region in 2022 (according to experts of the SuperJob job search service).

1.3. Awards, Events and Achievements in 2022

Production

"Reliability" Project

The intent of the "Reliability" program is to build a reliability management system for «critical» equipment, which allows ensuring reliability, safety and efficiency of its operation. The objectives of the program are to reduce equipment downtime and idling, increase productivity, create a system for monitoring the key indices of reliability and efficiency of equipment, involve personnel in measures to improve the reliability and efficiency of equipment.

At the moment, the alternate paths of the press part have been standardized, more than 30 standard process maps for PMM (paper-making machine) maintenance have been developed, whereby employees are certified. In 2022, the Company succeeded in significant reduction of breakages due to the analysis and modification of the PMM flushing procedure.

In 2022, a uniform dashboard was developed with visualization of the key indices of reliability and efficiency of the PMM, as well as analytics by all deviations from stable operation and the cost of such deviations. The working group members weekly analyze such deviations, and study emergency cases. The result of the analysis is the filling out of the pool of independent activities and investment projects, their implementation is monitored.

Volga JSC received a «Conclusion on the state of measurements in the paper laboratory» valid until 2025.

Compliance with this standard makes sure that the products of the paper mill meet all quality control requirements, which is confirmed by conclusions drawn up by the State Regional Center for Standardization, Metrology and Testing in the Nizhny Novgorod region.

Awards and achievements

Volga JSC products are on the list of laureates and diploma winners of the «100 Best Products of Russia–2022" contest

Four types of Volga JSC products won prizes at the All-Russian competition «100 Best Products of Russia" in the "Industrial and technology products" nomination: corrugating paper, newsprint paper (GOST), light-weight news stock and bulky plain paper.

The Volga JSC team was once again awarded the Honorary Standard of the Governor of the Nizhny Novgorod region

Volga JSC, which makes a substantial contribution to the industrial development in the Nizhny Novgorod region, became the leading enterprise of the timber industry in the region and was awarded the Honorary Standard of the Governor of the Nizhny Novgorod Region.

Sustainable development

"Expert RA" rating agency confirmed the credit rating of Volga JSC at the ruA- level

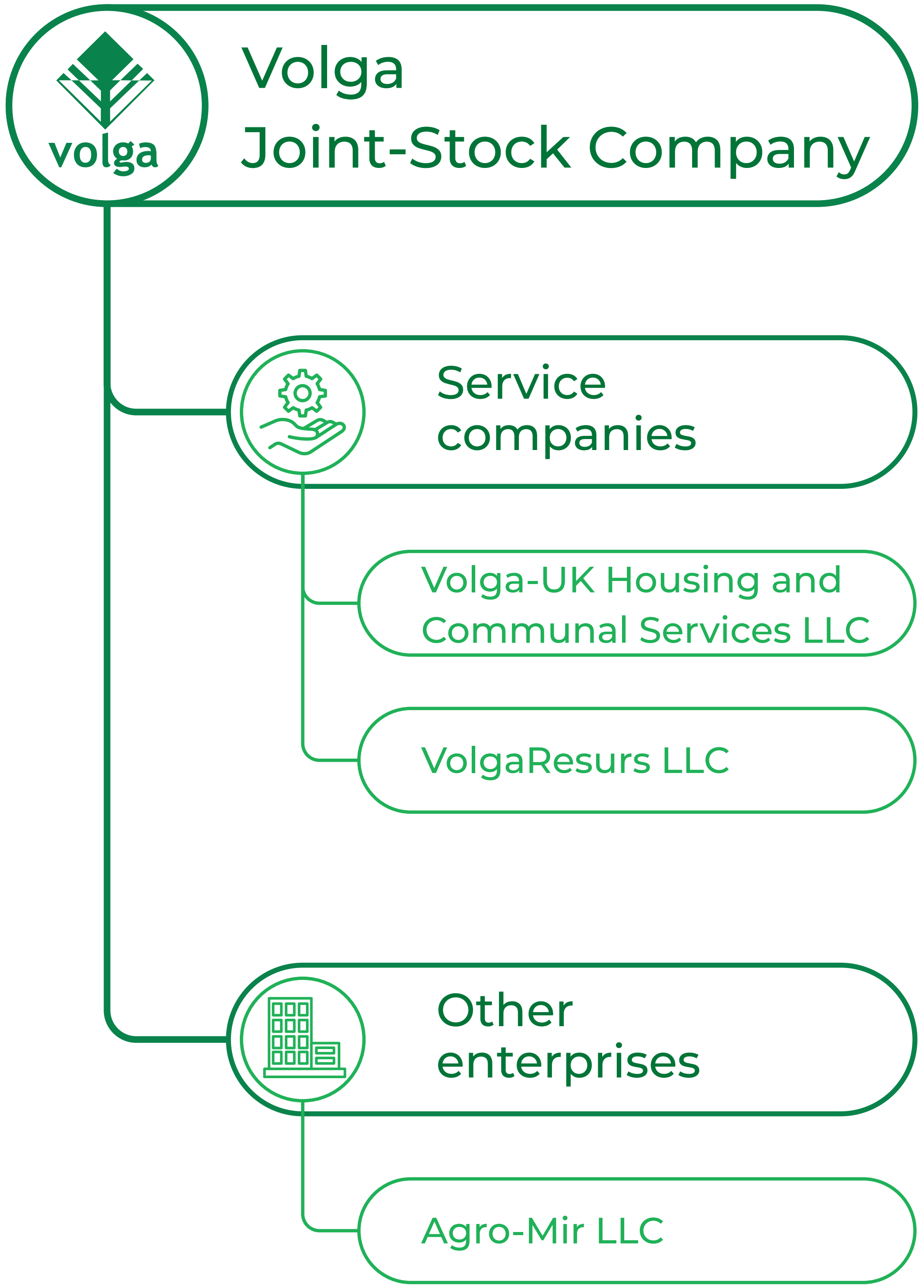
The level of the Mill's debt burden has a positive impact on the rating. With consideration of the large-scale investment program proposed for implementation, the agency does not expect the net debt-to-EBITDA ratio to exceed 3.2x in the next three years, believing that the Company will be able to postpone part of capital expenditures in the event of deterioration in the pricing environment. The level of the Company's interest burden is also assessed positively by the agency: the coverage of interest payments by EBITDA for all analyzed periods exceeds the agency's benchmark for the maximum estimate of 5.6x. Such positive metrics are caused by the prevalence in the loan portfolio of loans received at favorable interest rates under the program of subsidizing interest rates on export loans.

Volga JSC was admitted to the Chamber of Commerce and Industry of the Nizhny Novgorod Region

Having acceded to the Chamber of Commerce and Industry of the Nizhny Novgorod region, the Company has acquired a number of advantages, since the Chamber is a convenient platform for building constructive cooperation between business and government, a place that unites partners for an open dialogue. In addition, the Company received additional opportunities to participate in regional development programs and to intensify its activities, search for new markets, and develop economic relations with companies in Russia and foreign countries.

1.4. Structure

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



1.5. Business Priorities

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

Achievement of high performance indicators is expected due to an increase in productivity on existing equipment, increase in the share of packing paper and cardboard in the product portfolio up to 60%, increase in the volume of own forest exploitation, increase in the efficiency of existing generating equipment of the power complex to reduce the production cost, as well as optimization of production and sales costs.

The planned projects to be implemented in the company are focused on the increase of efficiency and production volumes, fully providing its own electricity, as a result, increasing the financial sustainability of the Company:

1 **IIncreasing the packing paper and cardboard production share**
is a key aspect of the company's sustainable development program.

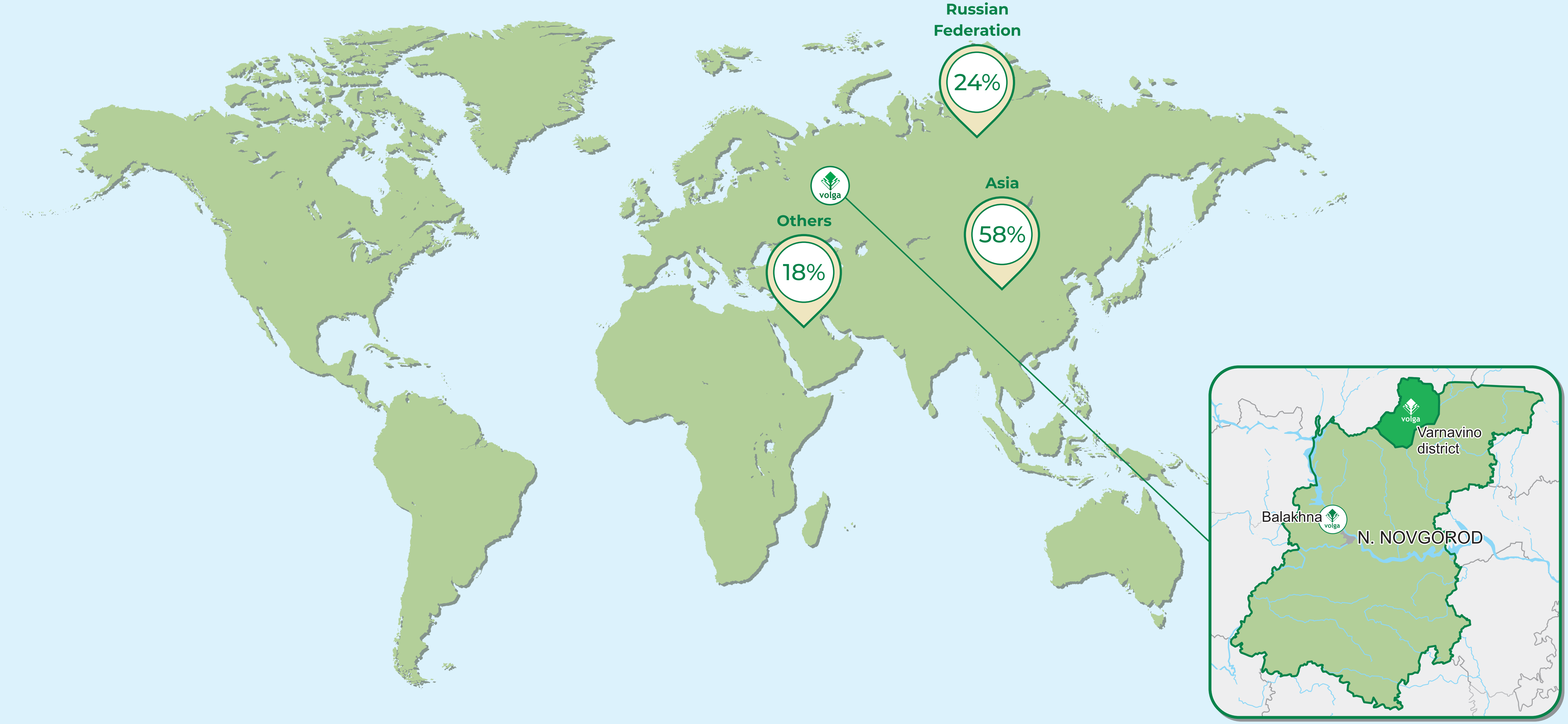
2 **Increasing own forest exploitation**
through the leasing of new areas, mainly in the Nizhny Novgorod region.

3 **Increasing the efficiency of existing generation equipment**
in the power complex (NiGRES) to fully provide its own electricity to newly introduced production facilities.

4 **Increasing the speed of paper-making machine No. 8 and reorienting paper-making machine No. 6.**
Rebuild PMM No. 6 will produce packing papers and cartons (liner and interliner), which will allow the company to increase the output of this type of product within the framework of the production diversification program.

5 **Environmental Program implementing,**
which includes the improvement of the wastewater treatment system, ensuring uninterrupted operation of socially significant facilities in Balakhna; organization of reliable operation of the municipal wastewater disposal infrastructure.
An important objective of this Program is to minimize waste generation and maximize the inclusion of byproducts in the production cycle.

1.6. Geography of Production and Sales Activities



Section 2

Strategy

2.1. Mission, Vision, and Values

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

Company 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 the Company:

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

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.

Legal compliance and safety

In the course of our activities, we perfectly comply with all labor protection, industrial and fire safety requirements, as well as environmental legislation.

Teamwork

The strength of our professional team involves mutual support and responsible attitude of each team member to their work.

Social accountability

We believe that the success of the Company is closely related to the development of the region where it operates and the society as a whole, so we conduct a sustainable business. 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 Growth Prospects

Volga JSC is a leader in the paper production from 100% thermomechanical pulp (TMP) in the Russian Federation. The prospects for the development are determined by the Company's strategic goals, priorities and ongoing projects.

The development is focused on:

- implementation of further production increase plans through:
  - launching new production facilities and upgrading current production;
  - diversification of the raw materials used, product portfolio, geographical segments and sales channels;
  - elimination of «bottlenecks» across all areas: papermaking equipment, semi-finished product (TMP) production, electricity generation, raw materials supply;
- achievement of maximum target indicators for implemented and prospective investments 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 five focus areas:

- modernization of current paper-making machines for manufacture of novel products that meet the best available technologies;
- increasing the intermediate production capacity for paper-making machines based on recycled pulp through introduction of a new line with a capacity of 500 tons per day, as well as increasing the efficiency of current TMP lines;
- increasing electricity generation through commissioning of a new bottom turbine and increasing the efficiency of the power complex (NiGRES) operation;
- implementation of measures targeted at reduction of impact on the environment, including through the introduction of advanced equipment;
- development of own logging areas.

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

- reorienting paper-making machine No. 6 for production of packing paper;
- introduction of a recycled pulp line with a capacity of 500 tons per day;
- installation of an up-to-date transport-package line to increase productivity and produce broadsheet paper;
- commissioning of a new bottom turbine.

In addition to increasing productivity, efforts in the area of investment activity of Volga JSC are focused on:

- continued structuring of a vertically integrated timber company with a full cycle of logging and deep processing of wood, including through increasing the volume of its own logging;
- improving the efficiency of electricity generation;
- maintaining the reliability of current equipment;
- development of plans for further growth of the Company in order to scale up, improve business efficiency and diversify supplies.

Development priorities in 2023:

Product portfolio and customer relations:

- mastering the release of new products and diversification of the product portfolio and markets;
- product quality improvement;
- systematic acquisition of feedback from consumers about the supplied products;
- improving the efficiency of sales and logistics supply chains;
- development of the end-to-end planning process;
- further improvement of the customer and partner communication systems.

Staff:

- staff and organizational structure development;
- talent management.

Production and raw material provision:

- continued implementation of the investment program and diversification of supplies;
- environmental impact mitigation;
- development of own logging areas.

Finances and efficiency:

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

2.3. Strategy Implementation

In 2022, Volga JSC continued the implementation of the first stage of the development strategy focused on unlocking the potential of current production, as well as commissioning of new production lines and improving operational efficiency.

The Company's strategic vision involves diversification of its product portfolio, markets, distribution channels and raw materials.

The strategy includes modernization of the entire enterprise, starting with production facilities and ending with logistics and IT infrastructure. One of the main directions is to maintain competitiveness in the production costs through full provision of the enterprise with own electricity now and in the future.

All upgraded facilities will meet the latest requirements in accordance with the best available technologies.

Within the framework of strategy implementation, an environmental program will be additionally implemented in order to mitigate the environmental impact.

The strategic development concept provides for selection of various industry development scenarios, current and potential restrictions, development of risk management measures 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, which is confirmed by numerous studies and growing sustainable trends.

As a strategic initiative, the Company considers expanding the range of packing papers and specialties. The strategy of Volga JSC involves production of liners as the basis of flute board and other package production, focus on light and ultra-light types of paper, interest in which is generated by changes in consumer habits, rapid expansion of e-commerce and penetration of market places into larger territories, rapid growth of cross-border trade and logistics development. Even now, 50% of Company's products are packaging types of paper, which are in increasing demand on the Russian market, as well as on the Chinese market, which is a recognized world leader in the production and consumption of corrugated packaging.

