

SEGEZHA GROUP ANNOUNCES FINANCIAL AND OPERATING RESULTS FOR Q2 2023

Moscow, 29 August 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 Q2 2023.

- Revenue was up 13% quarter-on-quarter (qoq) to RUB 21.1 bn, driven by the increased sales volumes of the Group's finished products. The weakening of the rouble against major foreign currencies also had a positive impact;
- OIBDA increased 2.7 times qoq to RUB 2.9 bn, following revenue growth for the period and a decrease in commercial and administrative expenses. OIBDA margin came in at 14% (+8 p.p. qoq);
- Net loss grew by 3% qoq, reaching RUB 3.9 bn;
- As of 30 June, 2023, debt remained virtually unchanged compared to 31 March, 2023, at RUB 123.5 bn. Net debt stood at RUB 114.0 bn;
- CAPEX fell by 2% qoq, to RUB 1.6 bn.

Financial performance, RUB mln	Q2 2023	Q1 2023	qoq	6M 2023	6M 2022	yoy
Revenue	21,089	18,698 ¹	13%	39,787	57,856 ¹	(31%)
OIBDA	2,933	1,102	2.7x	4,035	16,781 ¹	(76%)
margin, %	14%	6%	8 p.p.	10%	29%	(19 p.p.)
Net profit/(loss)	(3,894)	(3,763)	3%	(7,657)	12,001	(2.6x)
Capital expenditure	1,646	1,688	(2%)	3,334	6,377	(48%)
Free cash flow	(2 722)	(8,353)	(67%)	(11,075)	(25,951)	(57%)
Debt	123,476	123,168	0%	123,476	98,867	25%

CONFERENCE CALL AND WEBCAST

A conference call with management to discuss the results will take place on 29 August 2023 at 4:30 PM Moscow time.

To participate in the webcast, go to:

https://us06web.zoom.us/webinar/register/WN_5T0CMAmZS1SYWOkGxcVdNA

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¹ Comparative indicators are presented in conformity with the requirements of IFRS 5 concerning separate presentation of continuing and discontinued operations (sale of the converting factories of Segezha Packaging on 22 February 2023)

MANAGEMENT COMMENTS

Market review

For Q2 2023, average selling prices of Segezha Group's products amounted to:

- Sack paper – EUR 570/t (-13% qoq);
- Sawn timber - EUR 151/cu m (-13% qoq);
- Birch plywood — EUR 407/cu m (-8% qoq);
- Glued timber – EUR 270/cu m (+28% qoq).

Q2 2023 saw the following trends in the Group's key products:

- The worldwide sack paper market experienced low demand due to a slowdown in construction activity, with stockpiles remaining high throughout the supply chain. The sales geography of Russian manufacturers expanded compared to the year's Q1 due to logistics optimization in several areas, specifically Latin America, Africa, Southeast Asia, and the Middle East. Freight rates dropped by an average of -30%, which, along with the dynamics of the rouble exchange rate, enhanced the appeal and competitiveness of Russian paper in foreign markets, including remote regions. On the Russian market, demand for sack paper remained stable, paper sack imports shrank, leading to a rise in local paper sack production and, consequently, sack paper consumption. Even though domestic paper sack manufacturers had maximum possible workload, the market remained under-supplied due to capacity constraints. As a result, there was a slight increase in sack imports from Moldova, Turkey, China. That said, imports to Russia dropped overall, by -75% over the first 5 months of 2023 compared to 2022 ⁶.
- In Q2 2023, the birch plywood market saw a positive trend, as both demand and prices grew in several export regions. Preliminary estimates suggest a +16% qoq increase in plywood production volumes in Russia, with an average capacity utilisation of around 60%². There was a +15% qoq growth in export volumes³. The top five major export regions included Egypt with +15% qoq, China with +78% qoq, Turkey with +11% qoq, USA with +9% qoq, and Uzbekistan with +88% qoq⁴. The US market has been exhibiting a trend of consistently high volumes of plywood imports from Russia and a stable price level since the end of 2022. A decrease in logistics rates on the direct route from St. Petersburg to Baltimore and Houston has been recorded since June 2023. This is expected to have a further positive impact on the FCA price level for Russian manufacturers. High seasonal construction activity has led to an increase in plywood consumption and prices in Russia. In June, the average price growth on the FCA basis was +13% m/m for several product types⁵.
- In the first half of 2023, overall sawn timber production in Russia decreased by 11% yoy⁶, with the drop in sawn softwood exports from Russia estimated at 15% yoy. This downward trend affected exports to the following regions: Japan (-47%), Korea (-20%), MENA (-15%), and CIS (-2%). The only export destination where shipments increased was China (+4%). The reduction of export volumes was driven by low demand and prices, closure of certain markets for Russian companies, issues with rail shipments from sawmills in the Northwestern Federal District, and raw material shortage. Stagnation in the consumption of sawn timber resulted in high warehouse stocks in the ports of China: in Q2 2023, stocks in the Port of Taicang (the main port

