

SEGEZHA GROUP ANNOUNCES FINANCIAL AND OPERATING RESULTS FOR Q1 2023

Moscow, 24 May 2023— Segezha Group (MOEX: SGZH), Russia's leading vertically integrated wood and paper holding company carrying out a full cycle of logging and advanced wood processing, announces its unaudited consolidated financial and operating results for Q1 2023.

- Revenue was up 10% quarter-on-quarter (qoq) to RUB 18.7 bn, driven mostly by a positive effect of weakening of the rouble to the main foreign currencies rate;
- OIBDA demonstrated growth by 9% qoq to RUB 1.1 bn, following revenue growth for the period. OIBDA margin came in at 6%;
- Adjusted net profit³ went down by 14% qoq to RUB 3.8 bn vs RUB 4.4 bn in Q4 2022;
- Debt portfolio as of 31 March 2023 declined by (1%) as compared with 31 December 2022 to RUB 123.2 bn. Net debt was at RUB 110.5 bn;
- CAPEX grew by 43% qoq to RUB 1.7 bn due to exercise of an option for a buy back of the shares belonging to the banks in the Segezha West Project¹.

Financial performance, RUB mln	Q1 2023	Q4 2022	qoq	Q1 2022	yoy
Revenue	18,698	17,068 ²	10%	32,083 ²	(42%)
OIBDA, adj. margin, %	1,102 6%	1,008 ³ 6%	9% -	11,745 37%	(91%) (31 pp)
Net profit/(loss), adj.	(3,761)	(4,358) ³	14%	(7,766)	(52%)
Capital expenditure	1,688	1,184	43%	3,938	(57%)
Free cash flow	(7,746)	(2,087)	(4x)	(20,735)	63%
Debt	123,168	123,841	(1%)	96,823	27%

CONFERENCE CALL AND WEBCAST

A conference call with management to discuss the results will take place on 24 May 2023 at 12:00 pm Moscow time.

To participate in the webcast, go to: https://us06web.zoom.us/webinar/register/WN_xf3tF3ayTPOy-JX8ICQOPg

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¹ See Note 6 to the consolidated financial statements for 2022.

² Comparative indicators are presented in conformity with the requirements of IFRS 5 concerning separate presentation of continuing and discontinued operations (sale of the converting plants of Segezha Packaging on 22 February 2023)

³ Indicators for the period are net of one-off adjustment of RUB 3,386 mln. See Note 5 to the consolidated financial statements for 2022.

MANAGEMENT COMMENTS

Market review

For Q1 2023, average selling prices of Segezha Group's products amounted to:

- Sack paper – EUR 658/t (-14% qoq);
- Sawn timber – EUR 174/cu^m (+14% qoq);
- Birch plywood – EUR 440/cu^m (-11% qoq);
- Glulam – EUR 211/cu^m (-43% qoq).

Q1 2023 saw the following trends in the Group's key products:

- Demand in the global sack paper market was low due to poor construction activity as well as high warehouse stock balances. Cost of production in Europe in Q1 2023 declined as compared with the peaks of 2022, yet still remained above pre-crisis indicators. For this purpose, a number of European producers resorted to commercial shutdowns in an effort to curtail production. Sack paper demand in the Russian market remained stable since lower imports of paper sacks necessitated substituting the quantities from European suppliers with domestically manufactured sacks.
- Birch plywood market in Q1 2023 was characterized by moderate growth against the backdrop of higher demand in a number of regions. Lower warehouse stock in the United States encouraged imports from the Russian Federation to grow in the analyzed period by 26% qoq⁴; it has been the highest indicator since Q2 2022. Other regions which increased birch plywood imports from the Russian Federation are South Korea (+71% qoq), Israel (+23% qoq), Turkey (+7% qoq), these market see an upward price trend. Low price level persists in the Chinese market against the backdrop of high warehouse stock and continued growth of birch plywood deliveries from the Russian Federation. Birch plywood demand in Europe remains high in Q1 2023 (-3% yoy) despite a reduction in construction activity⁵, yet it is not backed by domestic production. The situation is aggravated by a shortage of veneer logs⁶. European consumers substitute part of retiring quantities with Chinese deliveries of composite plywood. High price levels persist. In March 2023, output in the Russian Federation exceeded the average indicator which has formed since May 2022; overall, the growth rate of output in Q1 2023 stood at 7% qoq⁷. Positive trends could be seen in the domestic market for plywood, namely, demand and price growth, which has to do with activity in the construction segment, due to assets under construction. This trend is highly likely to persist in Q2 2023.
- For full Q1 2023, the output of softwood sawn timber in the Russian Federation decreased by 11%⁶ yoy, decline in exports from the Russian Federation is estimated at -21% yoy, including -8% yoy to China. A decisive factor impacting export reductions was problems with rail shipments for the sawmills of Siberian Federal District in the direction of China. Stagnation in the consumption of sawn timber resulted in high warehouse stocks in the ports of China: in February and March, stocks in the Port of Taicang (the main port for sawn timber imports from the Russian Federation) hit a record high of 1.7 mln cu^m, up 50% on the same period of 2022. That said, there was recovery growth of market prices against the low base achieved in December 2022 despite the period of traditionally low construction activity. Sawn timber sales to the market of Egypt in Q1 2023 for Russian companies was not active against the