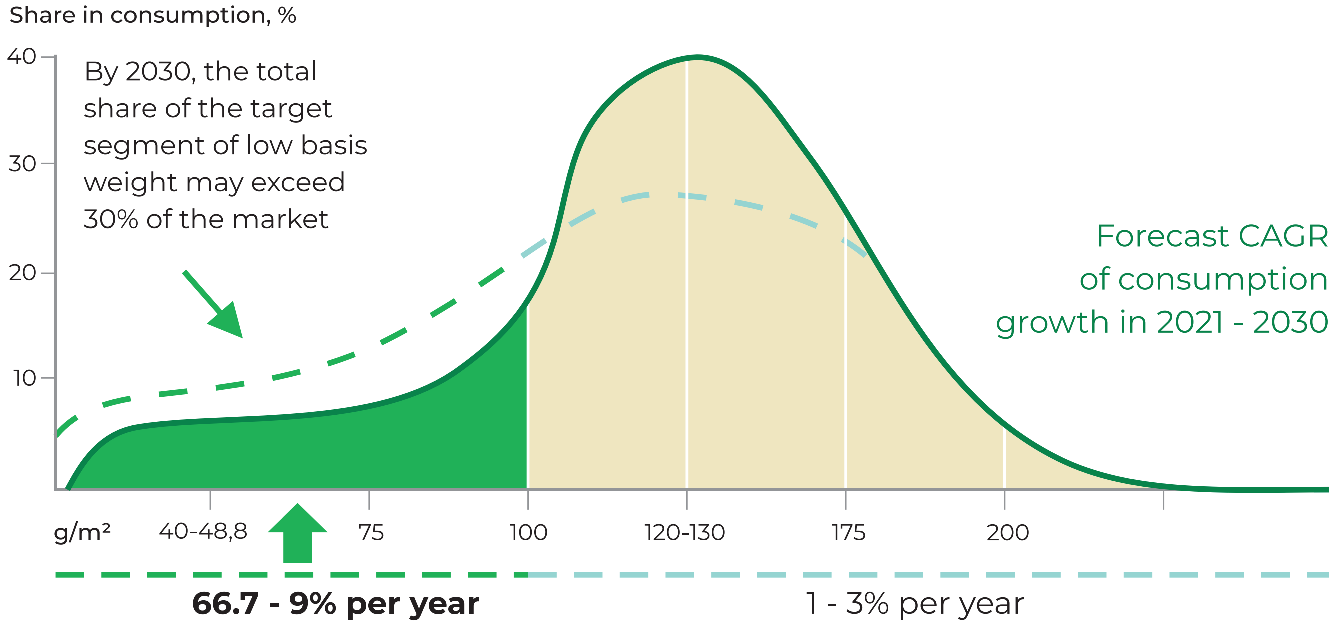
The implemented strategy provides a balance between high growth rates and maintaining a stable position of the Company.

Geographical priorities

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

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

The consumption pattern of package papers in broken by basis weight across the world



Distribution

The Company applies a balanced approach between direct sales and sales through professional traders. At the same time, the key to success is the final consumer management. In this regard, Volga JSC plans to develop the customer service support activity. Once the sanctions pressure has amplified, the Company also faces challenges, both in geographical compensation of lost markets and in search for new partners in friendly countries. In a single 2022, the Company expanded the list of partners to more than 75 companies and continues to increase the pool of companies interested in mutually beneficial cooperation.

Production capacities

As medium-term strategic goals, the Company considers an increase in productivity up to 500 thousand tons per year due to the modernization of current paper-making machines, as well as expanding the capabilities of recycled pulp use. At the same time, the Company is also implementing projects in retrofitting and upgrading of the turbine hall in order to increase energy supply, reduce cost and increase self-sufficiency with raw wood.

For effective implementation of the productivity boosting program, the strategy implies the implementation of a series of functional projects in:

- logistics;
- energy supply;
- ecology;
- wood supply;
- information technology.

Strategy implementation in 2022

Within the framework of the prescheduled development strategy in various areas of activity, plans were built 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 packing papers in the sales portfolio. The Company continued to diligently explore ways to diversify its business and optimize operation of current and prospective production facilities.

Section 3

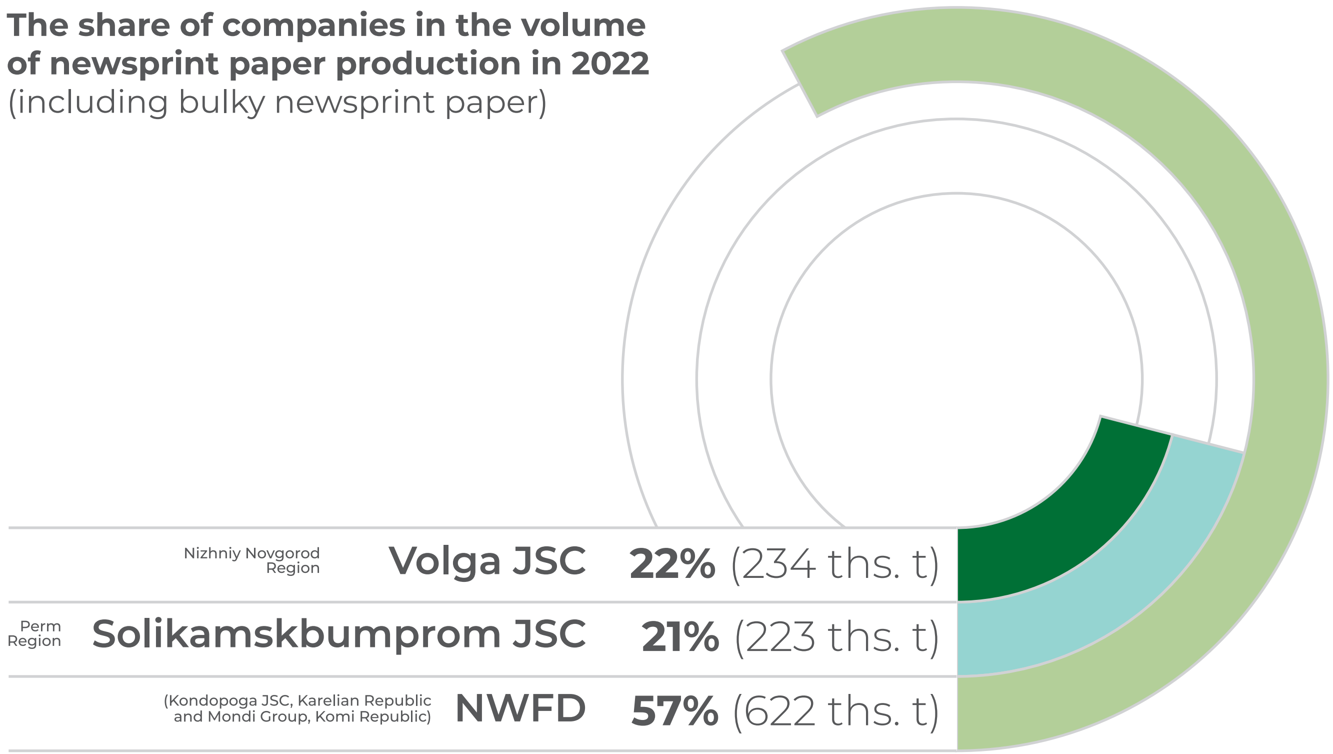
Development Results in Priority Areas of Business

3

3.1. Position in the Industry

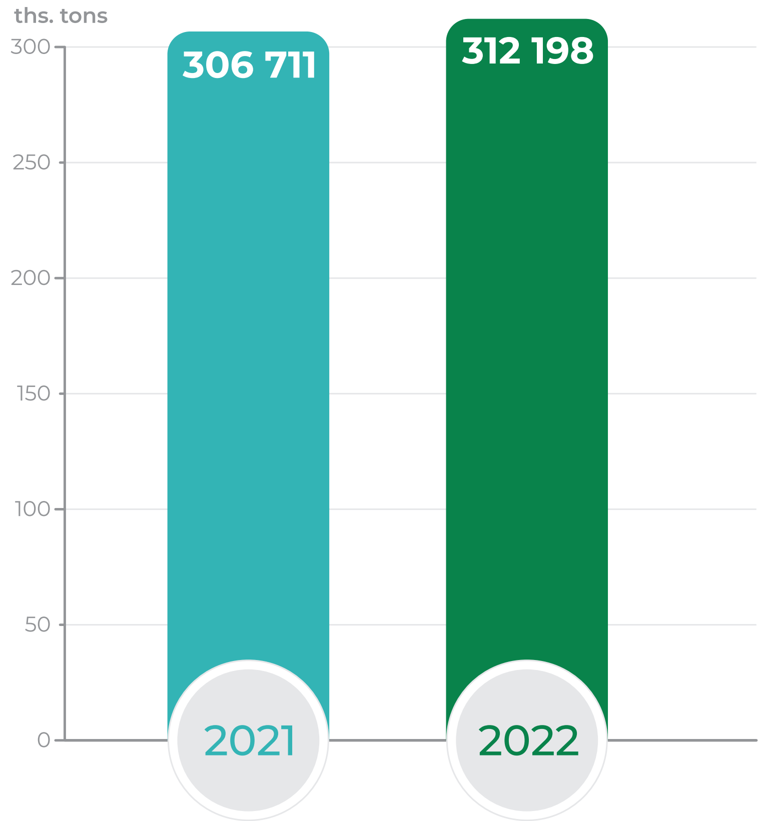
Volga JSC is one of the leaders of the Russian paper-making industry in terms of production volumes.

The share of companies in the volume of newsprint paper production in 2022 (including bulky newsprint paper)



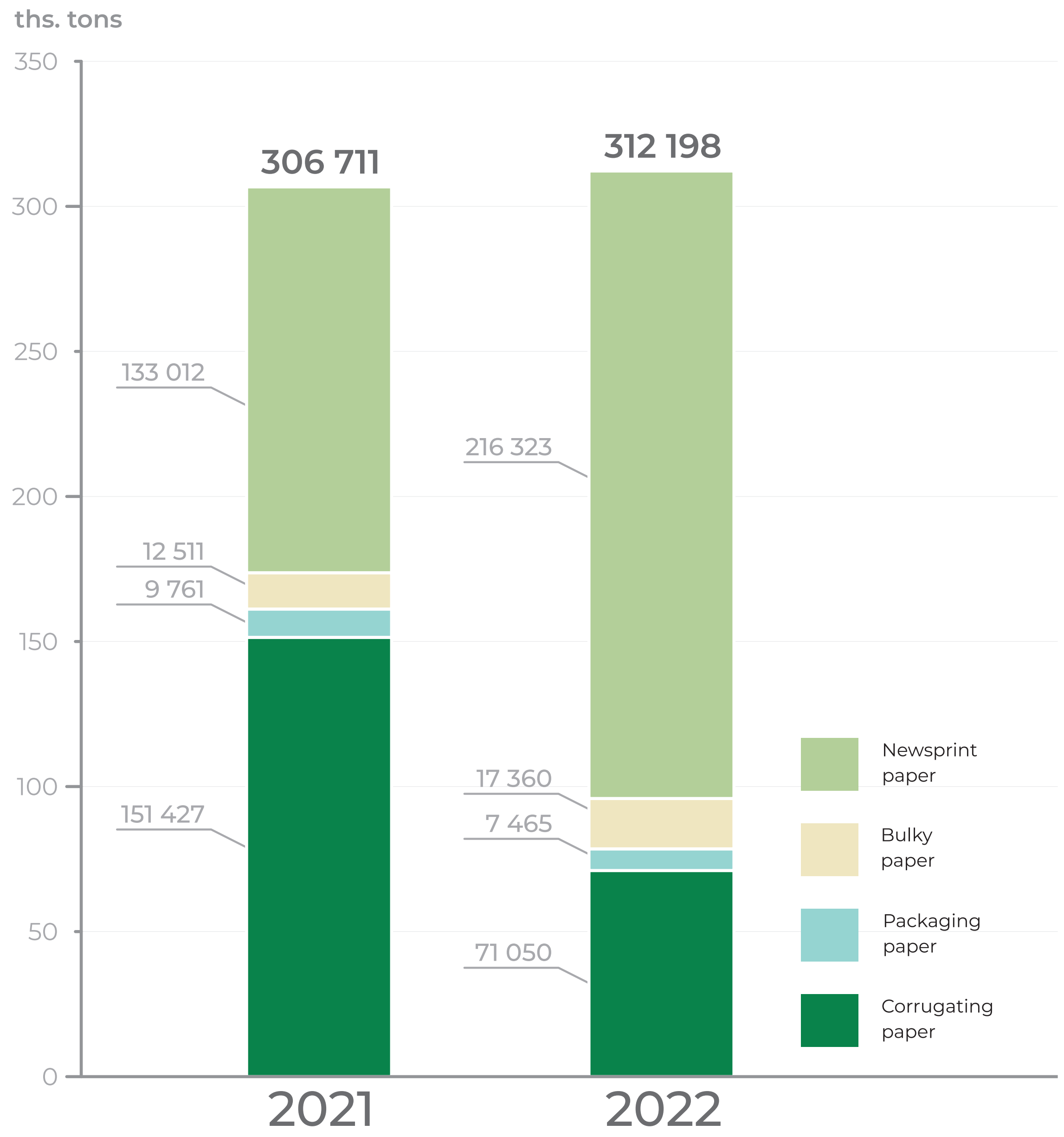
* Source: Statistics of RAO “Bumprom”

Production volumes of all types of paper products

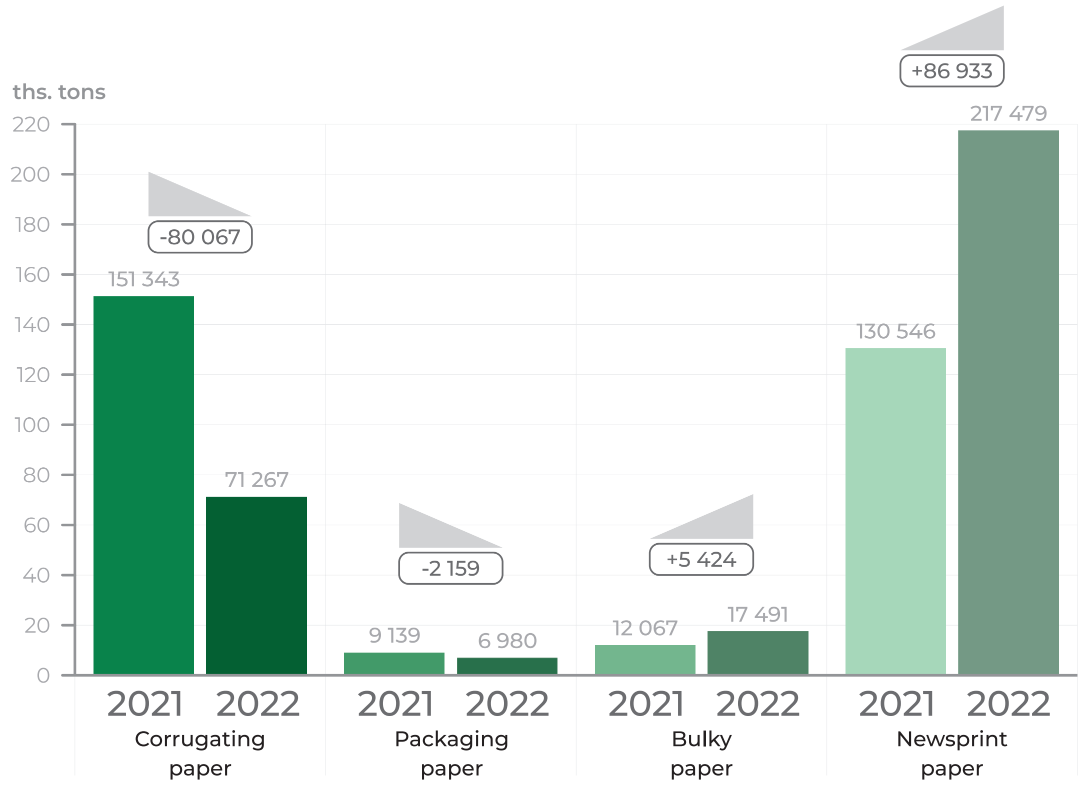


3.2. Key Financial and Production Indicators

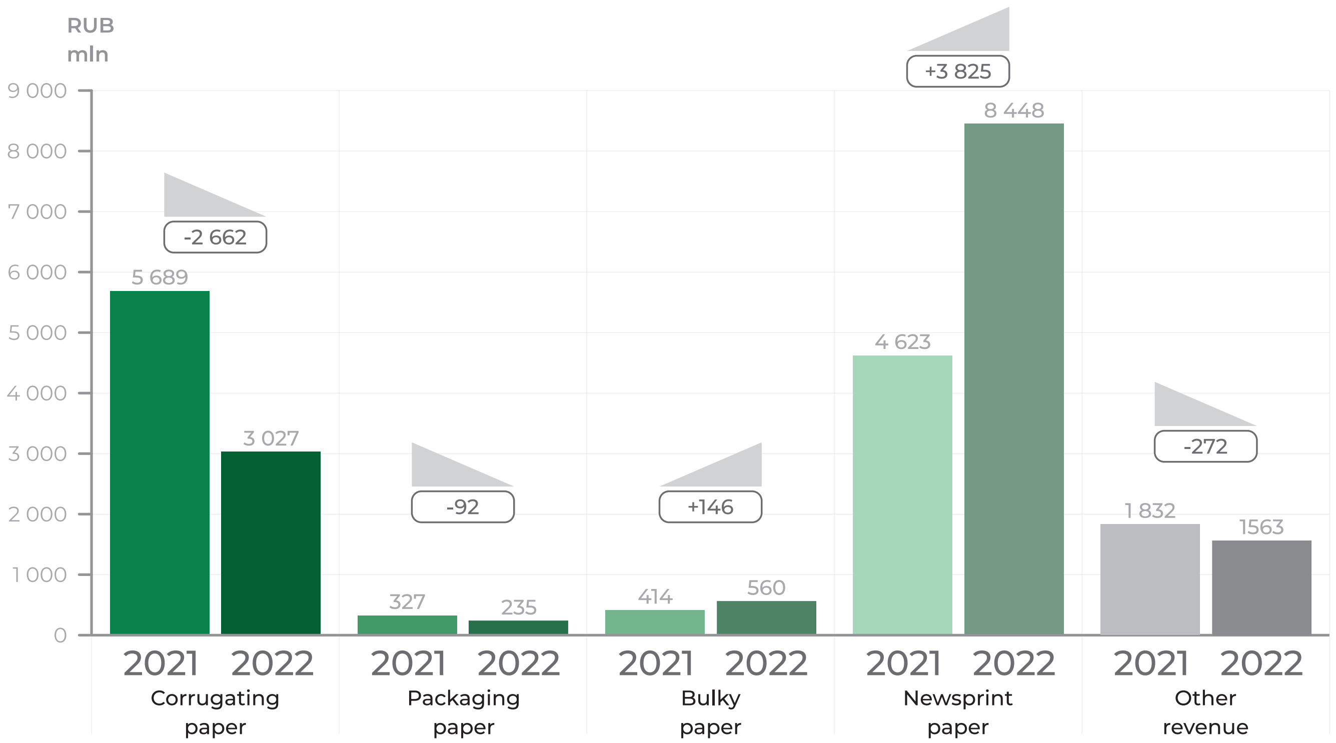
Volume of paper production for fluting, newsprint and other types of paper, actual value for 2021-2022 (t)



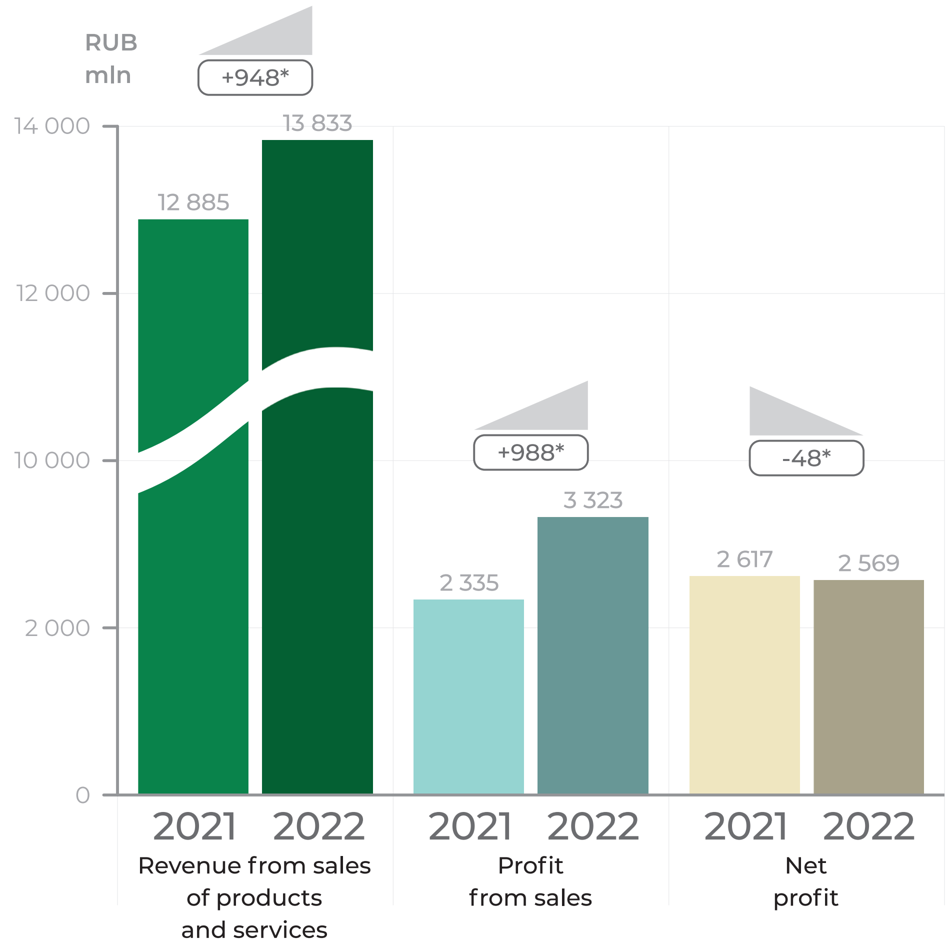
Dynamics of sales volume indicators (by main types of products) (t)



Dynamics sales revenue indicators (by main product type) (RUB mln)



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



* Revenue under IFRS for 2022 amounted to RUB 14 074 million (for 2021: RUB 12 999 million)

* Profit from sales under IFRS for 2022 amounted to RUB 3 246 million (for 2021: RUB 3 182 million)

* Net profit under IFRS for 2022 amounted to RUB 2 700 million (for 2021: RUB 2 632 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, RUB ths
Atomic energy	–	0	0
Thermal energy	Gcal	863 554	927 621
Electric energy	MWh	921 098	1 726 182
Electromagnetic energy	–	0	0
Oil		0	0
Motor gasoline	l	191 084	7 513
Diesel fuel	t	809	44,227
Heating oil	t	0	0
Natural gas	ths. m3	382 029	2 037 467
Coal	–	0	0
Oil shale	–	0	0
Peat	–	0	0
Other:	–	0	0
- kerosene	t	143	10 805

3.4. Forest Supply

According to the logging unit progress, the annual estimated annual cut in 2022 was developed up by 95% of the plan, adjustments were periodically made by the market demand for forest products. The main function in the timber supply was performed by the area, in the form of direct wood supplies and reciprocal deliveries of raw materials due to the shipped harvested non-core forest products to suppliers. Such supply scheme gives confidence in the future and guarantees stable timber supply.

The timber resources procurement plan for 2022 was implemented. Despite a sharp increase in the railway tariff by 2.5% in the first half of the year and by 13.5% in the second half of the year, the management was able to keep the average annual purchase price within the approved budget. The stocks of wood for production correspond to the planned budget.

Two imported new Iveco logging trucks were purchased for the logging area, which at the same time ensured the introduction of additional jobs for the Varnavino district. The social support of the Varnavino district continues in the form of a free-of-charge delivery of firewood for local boiler houses of the housing and utility sector in the amount of 2000 m3.

The reforestation program was implemented by Volga JSC in 2022 in full measure. In general, reforestation activities were carried out in 2022 on a total area of about 700 hectares. Forest regeneration on felled areas y planting artificial forest crops were carried out on an area of more than 280 hectares. Also, in the spring-summer period, wood tendering measures were taken on a total area of more than 820 hectares. All obligations of the Company regarding forestry, reforestation, fire prevention measures were fulfilled and accepted by the Ministry of Forestry and Wildlife of the Nizhny Novgorod region as the main monitoring body in the forestry area.

Volga JSC has started implementing the second priority investment project in forest development in the Nizhny Novgorod region. During 2022, the Concept of the investment project received all necessary approvals and was included in the list of priority investment projects in the forest development.

3.5 Investment Activities in 2022

The Company's development strategy was supported by the implementation of other investment projects with the total volume of investments more than RUB 1 330 mln:

- within the implementation of strategic projects, work was carried out to repair the first stage building of NiGRES, the key equipment of the bottom turbine was put into production. Also, within the implementation of the project for reorientation of PMM6 and organization of a new recycled pulp line MM500, deliveries of the main equipment began, as well as work was carried out on the organization of work area for future equipment.
- projects were continued to improve the quality of PMM8 and PMM5 output, which already in 2022 showed a positive effect from their implementation.

At the same time, the implementation of projects to ensure the sustainable operation of production equipment, including equipment of the power complex and logistics, measures were taken to repair railway tracks and other infrastructure, ensure safety and labor protection, as well as continuous environmental impact mitigation; mitigation. Most of the projects are focused on improving reliability, reducing costs, optimizing the use of raw materials and satisfying consumer needs. At the same time, emphasis was placed on search of new equipment and service suppliers, import relief actions and supply chain optimization. The Company continues to actively search for projects on efficiency enhancement, production improvement and business transformation.

3.6. Innovative Activities in 2022

The Company carries out innovative activities in accordance with the approved strategy, in a set of scientific, technological, organizational, financial and commercial measures focused on commercialization of accumulated knowledge, technologies and equipment. The result of innovative activities is new or additional goods / services or goods / services with new features and an increase in production efficiency, development of new materials and products, 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, working with start-ups). The implementation is ensured in close cooperation with external partners at the development stages (R&D), scaling up (pilot installations) and product commercialization.

In cooperation with one of the leaders of the global wood-pulp and paper industry, pilot developments of innovative products were carried out – packing paper based on thermomechanical pulp and coated paper, which production will be set up in the near future and will expand the product range of Volga JSC. Based on the results obtained, draft technical specifications have been prepared.

For implementation of projects to increase production efficiency, the Company uses:

- business units of the Company located at the production site of Volga JSC;
- external research, consulting and educational organizations.

Main project streams:

- organizational innovations – improvement of the management system, introduction of lean production, step-by-step implementation of the equipment reliability system;
- training, instruction and retraining of personnel – training of managers and experts according to the Presidential program for managerial training personnel with specialization in "Performance management".

In 2022, within the framework of the Company's Strategic development project implementation, preparation and development of training materials to study the process of semi-finished products and packing papers production for direct workers began.

The main outcome of the Company's innovation activities in 2022 was a positive result from the implementation of the first stage and continuation of the "Improving the reliability system of equipment" program focused on introduction of a reliability system, improvement of equipment efficiency, involving personnel, training experts in lean production techniques.

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 September 02, 2022 – 786.

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

AUTHORIZED CAPITAL OF THE COMPANY

as of December 31, 2022

RUB **1 121 839** thousand

THE COMPANY HAS PLACED THE FOLLOWING NUMBER OF SHARES

The nominal value of a share RUB 95.00

11 808 827 shares

THE COMPANY HAS THE RIGHT TO PLACE ADDITIONAL SHARES

Nominal value of each share RUB 95.00

1 677 780 shares

Additional information for shareholders

In accordance with the concluded agreement, the registrar of the Company is: "NRK-R.O.S.T." JSC

Address:
18 Stromynka Str., bldg. 5B, Moscow

Registrar's contact details:
+7 (495) 780-73-63,
+7 (495) 989-76-50,
info@rrost.ru

Website:
https://rrost.ru/ru/

"NRK- R.O.S.T." JSC has a wide network of branches throughout Russia, including the Nizhny Novgorod branch: 603000, Nizhny Novgorod, Maksim Gorky str., 117, office No. 916 (Business Center "Stolitsa Nizhny", floor 9), phone numbers: (831) 234-02-64, (831) 234-02-65

All inquiries concerning the payment of accrued dividends please address to:

Address:
606407, Nizhniy Novgorod region, Balakhna district, Balakhna, Gorky str., 1.

Contact phone Nos:
8(83144) 9-33-05

All inquiries concerning obtaining access to information for shareholders please address to:

Address:
606407, Nizhniy Novgorod region, Balakhna district, Balakhna, Gorky str., 1, office 123..

Contact phone Nos:
8(83144) 9-34-06

4.2. Report on Declared (Accrued) Dividends

Information about 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 of previous years by paying (declaring) dividends.

Dividends based on the results of 2019 financial year

Parameter name	Parameter value for respective reporting period – 2019
Category of shares, for preferred shares – type	ordinary
The Company's governance body that made the decision to declare dividends, the date of the decision, the date and number of the minutes of the meeting of the Company's governance body at which such a decision was made	General Meeting of Shareholders as of July 13, 2020, Minutes No. 63 as of July 14, 2010
The amount of declared dividends per share, rubles	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 declared dividends payment	August 14, 2020
Form of declared dividends payment (cash, other assets)	cash
Source of declared dividends payment (net profit in the fiscal year, retained net profit of previous years, dedicated fund)	net profit of 2019
The share of declared dividends in the net profit of the fiscal year, %	14.97
The total amount of dividends paid on shares of this category (type), RUB	200 425 880.33
The share of dividends paid in the total amount of dividends declared on shares of this category (type), %	99.84
If the declared dividends are not paid or are not paid by the Company in full – 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 own discretion	The Company intends to pay declared dividends to persons which have not been paid to them for reasons beyond the Company's control: missing data of the buyer

Dividends based on the results of 2014 financial year.

Parameter name	Parameter value for respective reporting period – 2014
Category of shares, for preferred shares – type	ordinary
The Company's governance body that made the decision to declare dividends, the date of the decision, the date and number of the minutes of the meeting of the Company's governance body at which such a decision was made	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 declared dividends payment	March 23, 2021
Form of declared dividends payment (cash, other assets)	cash
Source of declared dividends payment (net profit in the fiscal year, retained net profit of previous years, dedicated fund)	net profit of 2014
The share of declared dividends in the net profit of the fiscal year, %	91.77
The total amount of dividends paid on shares of this category (type), RUB	327 112 932.60
The share of dividends paid in the total amount of dividends declared on shares of this category (type), %	99.86
If the declared dividends are not paid or are not paid by the Company in full – 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 own discretion	The Company intends to pay declared dividends to persons which have not been paid to them for reasons beyond the Company's control: missing data of the buyer

Dividends based on the results of 2020 financial year.

Parameter name	Parameter value for respective reporting period – 2020
Category of shares, for preferred shares – type	ordinary
The Company's governance body that made the decision to declare dividends, the date of the decision, the date and number of the minutes of the meeting of the Company's governance body at which such a decision was made	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 declared dividends payment	August 4, 2021
Form of declared dividends payment (cash, other assets)	cash
Source of declared dividends payment (net profit in the fiscal year, retained net profit of previous years, dedicated fund)	net profit of 2020
The share of declared dividends in the net profit of the fiscal year, %	55.19
The total amount of dividends paid on shares of this category (type), RUB	349 277 728.86
The share of dividends paid in the total amount of dividends declared on shares of this category (type), %	99.82
If the declared dividends are not paid or are not paid by the Company in full – 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 own discretion	The Company intends to pay declared dividends to persons which have not been paid to them for reasons beyond the Company's control: missing data of the buyer

Dividends based on the results of 2018 financial year.

Parameter name	Parameter value for respective reporting period – 2018
Category of shares, for preferred shares – type	ordinary
The Company's governance body that made the decision to declare dividends, the date of the decision, the date and number of the minutes of the meeting of the Company's governance body at which such a decision was made	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 declared dividends payment	February 11, 2022
Form of declared dividends payment (cash, other assets)	cash
Source of declared dividends payment (net profit in the fiscal year, retained net profit of previous years, dedicated fund)	net profit of 2018
The share of declared dividends in the net profit of the fiscal year, %	34.19
The total amount of dividends paid on shares of this category (type), RUB	425 629 216.30
The share of dividends paid in the total amount of dividends declared on shares of this category (type), %	99.84
If the declared dividends are not paid or are not paid by the Company in full – 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 own discretion	The Company intends to pay the declared dividends to individuals within the prescribed period

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

Parameter name	Parameter value for respective reporting period – 9 months of 2021
Category of shares, for preferred shares – type	ordinary
The Company's governance body that made the decision to declare dividends, the date of the decision, the date and number of the minutes of the meeting of the Company's governance body at which such a decision was made	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 declared dividends payment	February 11, 2022
Form of declared dividends payment (cash, other assets)	cash
Source of declared dividends payment (net profit in the fiscal year, retained net profit of previous years, dedicated fund)	net profit for 9 months of 2021
The share of declared dividends in the net profit of the fiscal year, %	22.81
The total amount of dividends paid on shares of this category (type), RUB	469 249 203.80
The share of dividends paid in the total amount of dividends declared on shares of this category (type), %	99.84
If the declared dividends are not paid or are not paid by the Company in full – 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 own discretion	The Company intends to pay the declared dividends to individuals within the prescribed period

Dividends based on the results of 2021 financial year.

Parameter name	Parameter value for respective reporting period – 2021 – full year
Category of shares, for preferred shares – type	ordinary
The Company's governance body that made the decision to declare dividends, the date of the decision, the date and number of the minutes of the meeting of the Company's governance body at which such a decision was made	General Meeting of Shareholders as of May 18, 2022 Minutes No. 67 as of May 19, 2022
The amount of declared dividends per share, RUB	37.7
The amount of declared dividends in aggregate for all shares of this category (type), RUB	445 067 274.60
The date on which the persons who have (had) the right to receive dividends are (were) determined	May 29, 2022
The reporting period (year, quarter) for which (based on the results of which) the declared dividends are paid (were paid)	2021
Term (date) of declared dividends payment	June 1, 2022
Form of declared dividends payment (cash, other assets)	cash
Source of declared dividends payment (net profit in the fiscal year, retained net profit of previous years, dedicated fund)	net profit of 2021
The share of declared dividends in the net profit of the fiscal year, %	17.34
The total amount of dividends paid on shares of this category (type), RUB	444 959 109.60
The share of dividends paid in the total amount of dividends declared on shares of this category (type), %	99.98
If the declared dividends are not paid or are not paid by the Company in full – 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 own discretion	The Company intends to pay the declared dividends to individuals within the prescribed period

First six months' dividends of financial year 2022.