⁴ According to an estimate by Segezha Group

⁵ ec.europa.eu

⁶ globalwoodmarketsinfo.com

⁷ WhatWood

backdrop of persisting problems with the solvency of buyers in the region. A number of Russian suppliers reduced shipments in this direction to a minimal level.

- The Russian segment of wooden house construction in Q1 2023 was characterised by traditionally low demand, yet it is safe to talk about the beginning of moderate market recovery vs Q4 2022 shortly before the start of construction season. Market drivers include affordable mortgage loans and government support measures. Demand is still hampered by the following factors: negative expectations, which prevent consumers from buying into long-term investment projects, and inflation, that makes it more challenging to forecast construction costs.

Overview of the Group's results

RUB 19 bn

The Group's revenue for Q1 2023

The Group's revenue for Q1 2023 grew by 10% qoq to RUB 18.7 bn primarily due to weakening of the rouble to the main foreign currencies rates: -17% for USD, -21% for CNY. The share of export revenue of the Group grew to 63% (+3 pp qoq). Revenue declined by 42% as compared with the same period of last year, which derives from the structural transformation of target markets, lower product prices, as well as the rouble exchange rate strengthening: +15% for USD, +22% for CNY.

RUB 1.1 bn

The Group's OIBDA for Q1 2023

The adjusted OIBDA of Segezha Group for Q1 2023 grew by 9% qoq to RUB 1.1 bn. OIBDA margin retained the level of Q4 2022, namely, 6%. OIBDA went down by 91% as compared with the same period of last year, which is caused by the structural transformation of target markets and, consequently, a high base of Q1 2022, a decrease in product prices, the strengthening of the rouble exchange rate, and significant growth of costs, especially logistics costs.

The adjusted net loss of the Group for Q1 2023 reduced by 14% qoq to RUB 3.8 bn vs RUB 4.4² bn in Q4 2022 and RUB 7.8 bn in Q1 2022.

Financial position

RUB 110 bn

The Group's net debt as of 31 March 2023

As of 31 March 2023, total debt stood at RUB 123.2 bn (down 1% vs 31 December 2022). The debt portfolio at the end of Q1 2023 mainly consisted of liabilities denominated in roubles (92%).

Net financial expenses for Q1 2023 totalled RUB (3.2) bn, thus remaining flat vs Q4 2022.

As of 31 March 2023, the average weighted funding rate on borrowed funds was 9.9% per annum. As previously, the weighted average financing period is 2.2 years. As of 31 March 2023, cash and cash equivalents, including bank deposits with maturities of three months or less, stood at RUB 12.7 bn. The currency split of cash and cash equivalents was 48% in foreign currencies and 52% in roubles.

Net debt made up RUB 110.5 bn, up 9% on 31 December 2022 due to the reduction of cash and cash equivalents. The net debt to LTM OIBDA ratio was 7.9x because of reduction in the estimated OIBDA for the most recent 12 months.

Investments

Capital investments for Q1 2023 stood at RUB 1.7 bn (+43% qoq), of which 38%, or RUB 0.6 bn, were invested in the new projects of capacity expansion (primarily an upgrade of Sokol woodworking plant, RUB 0.4 bn); 31%, or RUB 0.5 bn, in maintenance of the existing assets; 31%, or RUB 0.5 bn, were invested in the exercise of an option for the repurchase of participation interests of banks in the Segezha West Project¹.