Parameter name	Parameter value for respective reporting period – First six months of 2022
Category of shares, for preferred shares – type	ordinary
The Company's governance body that made the decision to declare dividends, the date of the decision, the date and number of the minutes of the meeting of the Company's governance body at which such a decision was made	General Meeting of Shareholders as of September 26, 2022 Minutes No. 68 as of September 28, 2022
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	September 9, 2022
The reporting period (year, quarter) for which (based on the results of which) the declared dividends are paid (were paid)	6 months of 2022
Term (date) of declared dividends payment	October 11, 2022
Form of declared dividends payment (cash, other assets)	cash
Source of declared dividends payment (net profit in the fiscal year, retained net profit of previous years, dedicated fund)	net profit for the first six months of 2022
The share of declared dividends in the net profit of the fiscal year, %	28.46
The total amount of dividends paid on shares of this category (type), RUB	426 199 569.70
The share of dividends paid in the total amount of dividends declared on shares of this category (type), %	99.98
If the declared dividends are not paid or are not paid by the Company in full – 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 own discretion	The Company intends to pay the declared dividends to individuals within the prescribed period

Dividends based on the results of 2022 financial year.

The Company made no decision (did not declare) on payment of dividends on shares based on the results of the 2022 financial year.

The issue of payment of dividends on shares based on the results of the 2022 financial year is subject to consideration at the annual general meeting of shareholders on June 16, 2023.

4.3. Corporate Governance

Volga JSC pays much 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, allow them to improve the process of making managerial decisions focused on conservation of assets, maximization of 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 efficient 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 stakeholders;
- compliance with ethical standards of business conduct;
- accountability of the Company's Board of Directors to the Company's shareholders;
- efficient interaction with the Company's employees in solving social issues and ensuring necessary working conditions.

To date, the fundamental internal regulatory documents of Volga JSC in the area 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 information transparency. Volga JSC discloses information about its activities in accordance with the requirements of the Central Bank of the Russian Federation and the information policy of Volga JSC.

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.

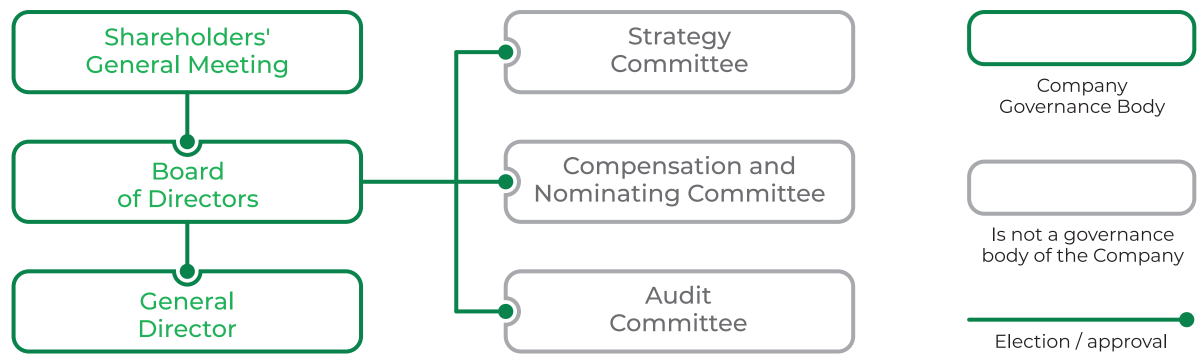
In the process of improving the corporate governance practice, Volga JSC follows the provisions of the Corporate Governance Code recommended for application by the Bank of Russia.

Governance bodies of Volga JSC.

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

- supreme governance body – Shareholders' general meeting;
- governance board – Board of Directors;
- sole executive body of the Company – General Director.

Corporate governance structure



4.3.1. Shareholders' General Meeting

On May 18, 2022, an Annual General Meeting of Shareholders was held with the following agenda:

1. Approval of the Company's Annual Report for 2021, the Company's annual accounting (financial) statements for 2021.
2. Distribution of the Company's profit based on the results of 2021.
3. Approval of the Company Auditor.
4. Election of Company's Board of Directors.
5. Election of the Company's Audit Committee.
6. Approval of Company's restated Charter.

The Annual General Meeting of Shareholders was held in the form of absentee voting with mandatory sending of ballots before the General Meeting of Shareholders (Minutes of the Annual General Meeting of Shareholders of Volga JSC No. 67 dated May 19, 2022).

On September 26, 2022, an extraordinary General Meeting of Shareholders was held with the following agenda:

1. On approval of a major transaction (several interrelated transactions).
2. Distribution of the Company's profit based on the results of the 1st half of 2022 by paying (declaring) dividends.

The extraordinary General Meeting of Shareholders was held in the form of absentee voting with mandatory sending of ballots before the General Meeting of Shareholders (Minutes of the extraordinary General Meeting of Shareholders of Volga JSC No. 68 dated September 28, 2022).

4.3.2. Board of Directors

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

Volga JSC strives for maximum efficiency of the Board of Directors. This is ensured by proficiency of its members, personal responsibility of each director and 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 2022, the Board of Directors paid greater attention to the following issues:

- retention of business resilience, prompt response to changes in the economic environment caused by the geopolitical situation. The Company was able to successfully cope with all challenges and difficulties of the past year, go through the year keeping up productivity and production volumes at the target level and to continue its development. In general, the Company was able to quickly rebuild the management system. Among the measures supported by the Board of Directors were a change in the vector of sales, procurement procedures and a focus on imports phase-out;
- issues of strategic development of Volga JSC. The past 2022 was a period of great trials, however, the Company has not changed its development strategy, continues to implement the investment project and plans to increase productivity by 140,000 tons of packing papers. The project includes upgrading of PMM No. 6 and installation of gluing machine, commissioning of recycled pulp line, as well as an increase in efficiency of the power complex from 30 to 50 Megawatts per hour, subject to the production demands;
- issues of financial support in the long and short term, management of the Company's total credit portfolio. The Board of Directors analyzed the required volume of financing for strategic projects, made changes to the borrowing strategy for 2022-2025.
- significant attention was paid to the issues of the development of sales taking into account global geopolitical changes and the current situation in the markets, geography and sales portfolio management, and distribution strategy. The Company continues to expand the established platform for launching packaging solutions (fluting, interliner) to Russian and offshore markets within the framework of its development strategy;
- supply chain management. Owing to the entry of Volga JSC into a new stage of strategic development, increased productivity, expansion of the product range and geography of supplies, it was decided to create a new business unit that coordinates activities between the Company and consumers and between business units based on the best world practices;
- the development strategy in the wood supply with an emphasis on efficient management of own logging operations. Volga JSC has started implementing a new priority investment project in forest development. The project implementation will make it possible to additionally involve hard wood in paper production and make Volga JSC the largest vertically integrated enterprise of the timber and wood processing industry in the Nizhny Novgorod region;
- environmental issues. Taking into account particular attention to sustainable development, the Company consistently implements initiatives in the area of reducing and preventing environmental pollution, compliance with the best available technologies and international practices. The Company continues to implement projects included in the environmental program approved by the Board of Directors and focused on preserving the environmental protection in the regions of operation – this is one of the key principles of both the policy of Volga JSC as a whole and the long-term strategic development program of the enterprise;
- issues of recycled pulp supply. The Board of Directors approved the implementation of the Volga JSC recycled pulp supply strategy;
- personnel issues, a comprehensive personnel management system improvement program. With the assistance of the Board of Directors, measures and programs have been implemented to retain and get personnel motivated, improve working conditions. In 2022, Volga JSC topped the rating list of the employers of the choice in the Nizhny Novgorod region;
- IT strategy, issues of ensuring an acceptable level of process automation, achieving a sufficient level of Company manageability. The Company continued to implement target IT projects in 2022.
- issues of risk management in occupational and industrial safety;
- issues of internal audit system efficiency. The Board of Directors approved the Risk Management and Internal Control Policy of Volga JSC;
- issues of improving operational efficiency and productivity, monitoring the implementation of the approved reliability program of Volga JSC.

Despite the complicated geopolitical situation, thanks to the prompt response to external changes and efficient management, the Company has demonstrated successful financial results and strengthened its competitive advantages.

Routine and other issues considered by the Board of Directors in 2022:

- Decisions were made on corporate issues, including convening of General Meetings of Shareholders, Conclusion of a major transaction was approved, the price (monetary valuation) of the acquired / alienated assets was determined in order to make a decision on the approval of the 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”, a report on the results of the shareholders' demands for the repurchase of their shares was approved, market value of the shares accounted for in the treasury account of the Company for the purpose of their sale was determined , decision was made to sell the repurchased shares held in the Company's treasury account. The restated Regulation on the dividend policy of Volga JSC was approved. As advised by the Board of Directors, the General Meeting of Shareholders approved the restated Charter of Volga JSC.
- Quarterly managerial reports on utilization of the budget and implementation of investment program, credit policy and credit plan were reviewed.
- Management reports on the outcome and prospects of development in functional areas of activity were reviewed.
- The meeting approved budgets and schedules of strategic projects for the organization of recycled pulp production at a rate of 500 t/day, reorientation of PMM No. 6 for production of packing papers, and condensing steam turbine commissioning. Addendums to equipment supply and related service agreements within the framework of the implementation of strategic projects were approved.
- The credit plan for the 1st and 2nd half of 2022 was approved.
- Reports on Internal Audit Functions were reviewed and the work plan of the internal audit service for 2022 was approved.
- The results of key managers' achievement of the goals of 2021 were reviewed. Decisions were made on the payment of bonuses to key managers of Volga JSC at yearend 2021, an increase in the remuneration of the management team, goals for 2022 were agreed, a number of important personnel appointments in the highest executive echelon were made.
- Restated Regulation on annual bonuses for key managers of Volga JSC was approved.
- In order to finance strategic investment projects, amendments to previously concluded agreements on the opening of non-revolving credit lines, a target loan agreement were approved.
- The list of new banks where Volga JSC may open settlement and other accounts was approved.
- Transactions to attract debt financing, provide collateral, purchase equipment for IT infrastructure, freight forwarding service agreements, agreements for the sale of finished products, rolling stock lease agreements were approved.
- Management reports on the results of work on European imports phase-out were reviewed, agreements for purchase of process alternative equipment were approved.
- The budget for the implementation of the investment project «Creation of a data mart» was approved within the framework of transition to tax monitoring and automation of accounting work.
- To ensure reliability of power supply, an agreement for manufacture and supply of boiler spare parts for Generating Company NiGRES was approved.
- A five-year investment program of Volga JSC and focal points of the investment policy of Volga JSC for 2023 was approved.
- The restated Regulation for investment activities of Volga JSC was approved.
- An internal document regulating the rules and approaches to disclosure of information about the Company (information policy of Volga JSC) was approved.
- Commercial Activity Policy of Volga JSC («Paper sale») was approved.

- The restated Credit Policy of Volga JSC sales process was approved.
- Principal directions of subsidiaries activity and development strategies were defined.
- Concepts of insurance coverage of the Company were determined, including the Company's insurer were approved.
- Amicable agreements with the administration of the Balakhna Municipal District of the Nizhny Novgorod Region were approved.
- The restated collective agreement of Volga JSC for 2023-2025 was approved.
- Decisions were made on donations and charitable giving, granting of consent to transactions on the issuance of loans to employees of the Company, the provision of financial assistance to employees and retirees of the Company.
- Decisions were made to grant consent to a number of interested-party transactions.
- The Company's budget for 2023 was approved.
- The work plan of the Board of Directors for 2023 was approved.

The Board of Directors of Volga JSC employs a digital management decision-making system that provides access to all documents necessary for decision-making in an electronic portal with a special feature to vote and track the progress of orders fulfillment.

The Board of Directors is a key element of the corporate governance system of Volga JSC. The legislation of the Russian Federation and the Company's internal documents assign the Board of Directors the role of a body that ensures efficient management of the Company, its strategic development.

The Board of Directors has three committees:

- Strategy Committee;
- Audit Committee;
- Compensation and Nominating Committee.

The activities of the committees are focused on improving the efficiency and quality of decisions taken by the Board of Directors.

The Corporate Secretary Natalia Vladimirovna Tronova supports the work of the Board of Directors and Committees.

The Board of Directors of Volga JSC is composed of 6 people.

The Chairman of the Board of Directors of Volga JSC is Shalva Petrovich Breus.

In 2022, the Board of Directors held physical 8 meetings and 10 meetings by correspondence.

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

The composition of the Board of Directors is well-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 allowing for re-election.

4.3.3. Board of Directors' Committees

Board of Directors Strategy Committee

The Strategy Committee of the Board of Directors facilitates the adoption by the Board of Directors of decisions focused on improving the efficiency of the Company's activities in the long term.

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

In 2022, the Committee held 9 physical meetings.

The main tasks assigned to the Strategy Committee in 2022:

- In the first half of the year, the Strategy Committee, jointly with the management, was engaged in selection of right solutions, and in the second half of the year it worked on realignment of processes and their regulation. The main outcome of this work was that the Company managed to go through the year keeping up productivity and production volumes at the target level.
- The issues of development strategy implementation monitoring held the important place on the agenda of the Committee. The Company has not changed its development strategy, continues to implement strategic projects («Reorienting PMM No. 6», «Commissioning of the recycled pulp line with a capacity of 500 t./day», «Commissioning of the condensing steam turbine») and plans to increase the production of packing papers by 140,000 tons in 2024.
- The focus of the Committee, together with the management, was timely response to changes in the market, geography of supplies, distribution strategy, which allowed the Company to efficiently solve emerging problems and structure forecasting, planning, production and sales processes. The Strategy Committee recommended that the Board of Directors approve the sales policy and strategy of Volga JSC.
- Special attention was given to phase-out of foreign equipment and components, the management work on diversification of European supply channels in the most critical categories was highlighted.
- In order to increase marginality and operational efficiency, strengthen the competitiveness of the Company and increase the level of customer service in 2022, systematic work on supply chain management was initiated under the leadership of the Committee. The Committee evaluated projects for the implementation of calendar planning and logistics process automation.
- The status of Volga JSC environmental program project implementation until 2025 was reviewed.
- Key components of the wood supply strategy were analyzed. The investment project «Development of packing paper production with an increase in the production capacity for processing raw materials and improving the energy efficiency of production» is included in the list of priority forest exploitation investment projects (PIP No. 2).
- The prospects for logistics system development, the project of an optimum alternative of finished goods warehouse development were reviewed.
- The Committee monitored implementation of the production excellence program. In 2022, the Company set about implementation of the "Reliability" Project, focused on building a system to improve the reliability of equipment, one of the most important stages in the development of Volga JSC.
- The Committee updated the primary areas of the strategy of providing Volga JSC with recycled pulp, identified its near and long-term priorities.
- As part of organization of long-term investment planning, a five-year investment program and the main directions of the investment policy of Volga JSC for 2023 were shaped. The restated regulations of investment activity of Volga JSC were approved.
- The Committee paid heed to monitoring of the occupational safety and industrial safety system state. Development of industrial safety culture and achievement of efficient management in this area remains one of the priority management tasks. Volga JSC strives to improve procedures and systems of occupational and industrial safety in accordance with the best practices and standards.

Board of Directors' Audit Committee

The Audit Committee of the Board of Directors helps the Board of Directors in controlling financial and economic activities through preview of the following issues:

- supervising the work of the internal audit function, including quarterly analysis of audit results and annual analysis of the overall efficiency of audit activities;
- supervising the preparation of management reports, regular analysis of Company performance;
- control over implementation of the budget planning policy, assessment of budgeting system efficiency;
- assessment of the results and effectiveness of the work of the independent auditor.

In 2022, the Committee held 7 physical meetings.

The main tasks assigned to the Audit Committee in 2022:

- In the conditions of the changing economic environment caused by the geopolitical situation, the Committee jointly with the management gave particular attention to ensuring steady operation of the Company in the short and medium term, ensuring products sale, searching for options to changing the structure of supply chains and alternative payment channels.
- The stress test of the Company's financial model and the most significant risks for the Company were reviewed.
- Along with the ongoing issues, the Committee updated the status of financing strategic projects on a quarterly basis as options for the implementation of strategic projects were determined.
- Assistance was provided to the Board of Directors in coming up with proposals to the General Meeting of Shareholders to approve changes in the essential terms of several interrelated transaction transactions, i.e. general agreements on opening of non-revolving framework facilities.
- The annual agenda of the Committee was supplemented with issues related to the analysis of business processes of wood harvesting, procurement, personnel management, consideration of the project for transition to tax monitoring and automation of fiscal accounting.
- The Committee continued to monitor the work on the development of the CRM system for efficient planning and management of the manufacturing orders portfolio, reviewed the report on the work carried out on the first stage of CRM implementation and proposals for further development of the system.
- Recommendations were given to the Board of Directors on the approval of the restated Regulations on the dividend policy of Volga JSC.
- Essential aspects of Company's subsidiaries activities were analyzed.
- The Committee reviewed planned issues of financial statements (IFRS, RAS) preparation, as well as regular issues related to assessment of external auditor efficiency, the amount of his remuneration, auditor's independence.
- The Committee reviewed the reports of the Internal audit function on a quarterly basis. In order to ensure a reliable and efficient risk management and internal control system, the Risk management and internal control policy of Volga JSC was developed with the support of the Committee. A consolidated risk management report will be submitted to the Audit Committee on an annual basis.
- Directions of insurance coverage of the Company's property were determined, recommendations were given to the Board of Directors on the selection and approval of the Company's insurer for 2022-2023.
- The progress of the budget process for 2023 was supervised.

Board of Directors' Compensation and Nominating Committee

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

- development of recommendations to the Board of Directors on Personnel strategy, nominations and remuneration;
- preliminary assessment of candidates for the position of the General Director, Deputy General directors, preliminary approval of early termination of Deputy General Directors' powers, as well as the terms of employment contracts with the General Director and Deputy General Directors;
- development of a remuneration criteria that defines principles and criteria for remuneration of Board of Directors members, General Director, Deputy General Directors;
- preview of draft internal documents of the Company regulating personnel policy, criteria for development of managerial personnel, requirements and approaches to systems, staff motivation and incentive methods.

In 2022, the Compensation and Nominating Committee held 4 physical meetings.

The main tasks assigned to the Compensation and Nominating Committee in 2022:

- In 2022, the Company continued to implement a comprehensive program to improve the personnel management system, focused on motivating staff to achieve the overall strategic goals of the Company's development. The Committee supported initiatives focused on retaining, motivating, attracting staff, developing the management team and reserve.
- New incentive tools are being developed by management with the support of the Committee. In terms of non-material motivation, an interest-free loan program and a program to improve working conditions have been implemented and continue to be implemented, among others.
- Measures to improve the remuneration system, salary increase, expansion of the social package, introduction of new programs of non-material motivation, staff training, as well as the Company's corporate life filled with cultural and sporting events create more comfortable working conditions and give a real idea of the Company as a competitive and attractive employer on the market. Volga JSC topped the rating of the best employers of the Nizhny Novgorod region in 2022.
- The Committee assessed the further priorities of HR functions for the near and medium term, including the implementation of a long-term recruitment program 2023-2025, taking into account the Company's development strategy, training and development programs, and programs to improve the system of material and non–material motivation.
- The Committee summed up the results of the managers' achievement of the goals for 2021 and aligned the goals for 2022 to ensure the best compliance of the management's efforts with the strategic goals of the Company. The Committee recommended that the Board of Directors make decisions on the payment of bonuses to key managers of Volga JSC by the end of 2021.
- Despite the initiatives of a number of other large companies to voluntarily refuse indexing and awarding top managers in the crisis year 2022, the Committee expressed gratitude to the management for the quality work during the anti-crisis management and recommended to the Board of Directors to increase the remuneration of the management team.
- The Committee reviewed the status and risks of the implementation of the long-term motivation program for key managers of Volga JSC approved by the Board of Directors in 2021.
- The Committee has previously considered candidates for the positions of Deputy General Directors for sales and supply chain.
- The Committee recommended that the Board of Directors approve the restated collective employment agreement of Volga JSC for 2023-2025.
- The Chairman of the Compensation and Nominating 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

In accordance with the Charter of the Company, the powers of the sole executive body are exercised by the General Director, elected by the Board of Directors of the Company. The competence of the Board of Directors also includes the establishment of 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 agreement. At the end of each year, according to the Regulations on the annual bonus of key managers, additional remuneration is paid, and the Board of Directors approved the Regulation on the long-term motivation of key managers of Volga JSC.

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

Information about the sole executive body as of 31.12.2022

General Director

Sergei Iosifovich Pondar

Year of birth: 1965

Education: higher

Titles over the last 5 years

Period		Company Name	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 paper and packaging division.
July 08, 2019	to the present	Volga JSC	General Director

- 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. Information on Compliance with Principles and Recommendations of the Corporate Governance Code

The Company has not officially approved the Corporate Governance Code or any 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 building 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 guided 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 share in Company's profits by receiving dividends;
- reliable and efficient ways of recording 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.

4.5. Key Risk Factors Related to Company's Business

The Company, represented by management, constantly monitors and evaluates risk factors related to the Company's activities, and does not currently consider the risks listed below as significant risks for the Company. The risk management Policy of Volga JSC defines the basic principles of organization, implementation and control of risk management processes in Volga JSC.

The policy defines priority actions to build a risk management system, risk management strategy, main risk management processes, architecture of the risk management system, and risk reporting. The Company's governing bodies make every effort to minimize the impact of risk factors on the current and future activities of the Company, responding in a timely manner to changes in the current and expected situation. In case of occurrence of one or more of the risks listed below, the Company will endeavor best efforts to mitigate the same. In this regard, potential investors should carefully consider the following risk factors when making investment decisions.

Industry risks

Volga JSC is one of the largest producers of newsprint paper in the Russian Federation. Company's products are sold both in the domestic market and in the countries of Asia, the Middle East, Africa, the CIS, and were also sold in the markets of America and Europe. Being 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 economic downturn in the target markets, as well as in the event of shifts in exchange rates.

Risks related to product sales

Year 2022 became a year of great trials and changes in many common processes around the world. The Company experienced challenges of the year, faced with unprecedented pressure from various external factors and risks that forced the Company to quickly rebuild its operations and many business processes: constrains related to COVID-19, sanctions pressure, which affected the growth of export logistics costs by 2-3 times. From mid–2022, cancellation of FSC certificates for paper produced in the Russian Federation and the termination of all sales of packing papers to Europe. As a result, a sharp decline in selling prices on the market of packing papers in the Russian Federation, caused by supply surplus and sanctions (termination of exports to Europe, refusal of a number of European buyers from cooperation). The surplus supply of higher-quality papers of competitors led to a lack of orders from flute manufacturers on the domestic market. Since October 2022, imposition of sanctions on Volga JSC products, primarily for European buyers, led to additional tension in the market and the flow of volumes to other, less marginal markets and increased competition, as well as pressure on prices.

Nevertheless, thanks to timely measures, such as rebuilding the supply chain, transferring sales from packing paper to newsprint paper, entering new markets, attracting more than 75 new partners, as well as using the «window of opportunities» and maximizing shipments to Europe in the fourth quarter of 2022, the Company managed to significantly reduce the impact of emerging risks and achieve high results, both in sales volumes and in profitability from these operations.

The Company's management regularly reviews analytical materials prepared by external and internal analysts regarding the expected dynamics of the development of Company's target markets. The Company's management sees that the situation on the markets is dynamic and still far from stabilization, taking into account the ongoing geopolitical, sanction and economic shifts. We assume that the situation with prices will also change, individually by market, and only operational analysis and timely measures can mitigate emerging risks.

Risks related to monopoly suppliers' activity.

In 2022, the risk of exit of a number of foreign (mainly European) suppliers and contractors from the Russian market materialized which led to sharp restriction on the supply of goods and services used in the production process. In addition to this, logistical restrictions were introduced, which caused an increase in delivery costs.

The management believes that the risks in this area are at an acceptable level in terms of impact, which allows for the uninterrupted operation of the Company.

Country risks

Currently, the political situation in the country is relatively stable, but uncertainty remains with respect to possible access to capital sources, as well as the cost of capital for the Company and its counterparties.

Introduction and subsequent strengthening of sanctions, announcement of partial mobilization led to an increase in economic uncertainty, including a decrease in liquidity and greater volatility in capital markets, volatility of the Russian ruble and the key interest rate, reduction in the volume of foreign and domestic direct investment, problems with payments for Russian issuers of Eurobonds, as well as a significant decrease in the availability of debt providers. The changes that have taken place have not had a significant impact on the Company's activities, as the Company has sufficient experience and a reliable business reputation, which allows it to attract debt financing as needed, within acceptable terms and on market conditions.

In general, the Russian economy is in the process of adaptation associated with the substitution of dropping out export markets, change of supply markets and technologies, as well as changes in logistics and production chains.

Volga JSC monitors 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. Sensitivity of the Company's forecast financial result is analyzed according to various macroeconomic parameters on a regular basis.

Financial risks

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet its contractual obligations.

The most significant credit risk for the Company is the risk of non-fulfillment of obligations in terms of payment by counterparties - buyers for the delivered products and/or non-repayment by the supplier of the advance payment. To mitigate this risk, the Company focuses on cooperation with counterparties on prepayment terms, or using security instruments: insurance of receivables, letters of credit and bank guarantees. The Company has developed procedures to make decisions on granting deferred payment, which in turn should be justified from the viewpoint of market conditions and not have a negative impact on the assets and interests of the Company.

In order to mitigate the credit risk when interacting with counterparties, the Company applies a credit policy to manage emerging risks and pays considerable attention to assessing credit risks in conditions of uncertainty and negative impact against the background of changes in macroeconomic indicators. Thanks to a circumspect credit policy, the Company manages to maintain effectiveness in preventing the occurrence of credit risks and promptly respond to emerging external changes.

Another group of credit risks includes risks associated with the activities of financial institutions – issuers of bank guarantees and letters of credit and a possible decrease in their financial stability. To mitigate these risks, the Company continuously monitors the credit rating of issuing banks and compiles a list for interaction with counterparties when using documentary operations. When opening deposits on the accounts of financial counterparties – banks, the Company focuses on banks with a first-class rating.

Currency risk

The bulk of Company's earnings is generated from currency receipts using various currencies, mainly Chinese yuan, US dollars and euros. 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 these foreign currencies. The Company constantly monitors changes in exchange rates to find a balance between inflows and outflows of funds, as well as assets and liabilities, in order to mitigate the currency risk.

Interest rate risk

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

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Within the framework of operational and strategic liquidity management, the Company forecasts cash flows for medium and long-term periods, monitors liquidity indicators and also assesses the sensitivity of operating and investment budgets to changes in macroeconomic indicators. If necessary, expenses are adjusted and sequestered during transition to a stress scenario, payment deadlines and deadlines for the implementation of investment projects are shifted.

The Company gives special attention to sufficiency of liquid funds to repay its obligations on time, both in normal and stressful conditions, preventing unacceptable losses and not putting the Company's reputation at risk. In order to ensure a sufficient level of liquidity in a volatile market environment, the Company maintains an optimal level of available loan facility limits.

Legal risks

Legal risks, including risks related to:

- changing requirements for licensing the Company's core business or licensing the rights to use facilities with limited circulation (including natural resources): the primary business of the Company is not under mandatory licensing. The Company does not use facilities with limited circulation (including natural resources);
- changes in judicial practice on issues related to the Company's activities (including licensing issues) that may adversely impact the results of its activities, as well as the results of ongoing trials with the participation of the Company;
- changes in judicial practice (including on licensing issues):

The Company considers them to be meaningful.

Being aware of the existence of the above risks, the Company makes every effort to mitigate the risks and reduce the likelihood of their materialization.

Operations risks

Risks related to fixed assets depreciation

The Company is exposed to risks because it has depreciated fixed assets, including equipment, buildings and technical structures. The risk factor is the aggressive environment (high temperature, humidity, vibration, etc.) n which fixed assets are operated.

The Company implements preventive measures to mitigate the risks associated with depreciation of fixed assets, which include an annual program for upgrade and renewal of equipment. The Company implements large-scale investment projects involving the use of advanced technologies. In 2022, within the framework of implementation of the program to mitigate the risks associated with the depreciation of fixed assets, as part of the quality improvement program, slitter No. 2 of PMM No. 8 was renewed.

In 2022, the risk of banning and refusing to supply process materials («machine clothing, chemicals, including those used in the paper bleaching process»), dyes, certain types of packaging materials, spare parts, equipment repair services, technical service and engineering, due to imposition of sanctions packages and changes in the geopolitical situation in the world, materialized. Management made efforts (search for alternative materials, conducting R&D, pilot tests) to reduce the sanctions impact.

Risks related to industrial safety

The Company is exposed to risks due to the use of hazardous equipment in its production activities. Potential accidents bear the risks of significant losses and temporary suspension of activities. The Company has developed measures to mitigate the risks of accidents and fires. Automated security systems are implemented within the framework of investment projects, independent audits are conducted to assess the risks of material losses and reduction of production activities due to material losses. The Company considers this risk to be a mitigable risk. In addition, the Company has a property insurance policy in place.

4.6. Audit Committee

The Audit Committee is provided for by the Company's Charter. At the Annual General Meeting of Shareholders on May 18, 2022 (Minutes No. 67 dated 19.05.2022) due to the absence of a quorum no resolution was passed on election of the Company's Audit Committee. 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

Reliability of the data contained in the annual report and financial statements is assessed by the Company's Internal audit function on a regular annual basis.

4.7. Internal Control and Internal Audit

Internal Control

Volga JSC has an internal control system focused on ensuring reasonable confidence in achieving the goals set for the Company.

Key objectives of the internal control system are:

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

Composition of the Company's internal control system and distribution of functions:

- The Board of Directors and the Audit Committee of the Company determine general principles and approaches to organization of the internal control system, review the efficiency assessment results and analyze its current state;
- the General Director and Deputy General Director are responsible for organization and effective performance of the internal control system;
- heads of business units 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.

No separate business unit for internal control was formed in the Company. The Internal Audit Service assesses efficiency of the Company's internal control system and comes up with recommendations based on the assessment results.

Internal Audit

Volga JSC has an independent business unit responsible for internal audit – the Internal Audit Function.

The purpose of the Internal Audit Function is to assist the Board of Directors and corporate bodies of the Company in increasing the shareholder value of the business by conducting audits focused on improving the efficiency of the internal control system, risk management and corporate governance. The Internal Audit Function uses a risk-based approach in its work to assess the efficiency of corporate governance, risk management and internal control processes.

In its activities, the Internal audit function of Volga JSC is guided by the legislation of the Russian Federation, Charter of Volga JSC, Regulations on the Internal audit function of Volga JSC, Regulations on the Board of Directors of Volga JSC, Regulations on the Audit Committee of the Board of Directors of Volga JSC, resolutions of the General Meeting of Shareholders and the Board of Directors of JSC «Volga», other internal regulatory documents of the Company, standards of internal auditors defined by the international occupational standards of internal audit.

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

To achieve the set goals, the Internal Audit function exercises the following main functions:

- conducting internal audits and consultations in the Company;
- independent and impartial assessment of reliability and efficiency of the organization and functioning of Company's risk management, internal control and corporate governance systems;
- communication of internal control systems, risk management, corporate governance assessment results 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 remove shortcomings 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 developed based on audit results.

The Director of the Internal audit function reports to the Audit Committee on a quarterly basis on the results of Internal Audit Functions activities 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 Company Board of Directors annually approves the work plan of the Internal audit function and reviews the report on the results of Internal Audit Service activities for the reporting year.

In 2022, the Internal Audit function conducted audits and implemented procedures planned in the reporting period in terms of corporate governance, risk management, investment activities, and evaluation of the efficiency of the internal control system of the Company's main business processes.

Based on the audits results, recommendations were issued to improve Company's business processes, eliminate identified shortcomings and implement corrections. Taking into account recommendations of the Internal audit function, the Company's management implements a set of measures to improve the efficiency of the internal control system of business processes. In 2022, attention of the Internal audit function was focused on improving the Company's investment activity management process.

4.8. External Audit

Company's financial and economic activities are audited in accordance with the requirements of the legislation of the Russian Federation by the Company's auditor under an agreement entered into with the auditor.

The auditor is selected on the basis of recommendations on the nominee for the position of the Board of Directors' Audit Committee auditor and the proposal of the Board of Directors is approved at the Annual General Meeting of Shareholders. The size of auditor's remuneration is determined by the Company's Board of Directors.

By the resolution of the Annual General Meeting of Shareholders of Volga JSC dated 18.05.2022 (Minutes No. 67 dated 19.05.2022), Joint Stock Company "KPMG" (renamed into "KEPT" JSC) was named the auditor of RAS accounting (financial) statements for 2022 and IFRS consolidated financial statements for 2022.

The Audit Committee of the Board of Directors of Volga JSC reviews and assesses auditor's opinions, auditor's reports, and, if necessary, holds face-to-face meetings with auditor's representatives.

Section 5

Sustainable Development

5

Sustainable Development

Volga JSC' activities in the area of sustainable development and corporate social responsibility are based on best practices, international and Russian standards and principles.

Quality Control

Multi-stage control includes:

- quality assessment of raw materials, fiber stuff, chemicals quality;
- quality assessment of manufactured products quality.

Quality control of production processes

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

Product quality control is a complete (visual) control. Laboratory control meets the requirements of the paper production process procedure at Volga JSC.

Control of purchased products implies incoming check of raw materials, fiber stuff, chemicals for compliance with GOST, TU.

The Company developed a system of internal corporate codes and policies that regulates the most important issues related to sustainable development. Applicable key documents are as follows:

- Company development strategy until 2028;
- Environmental policy;
- Labor protection and fire safety policy;
- Anti-corruption policy;
- Social policy;
- Personnel policy.

5.1. Supply Chain Management

Since Volga JSC has reached a new stage of strategic development, increased productivity, expanded the product range and geography of supplies, in 2022 it was decided to form a supply chain management unit. The tasks of the newly formed department are to implement the integrated Sales and Operations Planning (S&OP) process, improve customer service, optimize supply chains, harmonize relations and data exchange between departments based on the best world practices.

The purpose of customer service system development is to gain competitive advantage of the Company by improving the customer service quality. Volga JSC intends to reach a qualitatively new level in terms of pace and efficiency of interaction with customers.

5.2. Sustainable Procurement

Key objectives of Volga JSC procurement activity:

1. timely and complete satisfaction of Company needs for goods, works, services, with necessary indicators of price, quality and reliability;
2. cost-effective spending of funds for the purchase of goods, works, services;
3. prevention of errors and abuses in procurement activities by Company's employees.