RUB 2 bn

CAPEX for Q1 2023

Detailed information by segment

Paper and Packaging

RUB 9 bn

Revenue in the Paper and Packaging segment for Q1 2023

Paper and Packaging segment revenue^{9,10} grew by 17% qoq to RUB 7.6 bn against the backdrop of growing sales of paper and packaging of the Russian converting factories, increase in the selling price of packaging, and a positive effect of the rouble rate change. The Group's revenue went down by 11% year-on-year against the backdrop of structural transformation of markets and the associated reductions in quantities and selling prices, as well as a significant strengthening of the rouble to the main foreign currencies rates. The Division's **OIBDA** stood at RUB 2.2 bn. The **OIBDA margin** was 25%.

Q1 2023	Production output	Sales volume	Average price, euros per unit (FCA)
Sack paper, ths t	74	84 ⁵	658
Paper packaging, mln pcs	194	180	203 ¹¹

Forestry Management and Wood Working

RUB 8 bn

Revenue in the Forestry Management and Wood Working segment for Q1 2023

Forestry Management and Wood working segment revenue⁹ for Q1 2023 stood at RUB 8.5 bn. Revenue reduction by -6% qoq was primarily driven by a decrease in sawn timber sales. The indicator went down by 51% year-on-year against the backdrop of structural transformation of markets and the associated reductions in product quantities and selling prices, as well as a significant strengthening of the rouble to the main foreign currencies rates. **OIBDA** amounted to RUB 88 mln. The **OIBDA margin** was 1%.

Q1 2023	Production output	Sales volume	Average price, euros per unit (FCA)
Sawn timber ¹² , ths cu m	419	402	174
Pellets, ths t	35	38	56
Fiberboard, mln conv. m2	3	5	0.45 ¹³
Harvesting, ths cu m	2,415	-	-

Key investment projects:

1. An upgrade of the Lesosibirsk Sawmills entailed commissioning all of the 12 drying kilns. Works to lay a floor slab and the foundation of boiler room of thermal station were finalised. The modernisation of the Lesosibirsk LDK will increase the production of sawn timber by 50 ths cu^m pellets, reduce the production cost, switch manufacturing to more state-of-the-art technologies and boost product competitiveness in the export markets. Lesosibirsk Sawmills production will become waste-free due to the construction of a new boiler house fired by bark waste with a capacity of 40 MW. The project budget will be about RUB 6.0 bn.

⁸ Sales volume of 84 ths t, including paper directed to Segezha Group's own converting facilities, 27 ths t.

⁹ Excluding revenue from intersegment transactions

¹⁰ Paper and Packaging segment revenue is recognised net of results from discontinued operations in accordance with IFRS 5. Non-current Assets Held for Sale and Discontinued Operations (converting factories in Europe and Turkey withdrew from the Group on 22 February 2023). The relevant result is included in the line 'Net profit for the reporting period from discontinued operations'.

¹¹ Price for one thousand sacks

¹² Excluding the production volume of the Sokol Woodworking integrated plant, the results of which are reflected in the Laminated wood products segment

¹³ Price per conv.m2

RUB 2 bn

Revenue in the Plywood & Boards segment for Q1 2023

Plywood and boards

Plywood and Boards segment revenue⁹ for Q1 2023 doubled qoq to RUB 1.7 bn. The growth of this indicator is associated with the growth of shipment quantities and a positive effect of reduction in the rouble vs the main foreign currencies rates. The indicator went down by 62% year-on-year against the backdrop of structural transformation of markets and the associated reductions in product quantities and selling prices, as well as a significant strengthening of the rouble to the main foreign currencies rates. **OIBDA** amounted to RUB 0.2 bn. The **OIBDA margin** was 12%.

Q1 2023	Production output	Sales volume	Average price, euros per unit (FCA)
Plywood, ths cu ^m	45	40	440
Fiberboard, million conv. m ²	6	6	0.45 ¹⁴

Key investment projects:

1. Galich Plywood Mill¹⁴, commissioned in December 2022, achieved 45% production utilisation rate for full Q1 2023. All of the plywood manufacturing lines now operate across a variety of formats, including maxi 7*13. Work continues to be up and running at full capacity. The capacity of the mill is 125 ths cu^m of plywood per year.