The main principles of Volga JSC procurement activity are information openness or transparency, equality and unrestricted competition in relation to the participants of procurement process.

The total number of procurement procedures implemented in a competitive manner in 2022 amounted to 88%.

Development plans:

- increasing technological sovereignty through imports phase-out;
- diversification of supply channels;
- implementation of the recycled pulp provision strategy;
- implementation of working capital management measures;
- automation of investment project planning.

5.3. Personnel and Social Policy

The personnel policy of Volga JSC is focused on implementing the Company's Development strategy, where personnel is the main value, and the Company's Personnel Strategy ensures creation of conditions for high-performance work and staff development.

Major lines of the Personnel Strategy are:

- understaffing avoidance be ensuring skills availability;
- personnel development through introduction of a training system in accordance with the business needs and talent development programs and candidates pool;
- increase in productivity and efficiency of personnel activities due to improvement of the motivation system: tangible incentive – through creation of a transparent variable remuneration component linked to the system of key performance indicators (KPI), and expansion of benefits package; intangible incentive – through implementation of programs to encourage best performers and recognition of contribution from both an individual employee and the team

The large-scale investment program implementation will not only scale up massively the production output and ensure competitiveness of Volga JSC in the domestic and global markets, but also create more than 500 additional jobs when adding new capacities.

The long-term hiring plan for 2021-2025 provides for implementation of career guidance projects, attracting recent graduates, skilled workers and engineers, training and development of personnel in the employment setting, training in in-demand jobs at the expense of the employer, setting and development of the succession pool of manufacturing engineers.

Volga JSC implements more than 60 training, retraining and advanced training programs for experts and managers, in 2022 more than 700 employees completed training programs. Since 2021, a comprehensive IT training program has been implemented jointly with the Institute for Integrated Development and Training "KRONA" (St. Petersburg). Also, at the expense of the Company's funds, 22 employees are being trained in higher industry-specific education programs. Development of the managerial succession pool is facilitated by Corporate University programs conducted jointly with the City Business School (59 employees were trained in 2021-2022), and training under the Presidential Program (12 employees were trained in 2021-2022).

One of the tools for attracting young professionals – graduates of industry-specific universities is the implementation of the "Volga NEXT" program of short-term and long-term internships. In order to attract young professionals to the Company, Volga JSC diligently cooperates with industry-specific vocational education institutions and universities. Over the past two years, 122 people have been interned at the Company: 96 of them are students and graduates of colleges (vocational education institutions) and 26 of universities, 7 people were employed as interns and joined the team of young professionals of the Company. More than 500 students annually attend events organized by Volga JSC at job fairs and career days in educational institutions.

For training on-the-job in in-demand jobs, Volga JSC implements internal training and mentoring programs. So in 2022, 58 employees were trained on-the-job. To help in-home teachers and mentors, Volga JSC develops interactive e-courses, thanks to which the number of employees covered by internal on-the-job training programs will reach 200 employees per year.

In order to create comfortable conditions for newly hired employees, the Company has an onboarding program, the purpose of which is to accelerate the process of filling a new position and the joining the labor process, familiarization with corporate culture norms and rules, establishment of informal ties in the team, introduction of a culture of meaningful communication in the form of feedback.

The KPI-based personnel performance management system, i.e. the "Efficiency Roadmap" is focused on achieving the Company's strategic goals, employee development and succession pipeline. Gradual cascading of KPIs to all management levels in the Company contributed to the involvement of about 100 managers in the target-specific management process.

The vector of the action plan to improve the methods of intangible incentive of personnel is focused on improving the organizational climate in the Company. The mission of the BRAVO program is to create a Company attractive to qualified and young professionals, develop a culture of recognition, succession and encouragement of best performers of Volga JSC. The program implemented in the Company in 2021 makes it possible to identify and competitively reward winners according to the results of the quarter and year in nominations: "The best employee of the business unit"; "The best business unit of the Company"; "The Best employee of the Company"; "The Best labor dynasty". In 2022, BRAVO increased the list of nominations, encouraging the best performers for their contribution to the implementation of the project for equipment reliability improvement.

The purpose of material incentives is to increase labor productivity, maintain material interest of employees in obtaining the maximum financial result of the Company's activities. The incentive system covers the production side of activity, transport, logistics, commerce, and forest raw material support. In 2021, the first step of the incentive program for main production departments personnel for achievement of target indicators was made. In 2022, these motivational principles of bonus award will be extended to employees of the auxiliary department.

The benefits package for Volga JSC employees increases almost annually with new benefits and compensations. Financial assistance to employees and veterans is provided through the standing commission for social issues. In 2022, the list of social safety net programs for the Company's staff was supplemented with an Interest-free loan program, which members can receive interest-free loans for their own education or their children's education; health maintenance of an employee or family members; home renovation or the purchase of expensive household appliances. Starting from 2023, this program will be supplemented: the target list will be increase, loan amount and maturity will be extended.

The Company has developed and is implementing a long-term program focused on creation of comfortable working conditions. In three years (2020-2022), 102 premises in workshops were renovated in accordance with up-to-date standards of repair work, including control rooms, offices, dressing rooms, showers, and recreation rooms.

An essential component is employee health care. During the year, employees can enjoy partial compensation for the sanatorium and resort treatment cost. Also, health resort vouchers are given to employees suffering from occupational diseases or employees exposed to harmful and/or hazardous working environments, as well as employees of retirement and preretirement age.

Company employees can visit the "Volga" sports and fitness center with a swimming pool and gym at reduced rates. The sports and fitness center hosts annual sports and athletic meetings with the participation of 200 employees in more than 10 sports, recreative sports for veterans and family competitions for employees and their children.

Area on the rising generation is an important strand of corporate social policy. To organize and have the opportunity to rest, every year from 90 to 120 children of employees can relax in recreation centers and sanatoriums of the Nizhny Novgorod region, mainly at the expense of the Company.

The Center for the implementation of youth policy is the Youth Council of Volga JSC, which strongly 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.

Volga JSC pursues charitable and sponsorship activities, providing assistance to educational institutions, creative and sports teams. Conventional charity events are held on the New Year, Day for the Elderly, Decade of Disabled Persons, focused on caring for employees with disabilities and drawing public attention to their problems.

The Company operates in accordance with the applicable Collective employment and labor agreements, Labor Code of the Russian Federation and other regulatory legal acts of the Russian Federation.

5.4. Labor Protection, Fire and Industrial Safety

Labor protection of Volga JSC in 2022

The main criteria of Volga JSC are the employees' health and safety. Volga JSC invests significant resources in safety measures, equipment modernization, and improvement of working conditions and safety.

In 2022, a number of measures were implemented to improve occupational safety in Volga JSC in accordance with:

- action plan to improve working conditions of employees and minimize risks;
- schedule of administrative and public control of labor protection and fire safety in Volga JSC;
- schedule of Company managers and experts training in labor protection technique in specialized companies;
- schedule of Company managers and experts safety knowledge assessment;
- schedule of training in job safety rules by work at heights;
- a plan of special check of working conditions for compliance with regulations and analysis of occupational risks;
- a plan for modification of artificial lighting, heating and ventilation systems to create a comfortable microclimate in work rooms.

The following was revised and put into effect:

- description of occupations (positions) of Volga JSC employees undergoing occupational safety training in institutions permitted to provide occupational safety services;
- description of occupations (positions) of employees undergoing occupational safety training in Volga JSC;
- description of occupations of Volga JSC undergoing an internship in labor protection;
- description of occupations (positions) of Volga JSC employees who are not subject to the initial occupational safety briefing;
- orders related to labor protection on appointment of responsible officers, training, documentation and organization of work.

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

During the year, 3 accidents falling into the minor category and 4 minor injuries were investigated.

Occupational safety measures implemented by Volga JSC are targeted production activities focused on achieving the set tasks related to occupational safety.

The following activities are being implemented on an ongoing basis:

- revision of occupational safety instructions for professions and activities;
- training of employees in labor protection technique, including training in licensed companies;
- sanatorium vouchers were distributed at the expense of Volga JSC to 64 Company employees exposed to harmful or hazardous working environments; provision of employees with coveralls, safety footwear and other PPE, flushing and neutralizing agents, milk and other equivalent foodstuffs at the expense of the employer in accordance with the norms established by the Collective employment agreement.

Fire safety in Volga JSC in 2022

In 2022, Volga JSC took planned measures to ensure fire safety at the Company's facilities and raise the personnel protection level.

In 2022, there were 5 fires and 3 smoke contaminations without subsequent combustion, which is 20% less vs. the previous reporting year.

In 2022, planned fire safety projects were implemented, including installation of highly efficient fire protection systems made in accordance with the current regulatory and technical requirements to fire safety. To protect the personnel and property of the joint–stock company from fires and emergencies, the company maintains a contractual fire department - Fire and rescue unit 22 (FRU 22). It is the most stocked and capable unit of the EMERCOM of Russia in the Balakhna municipal district.

In 2022, at Volga JSC facilities, work continued on the modification of legacy Fire Alarm Systems and installation of new ones (FAS), Fire Warning and Evacuation Management System (FWEMS), as well as installation of automation systems for shutting down the air handling equipment in case of fire.

Work were carried out to to improve the reliability and maintenance of automatic systems and fire protection plants of the Company.

External and internal sources of fire-fighting water supply at the Company are in safe repair, checks for water yield are carried out in spring and autumn. These include 135 fire plugs, 701 fire cocks, 26 water jets. 33 fire dry standpipes, 19 automatic fire suppression systems, 24 air-foam units (AFU) for extinguishing fires using air-filled foam are visually inspected and checked annually.

Maintenance work was carried out on external fire escape ladders mounted on 66 buildings of the Company, equipment of fire alarm and warning systems, fire warning and evacuation management systems. Trigger signals of these systems are additionally output to the signal office of Fire and rescue unit 22.

All main and auxiliary business units of the Company are equipped with emergency fire-fighting equipment (manual and portable carbon dioxide and powder fire extinguishers) in accordance with approved safety standards.

Volga JSC has mustered a team consisting of professionals, prepared to perform tasks of any complexity in the area of fire safety and emergency protection. For the purpose of continuing professional development of officials, as well as persons appointed responsible for ensuring fire safety in business units consisting of 73 people, training was conducted on programs of further vocational education in fire safety technique with the delivery of government-issue certificates. In order to practice in facility fire response skills, as well as to avoid fires, all workers of Volga JSC received a fire safety briefing.

Main efforts of Volga JSC relating to fire safety, emergency prevention and response measures are focused on improving fire protection systems of technical processes and production facilities, as well as high-quality training of personnel in emergency response actions.

Industrial safety in Volga JSC in 2022

Industrial safety measures of Volga JSC are taken in compliance with the following basic principles:

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

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

- to develop a culture of occupational safety and leadership attributes at all levels to ensure industrial safety and labor protection;
- to identify and assess 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 hazardous events that can exert negative influence on the life and health of people, reliability of technical processes and integrity of hazardous production facilities of Volga JSC on an ongoing basis and effectively control professional risks;
- to ensure a quick and efficient response to any emergency and accident occurred in result of Volga JSC activities, in cooperation with licensed companies and competent government agencies;
- to introduce and apply advanced technologies that contribute to the prevention of occupational injuries and occupational diseases and emergencies;
- to ensure that Volga JSC employees are informed about working conditions at the workplace, established process modes and applicable industrial safety requirements;
- to ensure the necessary level of competence of employees relating to industrial safety through a system of briefings and training;
- to develop, implement and apply a safe work incentive scheme;
- in relation to all Volga JSC employees, contractors' employees and other persons involved in Volga JSC activities, to establish and control responsibility for the safe conduct of work at production facilities;
- to ensure systematic monitoring of technical condition of Volga JSC hazardous production facilities and compliance with industrial safety requirements, including in relation to the technical devices, tools, materials and personal protective equipment used;
- to organize efficient cooperation with government agencies, research organizations, public and other stakeholders for sharing experience and mutual information about activities affecting industrial safety issues, as well as the development and implementation of updated norms and rules;
- to analyze and assess the results of Volga JSC activities related to industrial safety for further improvement of the management system;
- to involve employees and the trade union committee in active participation in all components of industrial safety.

5.5. Environmental Safety

One of the Company's key priorities is environmental protection. Efficient control of technical process impact 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 corporate responsibility as much as possible.

Volga JSC strives to develop and implement process solutions within the framework of sustainable development based on renewable raw materials and taking into account reusable assets.

The Company's products are made from wood from forests with environmentally and socially responsible management aimed at maintaining and improving the socio-economic well-being of the local population and respect their rights, preserve the biological diversity, water resources, soils, as well as unique ecosystems and landscapes, conservation of high nature-value forests. Timber is harvested in certified forests and delivered in compliance with the optimal logistics scheme.

The environmental management system of Volga JSC covers almost all stages of production cycles, from the purchase of raw materials to the goods production, sets uniform requirements for the environmental management of the Company's and contractors' production activities affecting environmental safety, as well as negative impact mitigation.

Each production stage is controlled with environmental indicators as far as possible:

- 100% control of emissions into the atmospheric air at sources;
- 100% control of gas cleaning equipment efficiency;
- 100% control of atmospheric air at the sanitary protection zone edge;
- 100% control of water quality indices in water bodies.

The Company ensures continuous monitoring of generation, as well as industrial and household waste flow stream management.

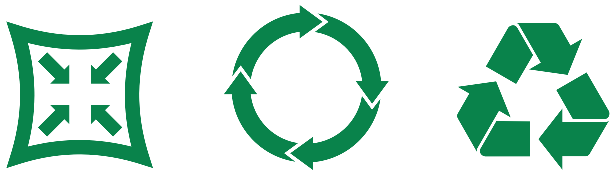
The results of environmental monitoring are reported to government agencies. The summarized information is the basis both for the development of measures focused on improving technical processes, planning the financing of environmental protection measures, and for monitoring the efficiency of taken measures, as well as justifying the development of investment decisions.

Volga JSC has approved and is implementing an Environmental Policy with the following basic principles:

- compliance principle – ensuring compliance with legislative and other requirements related to environmental safety and environmental protection;
- consistent improvement principle – a system of actions to maintain a high level of environmental safety based on the use of the best available technologies;
- negative impact prevention principle – a system of preventive actions focused on preventing hazardous environmental aspects;
- preparedness principle – a system of measures to maintain constant preparedness of the Company's personnel to prevent and eliminate emergencies of a natural or man–made nature;
- consistency principle – an integral solution to issues of environmental safety and environmental protection based on up-to-date methods of environmental risk analysis;
- openness principle – availability of environmental information, openness and efficient information work of the Company with the public.

In its activities, Volga JSC is guided by the principles of closed-loop economy, in particular:

- reduce waste generation,
- recycle material resources into economic circulation.
- reuse resources.



«The long-term strategic environmental program of Volga JSC is focused on maintaining the "green" vector of the Company's development.

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

At the end of the lifetime cycle, Company's products become a source of raw materials for recycling. Currently, more than 4.0% of secondary fibers is used in the technical process. At the same time, the Company's strategy plans to increase its share to 28%.

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

The 2022 results confirm the Company's commitment to the principles of green economy, focusing on minimizing waste generation and efficient use of natural resources.

- 97% of waste is recycled;
- 83% of the water is reused;
- 98% of emissions are caught in gas purifying plants;
- 100% of industrial and storm wastewater are purified at 5-stage biological treatment plant.

Chlorine, chlorine-containing oxidizing agents, and organochlorine compounds are not used in production work.

This allowed the Company to ensure chlorine-free emissions and reuse water in technical processes.

Volga JSC strives to minimize negative impacts of 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 total amount of Company's current environmental protection expenditures in 2022 exceeded RUB 300 million*, while the costs of implementing water protection measures exceeded RUB 3.7 million.
- Investments in implementation of the action plan with environmental protection effect amounted to about 66 million rubles, of which: a project worth more than 21 million rubles was implemented, focused on improving the efficiency of wastewater treatment facilities. An additional line consisting of a set of bent sieves and a screw press was installed.

Promising areas

In 2022, in order to draw up a list of compensatory measures for the development of Volga JSC capacities, the leading profile engineering centers carried out technical and environmental assessments of the Company's production facilities. A strategic plan was developed to increase the efficiency of investments for the period of long–term development - the Environmental Program of Volga JSC. The environmental program should be implemented by 2025.

The Program will make it possible to:

- optimize technical processes based through introduction of the best available and up-to-date technologies;
- mitigate the environmental impact.
- increase the list of material resources involved in economic turnover.

Key objectives of the Program are:

- waste minimization;
- reduction of treatment facilities load.

* – including payments for environmental services.

5.6. Anti-Corruption Policy

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

The Policy sets:

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

The Company operates a hotline – a secure and confidential information channel designed to provide employees of the Company and other third parties, including counterparties, with information about intentions or facts of committing corrupt acts against the Company and/or its employees, counterparties, allowing, inter alia, to convey information anonymously.

5.7. Responsible Forest Management

Volga JSC is a Company with sustainable forest management, this is confirmed by 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 2022, representatives of the administration and industrial complex youth committee joined the logging area employees to perform silvicultural treatment in the Varnavino district forestry of the Nizhny Novgorod region.

Participants in the ecological reforestation event planted more than 1,000 pine seedlings plants in the area of the Khmelev forest district leased by Volga JSC.

Reforestation work results for 2022:

- artificial reforestation regeneration – 289 ha;
- soil cultivation for planted forest – 146 ha;
- soil mineralization – 241 ha;
- agronomic treatments of plantations – 879.2 ha;
- brood care – 113 ha;
- fire-fighting measures have been taken in full.

Section 6

Appendices

JSC “Volga”

Consolidated Financial Statements for 2022 and Independent Auditors’ Report

Contents

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kept

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 2022, 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 2022, 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:

Grichuk A.P.

Principal registration number of the entry in the Register of Auditors and Audit organizations No. 22006009405, acts on behalf of the audit organization based on the power of attorney No. 428/22 as of 1 July 2022

JSC "Kept"

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

Moscow, Russia

4 April 2023

'000 RUB	Note	31 December 2022	31 December 2021
ASSETS			
Property, plant and equipment	11	6 990 816	6 136 026
Letter of credit for equipment	14	14 585	-
Restricted cash	14	1 220 680	-
Intangible assets		19 616	13 349
Non-current assets		**8 245 697**	**6 149 375**
Inventories	12	1 394 456	1 274 790
Trade and other receivables	13	1 709 967	1 399 244
Cash and cash equivalents	14	1 434 335	1 946 991
Current assets		**4 538 758**	**4 621 025**
TOTAL ASSETS		**12 784 455**	**10 770 400**
EQUITY AND LIABILITIES			
Equity			
Share capital	15	6 147 147	6 147 147
Additional paid-in capital		1 087 555	1 087 555
Reserves		171 912	171 912
Retained earnings/(accumulated loss)		171 120	(1 656 292)
Equity attributable to owners of the Company		**7 577 734**	**5 750 322**
Non-controlling interests		(5 392)	(2 311)
Total equity		**7 572 342**	**5 748 011**
LIABILITIES			
Loans and borrowings	16	1 694 513	1 108 233
Deferred income		562 822	71 871
Deferred tax liabilities	9	352 390	543 562
Lease liabilities	16	168 770	197 664
Other liabilities	18	222 301	296 707
Non-current liabilities		**3 000 796**	**2 218 037**
Loans and borrowings	16	890 296	481 787
Trade and other payables	17	842 043	1 891 025
Lease liabilities	16	247 452	231 290
Other liabilities	18	231 526	200 250
Current liabilities		**2 211 317**	**2 804 352**
Total liabilities		**5 212 113**	**5 022 389**
TOTAL EQUITY AND LIABILITIES		**12 784 455**	**10 770 400**

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 - 48.

'000 RUB	Note	2022	2021
Revenue	7	14 073 522	13 157 455
Cost of sales	8(a)	(9 688 124)	(9 548 850)
Gross profit		**4 385 398**	**3 608 605**
Distribution expenses	8(b)	(196 656)	(183 699)
Administrative expenses	8(c)	(1 179 743)	(1 079 054)
Other income, net	8(d)	237 078	836 244
Results from operating activities		**3 246 077**	**3 182 096**
Finance income	8(e)	64 184	97 631
Finance costs	8(e)	(223 640)	(125 341)
Net finance costs		**(159 456)**	**(27 710)**
Profit before income tax		**3 086 621**	**3 154 386**
Income tax expense	9	(386 724)	(522 320)
Profit and other comprehensive income for the year		**2 699 897**	**2 632 066**
Profit and other comprehensive income attributable to:			
Owners of the Company		2 702 978	2 629 914
Non-controlling interests		(3 081)	2 152
Earnings per share			
Basic earnings per share ('000 RUB)		0.23	0.23

These consolidated financial statements were approved by management on 4 April 2023 and were signed on its behalf by:

Pondar S. I.

Chief Executive Officer

Lomakin S. S.

Deputy Chief Executive Officer –
Chief Financial Officer

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 - 48.

'000 RUB

		Equity attributable to owners of the Company						
	Note	Share capital	Additional paid-in capital	Reserves	Retained earnings/ (accumulated loss)	Total	Non-controlling interests	Total equity
Balance at 1 January 2021		**6 147 147**	**1 087 555**	**171 912**	**(2 668 132)**	**4 738 482**	**(4 463)**	**4 734 019**
Profit for 2021		-	-	-	2 629 914	2 629 914	2 152	2 632 066
Total comprehensive income for the year		-	-	-	**2 629 914**	**2 629 914**	**2 152**	**2 632 066**
Transactions with owners of the Company (Dividends)	15	-	-	-	(1 573 074)	(1 573 074)	-	(1 573 074)
Transactions recognised directly in equity	23	-	-	-	(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**	**(1 656 292)**	**5 750 322**	**(2 311)**	**5 748 011**
Balance at 1 January 2022		**6 147 147**	**1 087 555**	**171 912**	**(1 656 292)**	**5 750 322**	**(2 311)**	**5 748 011**
Profit for 2022		-	-	-	2 702 978	2 702 978	(3 081)	2 699 897
Total comprehensive income for the year		-	-	-	**2 702 978**	**2 702 978**	**(3 081)**	**2 699 897**
Transactions with owners of the Company (Dividends)	15	-	-	-	(871 366)	(871 366)	-	(871 366)
Transactions recognised directly in equity	23	-	-	-	(4 200)	(4 200)	-	(4 200)
Total transactions with owners of the Company		-	-	-	**(875 566)**	**(875 566)**	-	**(875 566)**
Balance at 31 December 2022		**6 147 147**	**1 087 555**	**171 912**	**171 120**	**7 577 734**	**(5 392)**	**7 572 342**

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 - 48.

'000 RUB	**Note**	**2022**	**2021**
Cash flows from operating activities			
Profit for the year		2 699 897	2 632 066
Adjustments for:			
Depreciation and amortisation	11	978 816	659 066
Interest expense and discounting	8(e)	152 791	125 340
Foreign exchange differences	8(e)	70 849	(69 205)
(Reversal)/accrual of allowance for expected credit losses	8(d), 19b(i)	(57 874)	41 717
Other expenses	8(d)	57 631	140 518
Recovery of written-off bad debts	8(d)	-	(852 293)
Income tax expense	9	386 723	522 320
		4 288 833	**3 199 529**
Changes in:			
Inventories		(71 334)	(41 875)
Trade and other receivables		(520 757)	351 186
Trade and other payables (including lease liabilities)		(313 326)	(148 200)
Provisions and employee benefits		(98 562)	(56 577)
Cash flows from operations before income taxes and interest paid		**3 284 854**	**3 304 063**
Income tax paid		(533 106)	(339 939)
Interest paid		(79 680)	(66 341)
Net cash from operating activities		**2 672 068**	**2 897 783**

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 - 48.

'000 RUB	Note	2022	2021
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1 337 415)	(1 503 032)
Assignment of right of demand	8(d)	-	852 293
Interest received		58 925	23 167
Net cash used in investing activities		**(1 278 490)**	**(627 572)**
Cash flows from financing activities			
Proceeds from borrowings		2 687 850	2 501 237
Repayment of borrowings		(1 118 158)	(2 512 802)
Payment of lease liabilities		(422 694)	(469 837)
Dividends paid		(1 766 288)	(676 036)
Repayment of long-term payables		(106 428)	(106 428)
Other distributions to related parties (Charity)		(4 200)	(45 000)
Net cash used in financing activities		**(729 918)**	**(1 308 866)**
Net increase in cash and cash equivalents		**663 660**	**961 345**
Net effect of movements in exchange rates		44 364	(2 016)
Cash and cash equivalents at 1 January		1 946 991	987 662
Cash and cash equivalents at 31 December		**2 655 015**	**1 946 991**
Including restricted cash		1 220 680	-
Cash and cash equivalents in the consolidated statement of financial position		1 434 335	1 946 991

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 - 48.

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. Since February 2022, after the recognition of the self-proclaimed Donetsk and Lugansk People's Republics and the start of a special military operation in Ukraine by the Russian Federation, the above countries have imposed additional tough sanctions against the Government of the Russian Federation, as well as large financial institutions, legal entities and individuals in Russia. In particular, restrictions were imposed on the export and import of goods, including capping the price of certain types of raw materials, restrictions were introduced on the provision of certain types of services to Russian enterprises, the assets of a number of Russian individuals and legal entities were blocked, a ban on maintaining correspondent accounts was established, certain large banks were disconnected from the SWIFT international financial messaging system, and other restrictive measures were implemented. Also, in the context of the imposed sanctions, a number of large international companies from the United States, the European Union and other countries discontinued, significantly reduced or suspended their own activities in the Russian Federation, as well as doing business with Russian citizens and legal entities.

In September 2022, partial mobilization was announced in the Russian Federation. Referendums were held in the recognised republics of Donetsk and Lugansk, as well as in the Zaporozhye and Kherson regions of Ukraine, which resulted in incorporation of the territories into the Russian Federation. As a result of these events further sanctions were imposed and there is a risk of increasing pressure on the Russian economy. In response to the above, the Government of the Russian Federation and the Central Bank of the Russian Federation have introduced a set of measures, which are counter-sanctions, currency control measures, a number of key interest rate decisions and other special economic measures to ensure the security and maintain the stability of the Russian economy, financial sector and citizens.

The imposition and subsequent strengthening of sanctions and the partial mobilization resulted in elevated economic uncertainty, including reduced liquidity and high volatility in the capital markets, volatility of the Rouble exchange rate and the key interest rate, a decrease in foreign and domestic direct investments, difficulties in making payments for Russian Eurobond issuers, and also a significant reduction in the availability of sources of debt financing.

In addition, Russian companies have virtually no access to the international stock market, the debt capital market and other development opportunities, which may lead to their increased dependence on the governmental support. The Russian economy is in the process of adaptation associated with the replacement of retiring export markets, a change in supply markets and technologies, as well as changes in logistics, supply and production chains.

It is difficult to assess the consequences of the imposed and possible additional sanctions as well as partial mobilization, in the long term, however, these events can have a significant negative impact on the Russian economy.

The wave-like nature of the spread of COVID-19 coronavirus infection continues to create additional uncertainty in the business environment.

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 in January 1991, as part of the Russian Federation's privatisation program. Since 30 June 2016 the Company acts 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 2022, 99,0317% of shares (as at 31 December 2021: 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 25 (h) (iii) – useful lives of property, plant and equipment;
- Notes 13, 19 – measurement of expected credit losses (ECL) allowance for receivables;
- Note 18 – provision for site restoration;
- Note 16 – 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 19 – 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 19.

6 Changes in significant accounting policies

The Group has adopted Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37) from 1 January 2022. This resulted in a change in accounting policy for measuring provision for onerous contracts. Previously, the Group included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs.

The Group has analysed all contracts existing at 1 January 2022 and determined that none of them would be identified as onerous applying the revised accounting policy – i.e. there is no impact on the opening equity balances as at 1 January 2022 as a result of the change.

Changes to existing standards effective from 1 January 2022 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 paper products and forest products 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 2020 according to delivery terms specified in the order. Customers obtain control over 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 (the 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.
Revenue from provision of heating and electricity supply services	The Group provides 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 Group's warehouse.	Revenue from sales of forest products is recognised when the product is accepted by the Customer.

'000 RUB	**2022**	**2021**
Revenue from sales of paper products to export *	9 733 675	8 602 059
Revenue from sales of paper products to local customers	2 495 112	2 528 289
Revenue from services	1 071 588	1 110 588
Revenue from sales of forest products	723 024	758 048
Other revenue	50 123	158 471
Total revenue from contracts with customers	**14 073 522**	**13 157 455**

* Including revenue from transportation services to customers.

8 Income and expenses

(a) Cost of sales

'000 RUB	2022	2021
Raw materials and consumables	3 213 824	3 176 645
Electricity, fuels	2 539 581	2 530 289
Salaries and payroll taxes	933 862	801 744
Depreciation	919 704	605 664
Purchased services	1 017 704	853 531
Transportation expenses	1 015 997	1 482 526
Change in stock	30 012	(79 106)
Other expenses	17 440	177 557
Total cost of sales	**9 688 124**	**9 548 850**

(b) Distribution expenses

'000 RUB	2022	2021
Salaries and payroll taxes	80 909	70 333
Purchased services	57 512	61 974
Insurance of receivables	12 548	13 197
Other expenses	45 687	38 195
Total distribution expenses	**196 656**	**183 699**

(c) Administrative expenses

'000 RUB	2022	2021
Salaries and payroll taxes	866 871	745 035
Taxes and levies (excl. income tax)	6 965	16 153
Purchased services	264 200	269 812
Other expenses	41 707	48 054
Total administrative expenses	**1 179 743**	**1 079 054**

(d) Net other income

'000 RUB	2022	2021
Recovery of written-off bad debts	-	852 293
Government grants – compensation of transportation costs	227 224	132 898
Income/(loss) from reversal/(accrual) of allowance for expected credit losses	57 874	(41 717)
Income/(expenses) from disposal of property, plant and equipment	79 581	(108 082)
Other income, net	(127 6021)	852
Total other income, net	**237 078**	**836 244**

In 2021 the recovered credit-impaired debt, which was transferred by the Company (assignor) to Nizhny Newsprint Holdings Limited (assignee) as the right of claim to the counterparty Hayard Investments Limited in the amount of RUB 852 293 thousand, was repaid in full.

(e) Net finance costs

'000 RUB	2022	2021
Net foreign exchange gain	-	69 205
Interest income on bank deposits and loans granted	58 925	23 167
Income from government funding	5 259	5 259
Total finance income	**64 184**	**97 631**
Financial liabilities measured at amortised cost – interest expense	(72 169)	(70 506)
Net foreign exchange loss	(70 849)	-
Unwinding of discount on site restoration provision	(6 341)	(5 878)
Finance costs – other	(74 281)	(48 957)
Total finance costs	**(223 640)**	**(125 341)**
Net finance costs	**(159 456)**	**(27 710)**

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	2022	2021
Current income tax		
Current year	(613 214)	(397 826)
	(613 214)	**(397 826)**
Deferred income tax		
Origination and reversal of temporary differences	217 629	(126 152)
Change in recognised deductible temporary differences (due to write-down of deferred tax assets)	8 861	1 658
Total income tax expense	**(386 724)**	**(522 320)**

(b) Reconciliation of effective tax rate:

'000 RUB	2022	2021
Profit before tax	3 086 621	3 154 385
Tax using the Company's domestic tax rate	(617 324)	(630 877)
Change in recognised deductible temporary differences (due to write-down of deferred tax assets)	(8 861)	(1 658)
Tax effect of income/(expenses) not included in tax base	239 461	110 215
Income tax expense	**(386 724)**	**(522 320)**

(c) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
'000 RUB	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Property, plant and equipment	-	-	(495 022)	(555 327)	(495 022)	(555 327)
Inventories	2 718	2 638	(16 170)	(41 834)	(13 452)	(39 196)
Trade and other receivables	46 322	-	(17 890)	(8 375)	28 432	(8 375)
Lease liabilities	9 868	53 297	-	-	9 868	53 297
Non-current liabilities	-	-	(8 130)	(12 214)	(8 130)	(12 214)
Other current liabilities	125 914	21 066	-	(2 815)	125 914	18 251
Tax assets/(liabilities)	**184 822**	**77 001**	**(537 212)**	**(620 565)**	**(352 390)**	**(543 564)**
Set off of tax	(184 822)	(77 001)	184 822	77 001	-	-
Net tax assets/(liabilities)	-	-	**(352 390)**	**(543 564)**	**(352 390)**	**(543 564)**

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

The Group's Management has presented 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 and amortisation.

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 applied by other entities.

Reconciliation of adjusted EBITDA to profit for the reporting period

'000 RUB	**Note**	**2022**	**2021**
Profit for the year		2 699 897	2 632 066
Income tax expense		386 724	522 320
Profit before tax		**3 086 621**	**3 154 386**
Adjustments for:			
- Net finance costs	8(e)	159 456	27 710
- Depreciation and amortisation	11, 8(a), 8(d)	989 138	665 693
- Provision for bonuses based on KPI	19	53 438	28 632
- (Expenses)/income from (accrual)/reversal of allowance for expected credit losses	8(d) 19b(i)	(57 874)	41 717
- Other allowances and provisions		103 374	42 218
- Recovery of written-off bad debts	8(d)	-	(852 293)
Adjusted EBITDA		**4 334 153**	**3 108 063**

11 Property, plant and equipment

'000 RUB	Land and buildings	Machinery and equipment	Other	Under construction and prepayments	Total
Cost or deemed cost					
Balance at 1 January 2021	4 294 010	8 866 781	999 267	211 446	14 371 504
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)	-
Balance at 31 December 2021	**4 289 397**	**9 237 495**	**1 094 720**	**1 101 074**	**15 722 686**
Balance at 1 January 2022	4 289 397	9 237 495	1 094 720	1 101 074	15 722 686
Additions	-	15 303	701	1 735 821	1 751 825
Change in the cost as a result of modification	-	2 201	-	-	2 201
Disposals	(13 794)	(322 325)	(82 320)	-	(418 439)
Transfers	259 426	614 131	37 111	(910 668)	-
Balance at 31 December 2022	**4 535 029**	**9 546 805**	**1 050 212**	**1 926 227**	**17 058 273**
Depreciation and impairment losses					
Balance at 1 January 2021	(2 272 833)	(6 183 614)	(731 613)	-	(9 188 060)
Depreciation for the year	(153 420)	(438 307)	(67 339)	-	(659 066)
Disposals	12 928	227 584	19 954	-	260 466
Balance at 31 December 2021	**(2 413 325)**	**(6 394 337)**	**(778 998)**	**-**	**(9 586 660)**
Balance at 1 January 2022	(2 413 325)	(6 394 337)	(778 998)	-	(9 586 660)
Depreciation for the year	(223 174)	(682 178)	(73 464)	-	(978 816)
Disposals	14 170	372 165	111 684	-	498 019
Balance at 31 December 2022	**(2 622 329)**	**(6 704 350)**	**(740 778)**	**-**	**(10 067 457)**
Carrying amount					
At 1 January 2021	**2 021 177**	**2 683 167**	**267 654**	**211 446**	**5 183 444**
At 31 December 2021	**1 876 072**	**2 843 158**	**315 722**	**1 101 074**	**6 136 026**
At 31 December 2022	**1 912 700**	**2 842 455**	**309 434**	**1 926 227**	**6 990 816**

Security

As at 31 December 2022, properties with a carrying amount of RUB 4 633 685 thousand (2021: RUB 1 081 277 thousand) were subject to a registered debenture to secure bank loans.