Laminated wood products

RUB 1 bn

Revenue in the Laminated wood products segment for Q1 2023

Laminated wood products segment revenue⁹ for Q1 2023 grew by 12% qoq to RUB 0.9 bn due to the growth of sales volume of sawn timber from Sokol woodworking plant, as well as its selling prices. The indicator went down by 50% year-on-year against the backdrop of structural transformation of markets and the associated reductions in product quantities and selling prices, as well as a significant strengthening of the rouble to the main foreign currencies rates. **OIBDA** amounted to RUB 0.1 bln, the **OIBDA margin**, to 15%.

Q1 2023	Production output	Sales volume	Average price, euros per unit (FCA)
Glulam, ths cu m	1	1	211
Prefabricated housing, ths cu m	5	5	428
CLT panels, ths cu m	2	2	602
Sawn timber ¹⁵ , ths cu m	33	34	174
Pellets, ths t	5	3	56

Segezha Group has a robust financial position and comfortable level of debt, and also has all the necessary resources, management experience and expertise to ensure the seamless operation of all of the Group's assets and the Group itself.

That said, given the high degree of uncertainty and turbulent market environment, Segezha Group cannot rule out the possibility of adverse effects on the operations and the financial results of the Group's companies and, consequently, on Segezha Group's operations and

¹⁴ The results of Galich Plywood Mill are not consolidated as it is a subsidiary of the Group in accordance with the terms and conditions of the loan agreement between Alfa-Bank and GFK dated 20 March 2020.

¹⁵ Sawn timber produced at the Sokol woodworking plant. Not accounted for in the Forestry Management and Wood Working segment

consolidated financial results due to current and/or future external factors beyond its control, including macroeconomic changes, restrictions on business or trade.

Segezha Group is a unique Russian wood and paper holding company. It stands out in the industry for its full cycle of operations from logging to specialised manufacturing of a wide range of high-margin products. Segezha Group's development focus is on green technologies for advanced wood processing and waste-free use of raw materials. The Group is one of the world's largest forestry companies, with total leased forest area of 15.9 million hectares and an annual allowable cut of 23.3 million cubic meters (including PIPs, or priority investment projects). Business stability is guaranteed by the high degree of self-sufficiency in raw materials, as 93% of the company's timber needs are covered by its resources. To increase the contribution of Russian forests to the global fight against climate change, as well as to improve productivity, sustainable forest management principles based on a scientifically proven intensive model are being introduced across all of the Group's forest assets. Segezha Group is a leader in several highly environmentally friendly, carbon-depositing products of the timber industry. For instance, it is Russia's largest manufacturer of paper for multilayer sacks, industrial paper sacks and sawn timber. Globally, the Group is the world's 2nd largest producer of craft paper and industrial paper packaging, and the world's 3rd largest producer of birch plywood by production capacity. The company also ranks among Top 10 leading European sawn timber manufacturers. The asset geography of Segezha Group covers three countries, while all of its key production facilities are located exclusively in the Russian Federation. The Company is confident in its position in the global market for forestry products and responds flexibly to the slightest changes in the global business environment. It is represented in more than 80 countries. The Group's workforce grows and develops together with the holding, and currently numbers approximately 21 thousand employees. More information is available on the website: <http://segezha-group.com>

APPENDIX No. 1**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
(UNAUDITED)***(in millions of Russian Rubles)*

	For three months, ended	
	31 March 2023	31 March 2022
Continuing operations		
Revenue	18,698	32,083
Operating expenses:		
Cost of goods sold	(14,592)	(17,650)
Selling and administrative expenses	(6,716)	(6,604)
Other operating (expenses)/income, net	366	(143)
Operating (loss)/profit	(2,244)	7,686
Interest income	510	454
Interest expense	(3,749)	(2,182)
Other finance expenses	–	(11,591)
Foreign exchange differences, net	666	(4,353)
Loss before tax	(4,817)	(9,986)
Income tax	1,056	2,032
Net loss for the reporting period from continuing operations	(3,761)	(7,954)
Discontinued operations		
Net (loss)/profit for the reporting period from discontinued operations	(2)	188
Net loss for the reporting period	(3,763)	(7,766)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	23	501
Other comprehensive income for the reporting period	23	501
Total comprehensive loss for the reporting period	(3,740)	(7,265)
Net loss attributable to:		
Shareholders of Segezha Group PJSC	(3,760)	(7,770)
Non-controlling interests	(3)	4
	(3,763)	(7,766)
Total comprehensive loss attributable to:		
Shareholders of Segezha Group PJSC	(3,737)	(7,269)
Non-controlling interests	(3)	4
	(3,740)	(7,265)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(UNAUDITED)

(in millions of Russian Rubles)

	31 March 2023	31 December 2022
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	76,926	82,213
Right-of-use assets	59,386	60,591
Intangible assets	5,306	5,442
Goodwill	444	444
Investments in joint ventures and associates	395	386
Deferred tax assets	1,751	1,215
Prepayments for non-current assets	4,641	4,039
Loans issued	12,764	7,978
Other non-current assets	2,757	1,154
Total non-current assets	164,370	163,462
CURRENT ASSETS:		
Inventories	24,983	24,613
Contract assets	598	1,281
Trade and other receivables	8,871	8,522
VAT reimbursable and taxes receivable	2,553	2,573
Income tax receivable	934	928
Advances and other current assets	4,258	3,832
Cash and cash equivalents	12,715	22,879
Total current assets	54,912	64,628
TOTAL ASSETS	219,282	228,090
EQUITY AND LIABILITIES		
EQUITY:		
Share capital	1,569	1,569
Additional paid-in capital	35,122	35,129
(Accumulated deficit)/retained earnings	(294)	3,451
Accumulated other comprehensive (loss)/income	(101)	1,856
Equity attributable to the shareholders of Segezha Group PJSC	36,269	42,005
Non-controlling interest	60	49
Total equity	36,356	42,054
NON-CURRENT LIABILITIES:		
Loans and borrowings	87,473	86,584
Lease liabilities	19,335	19,562
Pension obligations	170	559
Deferred tax liabilities	6,764	7,775
Other non-current liabilities	1,827	1,430
Total non-current liabilities	115,569	115,910
CURRENT LIABILITIES:		
Loans and borrowings	35,695	37,257
Trade and other payables	20,494	21,110
Lease liabilities	3,449	3,953
Provisions	1,775	2,070
Taxes payable	3,003	2,864
Income tax payable	822	856
Dividends payable	229	229
Advances received	1,890	1,787
Total current liabilities	67,357	70,126
TOTAL EQUITY AND LIABILITIES	219,282	228,090

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

(in millions of Russian Rubles)

	For three months, ended	
	31 March 2023	31 March 2023
Cash flows from operating activities:		
Net loss for the reporting period	(3,763)	(7,766)
<i>Adjustments for:</i>		
Depreciation and amortisation	3,327	3,629
Interest income recognised in profit or loss	(475)	(384)
Interest expense recognised in profit or loss	3,759	2,197
Other finance income	–	11,591
Income tax recognised in profit or loss	(1,433)	(2,032)
Allowance for expected credit losses	41	(127)
Foreign exchange differences, net	(690)	4,508
Other	175	40
Operating cash flows before movements in working capital	941	11,656
Movements in working capital:		
Increase in trade and other receivables	(1,541)	(3,902)
Increase in inventories	(3,057)	(2,573)
Increase in other assets	(709)	(11)
Increase in trade and other payables	1,222	1,216
Increase/(decrease) in other liabilities	231	(1,716)
Cash (used)/generated by operations	(2,913)	4,670
Interest paid	(2,952)	(1,181)
Income taxes paid	(193)	(1,896)
Net cash (used in)/generated from operating activities	(6,058)	1,593

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

(in millions of Russian Rubles)

	For three months, ended	
	31 March 2023	31 March 2023
Cash flows from investing activities		
Payments for property, plant and equipment and intangible assets	(1,688)	(3,938)
Proceeds on disposal of property, plant and equipment	12	78
Loans issued to joint venture	(452)	(900)
Interest received	237	170
Disposal of subsidiaries	(878)	–
Investment in joint venture	–	(250)
Distribution to companies under common control	(17)	(269)
Net cash outflow on acquisition of Group companies	–	(18,390)
Net cash used in investing activities	(2,786)	(23,499)
Cash flows from financing activities		
Proceeds from loans and borrowings	4,248	12,494
Proceeds from bonds	6,000	9,000
Repayment of principal of loans and borrowings	(1,645)	(1,547)
Repayment of bonds	(10,000)	–
Other finance income	–	206
Dividends paid	–	(6,583)
Lease liability payments	(1,011)	(870)
Net cash (used in)/generated from financing activities	(2,408)	12,700
Net decrease in cash and cash equivalents	(11,252)	(9,206)
Cash and cash equivalents, beginning of the period	22,879	12,634
Effect of exchange rate changes on cash held in foreign currencies	1,088	415
Cash and cash equivalents, end of the period	12,715	3,843