Property, plant and equipment under construction

As at 31 December 2022, construction in progress includes capitalised costs of equipment and services related to the construction of PM No.6 and MM 500.

Useful lives

As at 31 December 2022, 31 December 2021 and 1 January 2021 the Company has revised the useful lives and scrap value of the property, plant and equipment. The adjustments were made by recalculating the relevant line items in the financial statements for all periods affected. These adjustments did not have a material impact on cash flows from operating, investing and financing activities for the period ended 31 December 2021 and 31 December 2022.

The tables below show the effect of useful life revisions on the financial statements:

'000 RUB		**Impact of adjustments**	
1 January 2021	**As previously reported**	**Adjustments**	**As adjusted**
Property, plant and equipment	4 790 779	392 665	5 183 444
Total non-current assets	**4 802 864**	**392 665**	**5 195 529**
Retained earnings	(2 982 264)	314 132	(2 668 132)
Total equity	**4 419 887**	**314 132**	**4 734 019**
Deferred tax liabilities	338 875	78 533	417 408
Total non-current liabilities	**2 206 984**	**78 533**	**2 285 517**

'000 RUB		**Impact of adjustments**	
31 December 2021	**As previously reported**	**Adjustments**	**As adjusted**
Property, plant and equipment	5 861 491	274 535	6 136 026
Total non-current assets	**5 874 840**	**274 535**	**6 149 375**
Retained earnings	(1 875 920)	219 628	(1 656 292)
Total equity	**5 528 383**	**219 628**	**5 748 011**
Deferred tax liabilities	488 657	54 907	543 564
Total non-current liabilities	**2 163 132**	**54 907**	**2 218 039**

'000 RUB			
For the year ended 31 December 2021	**As previously reported**	**Adjustments**	**As adjusted**
Cost of sales	(9 286 178)	(118 130)	(9 404 308)
Gross profit	**3 712 368**	**(118 130)**	**3 594 238**
Income tax expense	(545 946)	23 626	(522 320)
Profit and other comprehensive income for the year	**2 726 570**	**(94 504)**	**2 632 066**

Impairment test

As at 31 December 2022, 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 2022, the Group has RUB 1 971 700 thousand of capital commitments under unfulfilled contracts (31 December 2021: RUB 2 333 057 thousand).

12 Inventories

'000 RUB	31 December 2022	31 December 2021
Raw materials and consumables	1 185 981	1 021 740
Work-in-progress	5 702	6 279
Finished goods and goods for resale	194 777	239 238
Others	21 988	20 722
Allowance for obsolete inventories (impairment of inventories)	(13 992)	(13 189)
Total inventories	**1 394 456**	**1 274 790**

13 Trade and other receivables

'000 RUB	Note	31 December 2022	31 December 2021
Trade receivables		1 978 489	1 863 943
Other receivables		65 786	134 033
Allowance for expected credit losses on trade and other receivables	19(b)(i)	(913 638)	(983 817)
Total financial assets		**1 130 637**	**1 014 159**
VAT receivables		255 992	255 465
Prepayments given		322 513	128 417
Income tax receivable		825	1 203
Total non-financial assets		**579 330**	**385 085**
Total trade and other receivables		**1 709 967**	**1 399 244**

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 16).

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	31 December 2022	31 December 2021
Carrying amount of trade receivables transferred to a bank	-	8 649
Carrying amount of associated liabilities	-	7 352

The Group's exposure to currency and credit risks and credit losses related to impairment of trade and other receivables are disclosed in Note 19.

14 Cash and cash equivalents

'000 RUB	31 December 2022	31 December 2021
Petty cash	501	182
Bank balances	556 130	367 197
Call deposits	877 704	1 579 612
Cash and cash equivalents in the consolidated statement of financial position	**1 434 335**	**1 946 991**
Restricted cash in the consolidated statement of financial position	1 220 680	-
Cash and cash equivalents in the consolidated statement of cash flows	**2 655 015**	**1 946 991**

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

As at 31 December 2022, the Group's cash in the amount of RUB 1 220 680 thousand is restricted to use and included in non-current assets. This cash represents cash received under a special purpose loan to finance the project "Development of packaging paper production with an increase in production capacity for processing raw materials and increasing the energy efficiency of production".

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

Sensitivity analyses for financial assets and liabilities are disclosed in Note 19(b).

15 Capital and reserves

Share capital and additional paid-in capital

Number of shares unless otherwise stated	Ordinary shares	
	2022	2021
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 consolidated 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 2022, the Company announced dividends: for 2021 in the amount of RUB 445 067 thousand, which is 37.70 RUB per share; for 6 months 2022 in the amount of RUB 426 299 thousand, which is 36.10 RUB per share. In 2022 dividends in the amount of RUB 1 766 288 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 the Group's revenues and profit, and long-term investment plans mainly financed by the Group's operating cash flows. With these measures the Group aims for steady profits growth.

16 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 19.

'000 RUB	31 December 2022	31 December 2021
Non-current liabilities		
Secured bank loans	652 431	912 318
Secured borrowings	1 042 082	195 915
Total long-term loans and borrowings	**1 694 513**	**1 108 233**
Lease liabilities	**168 770**	**197 664**
Current liabilities		
Current portion of secured bank loans	657 901	284 817
Current portion of secured borrowings	232 395	196 970
Total short-term loans and borrowings	**890 296**	**481 787**
Current portion of lease liabilities	**247 452**	**231 290**

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2022		31 December 2021	
'000 RUB	**Currency**	**Nominal interest rate**	**Year of maturity**	**Carrying amount**	**Face value**	**Carrying amount**	**Face Value**
Secured bank loan	RUB	6,51%	2025	90 014	90 014	125 848	125 848
Secured bank loan	EUR	Variable rate 2,4% - 3,4%	2024	258 795	258 795	470 352	470 352
Secured bank loan	EUR	Discounted rate 0,27%, Base rate 3,35%	2028	340 656	340 656	301 243	301 243
Secured bank loan	EUR	1,74%	2023	290 016	290 016	-	-
Secured bank loans	RUB	7,5%, but no less than 0,5%	2024	166 506	166 506	-	-
Secured bank loans	RUB	Discounted rate KR - 1,8%, Base rate KR +2,7%	2028	164 856	164 856	292 940	292 940
Secured bank loan	RUB	Key rate +1,55%	2023	-	-	7 352	7 352
Secured borrowings	RUB	1%	2022-2029	1 273 966	1 696 852	392 285	392 432
Total liabilities				**2 584 809**	**3 007 695**	**1 590 020**	**1 590 167**

Bank loans are secured by the following:

- land and buildings with a carrying amount of RUB 4 633 685 thousand at 31 December 2022 (31 December 2021: RUB 1 087 277 thousand) (See Note 11);
- lease liabilities are secured by the leased assets.

As at 31 December 2022, the Group has the opportunity to raise RUB 2 775 491 thousand of additional loans at the expense of unused credit lines.

Reconciliation of movements of liabilities to cash flows:

'000 RUB	31 December 2022 Lease liabilities	31 December 2022 Loans and borrowings	31 December 2021 Lease liabilities	31 December 2021 Loans and borrowings
As at 1 January	428 954	1 590 020	713 108	1 622 906
Changes from financing cash flows				
Proceeds from loans and borrowings	407 381	2 687 850	-	2 501 237
Repayment of loans and borrowings	(422 694)	(1 118 158)	(432 137)	(2 512 802)
Other changes				
New leases	37 394	-	90 392	-
Interest accrued	46 488	49 030	37 700	27 819
Interest paid	(46 488)	(33 192)	(37 700)	(28 642)
Unwinding of discount on loans and borrowings	-	(400 347)	-	24 190
Foreign exchange differences	-	(151 925)	-	(45 703)
Other changes	(34 813)	38 469	57 591	1 015
As at 31 December	**416 222**	**2 584 809**	**428 954**	**1 590 020**

17 Trade and other payables

'000 RUB	31 December 2022	31 December 2021
Trade payables	310 213	348 050
Prepayments received	82 142	255 888
Income tax payable	93 117	22 945
Other taxes and levies payable, excluding income tax payable	34 992	33 685
Payables to employees	53 100	49 028
Payables to shareholders	3 025	915 638
Other payables	265 454	265 791
Total trade and other payables	**842 043**	**1 891 025**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 19.

18 Other liabilities

'000 RUB	31 December 2022	31 December 2021
Long-term payables	135 606	216 353
Long-term provision for site restoration	86 695	80 354
Total other non-current liabilities	**222 301**	**296 707**
Short-term provision for bonuses to key management	53 438	28 632
Short-term provision for unused vacations	76 400	69 931
Current part of long-term payables	101 688	101 687
Total other current liabilities	**231 526**	**200 250**

Other liabilities include payable to PJSC "IDGC of Centre and Volga Region" for electricity supply services. According to the settlement agreements of 26 December 2017, the debt was restructured and is repaid 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%.

19 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 is equal to their carrying amount mainly due to the short maturity of these financial instruments.

(b) Risk management framework

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 19 (b) (i))
- Liquidity risk (see Note 19 (b) (ii))
- Currency risk (see Note 19 (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 2022**	**31 December 2021**
Trade receivables	1 075 682	923 197
Other receivables	54 955	90 962
Cash and cash equivalents	1 434 335	1 946 991
Letter of credit for equipment	14 585	-
Restricted cash	1 220 680	-
	3 800 237	**2 961 150**

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 2022, the exposure to credit risk for trade and other receivables by types of counterparties was as follows:

Gross amount, '000 RUB	**31 December 2022**	**31 December 2021**
Receivables for paper products sold for export	1 504 935	1 473 609
Receivables for paper products sold in the domestic market	42 325	44 017
Receivables for services	497 015	480 349
Total trade and other receivables	**2 044 275**	**1 997 975**

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

'000 RUB	31 December 2022		31 December 2021	
	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)	881 739	-	899 319	-
0-30 days past due	119 285	-	21 098	-
31-60 days past due	54 474	-	32 370	-
61-90 days past due	13 381	-	20 236	-
91-180 days past due	34 866	-	31 613	-
181-360 days past due	19 542	-	7 292	-
360 days past due	920 988	(913 638)	986 048	(983 817)
Total gross carrying amount of trade receivables	**2 044 275**	**(913 638)**	**1 997 976**	**(983 817)**

Expected credit loss assessment for individual customers as at 31 December 2022

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, cash flow projections and available press information about customers) and applying experienced credit judgement.

The Group analyses customers on an 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 an 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	2022	2021
Balance at 1 January	**(983 817)**	**(939 242)**
Increase in allowance	(8 607)	(61 236)
Reversal of allowance	57 874	14 842
Receivables write-off using allowance	20 912	1 819
Balance at 31 December	**(913 638)**	**(983 817)**

Cash and cash equivalents

The Group held cash and cash equivalents of RUB 1 434 335 thousand at 31 December 2022 (31 December 2021: RUB 1 946 991 thousand). The cash, cash equivalents and restricted cash are held in banks and financial institutions 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 2022			**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)	2 584 809	3 417 957	980 946	551 275	315 873	1 569 863
Lease liabilities	416 222	333 968	229 039	88 960	12 579	3 390
Trade and other payables	842 043	842 043	842 043	-	-	-
Other liabilities	453 827	265 669	106 428	106 428	52 813	-
	4 296 901	**4 859 637**	**2 158 456**	**746 663**	**381 265**	**1 573 253**

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	1 891 025	1 891 025	1 891 025	-	-	-
Other liabilities	496 957	372 097	106 428	106 428	159 241	-
	4 406 956	**4 386 055**	**2 756 750**	**937 491**	**673 058**	**18 756**

(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 the 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	CNY-denominated	USD-denominated	EUR-denominated
	31 December 2022	31 December 2022	31 December 2022	31 December 2021	31 December 2021
Lease liability	-	(24 692)	-	-	(50 956)
Cash	259 778	248 767	258 991	1 003 733	189 000
Secured loans	(5 184)	(910 781)	(6 659)	-	(1 036 921)
Trade payables	(7 540)	(40 834)	(7 206)	(10 386)	(88 003)
Trade receivables	775 708	74 047	648 343	1 326 814	162 560
Net exposure	**1 022 762**	**(653 493)**	**893 469**	**2 320 161**	**(824 320)**

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

RUB	Average rate		Reporting date spot rate	
	2022	2021	31 December 2022	31 December 2021
1 USD	68,5494	73,6685	70,3375	74,2926
1 EUR	72,5259	87,0861	75,6553	84,0695
1 CNY	10,2916	11, 4197	9,8949	11,6503

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 2022				
USD (20% movements)	(204 552)	(204 552)	204 552	204 552
EUR (20% movements)	130 699	130 699	(130 699)	(130 699)
CNY (20% movements)	(178 694)	(178 694)	178 694	178 694
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)

20 Subsidiaries

Subsidiary	Country of incorporation	31 December 2022 Ownership/voting	31 December 2021 Ownership/voting
LLC "VolgaResource"	Russian Federation	100%	100%
LLC "AgroMir"	Russian Federation	100%	100%
LLC "Volga UK - Housing and Communal Services"	Russian Federation	80%	80%

21 Leases

Primarily, the Group leases vehicles (railway carriages/flat cars for timber transportation) and 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 2022	52 989	975 305	1 028 294
Change in the original price of the asset due to the contract modification	-	2 197	2 197
Depreciation charge for the year	(63 516)	(210 839)	(274 354)
Additions to right-of-use assets	113 088	199 088	312 176
Other movements	-	(551 616)	(551 616)
Disposals	(2 126)	(33 732)	(35 857)
Balance at 31 December 2022	**100 436**	**380 404**	**480 839**

(ii) Amounts recognised in profit or loss

'000 RUB	2022
Interest on lease liabilities	40 850
Depreciation	345 257

(iii) Amounts recognised in the consolidated statement of cash flows

'000 RUB	2022
Total cash outflow for leases	(422 694)

(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 the 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 and establish 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. Conversely, 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 2022, the Group has not identified renewable leases as agreements establishing conditions under which the lease will continue beyond the date on which both parties can terminate the lease.

22 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 (especially due to the reform of the highest judicial bodies responsible for resolving tax disputes) and the effect on these consolidated financial statements, if the tax authorities are successful in enforcing their interpretations, could be significant.

23 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 99,0317 % 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: RUB 256 179 thousand for 2022 (RUB 276 246 thousand for 2021).

Other related party transactions

	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2022	**2021**	**2022**	**2021**
Other:				
International Cultural Foundation "BREUS FOUNDATION"	(4 200)	(45 000)	-	-

24 Subsequent events

In the period from 1 January 2023 the Group has received loans and borrowings under existing agreements in the amount of RUB 541 040 thousand. The Group repaid loans and borrowings in the amount of RUB 496 603 thousand.

25 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 revaluation of 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 the 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 consolidated 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 are considered that are based on the business plans for individual subsidiaries in the Group and are not adjusted for reversals of existing temporary differences. 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 it is 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 inventories;
- 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 the 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 original 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 2022**
Land	Not depreciated
Buildings	5-250 years
Equipment	3-100 years
Fixtures and fittings	3-25 years
Vehicles	2-65 years
Other PPE	3-100 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. As at 31 December 2022, useful lives of property, plant and equipment were revised (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 1 year 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 entity 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 - exposure at default;

PDt - probability of default;

LGD - loss given default;

t - term to maturity.

The following formula is used to bring the probability of 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 given 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 existence 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 removal/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 price.

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 the 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 the 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 accounts for 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 for 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 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1).

The amendments, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1 January 2023. However, the IASB has subsequently proposed further amendments to IAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than 1 January 2024. Due to these ongoing developments, the Group is unable to determine the impact of these amendments on the consolidated financial statements in the period of initial application. The Group is closely monitoring the developments.

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- 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).
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

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