² Whatwood Board Market

³ According to the Federal Customs Service of the Russian Federation (excluding EAEU countries)

⁴ According to the Federal Customs Service of the Russian Federation

⁵ Whatwood Board Market

⁶ WhatWood, Russian Sawn Timber Market, Issue No. 28

for sawn timber imports from the Russian Federation) maintained a record high of 1.7 mln cu m, up 25% on the same period of 2022. The increased stockpile, along with low construction activity and limited demand from furniture and building material manufacturers, led to some market price adjustments compared to April 2023. Sawn timber sales to the market of Egypt in Q2 2023 for Russian companies was not active against the backdrop of persisting problems with the buyers' solvency. A number of Russian suppliers reduced shipments in this direction to a minimal level. Under current conditions, Egyptian clients are unable to guarantee timely payments or operate on a prepayment basis.

- The wooden housing construction market in Russia experienced high demand in Q2 2023, which typical for the season. In Russia, prefabricated housing manufacturers have been planning to maximise their production capacity by Q2 and Q3 2023. Several manufacturers declared that they would raise prices during the summer, depending on the volume of orders received. Market drivers include affordable mortgage loans and government support measures.

Review of the Group's results

The Group's revenue for Q2 2023 saw a 13% qoq increase, reaching RUB 21.1 bn, due to rising sales volumes across all of the Group's products. Another contributing factor was the rouble's weakening against the key foreign currencies: -11% for USD, -9% for CNY. The share of the Group's export revenue amounted to 57%.

For 6M 2023, revenue decreased by 31% to RUB 39.8 bn, as compared to 6M 2022. This was caused by the structural transformation of sales markets, as well as by lower prices for timber products globally.

Segezha Group's OIBDA for Q2 2023 rose 2.7x qoq, reaching RUB 2.9 bn, due to an increase in revenue amidst slower cost-of-sales growth and a reduction in commercial and administrative expenses. The OIBDA margin rose by 8 p.p. compared to Q1 2023, reaching 14%.

For 6M 2023, OIBDA fell by 76% to RUB 4.0 bn due to a structural shift in sales markets, which had resulted in a high base for 6M 2022, lower product prices, and a significant increase in costs, particularly logistics costs.

In Q2 2023, the Group's net loss was RUB 3.9 bn, compared to RUB 3.8 bn in Q1 2023. For 6M 2023, the figure was RUB 7.7 bn.

Financial position

As of 30 June, 2023, total debt amounted to RUB 123.5 bn, virtually unchanged from 31 March, 2023. The debt portfolio at the end of Q2 2023 mainly consisted of liabilities denominated in roubles (92%).

The net financial expenses for Q2 2023 amounted to RUB 3.4 bn, marking a 5% increase from Q1 2023.

The weighted average funding rate on borrowed funds was 10.0% per annum on 30 June, 2023. A weighted average funding maturity dropped to 2.0 years. As of 30 June, 2023, cash and cash equivalents, including bank deposits with maturities of 3 months or less, stood at RUB 9.5 bn. Currency structure of cash and cash equivalents: 72% – foreign currency, 28% – RUB.

Net debt made up RUB 114.0 bn, up 3% from 31 March 2023 due to the decrease of cash and cash equivalents. The net debt to LTM OIBDA ratio was 10.9x because of the shrink in LTM OIBDA.

RUB 21 bn

The Group's revenue for Q2 2023

RUB 3 bn

The Group's OIBDA for Q2 2023

RUB 114 bn

The Group's net debt as of 30 June, 2023

RUB 2 bn

CAPEX for Q2 2023

Investments

In Q2 2023, capital investments amounted to RUB 1.6 bn (-2% qoq), with 44%, or RUB 0.7 bn, directed towards new capacity expansion projects (primarily the modernisation of the Sokol Pulp and Paper Mill, which received funding of RUB 0.2 bn). The remaining 56%, or RUB 0.9 bn, was spent on maintaining existing assets.

Information by segment

Paper and packaging

In Q2 2023, **revenue**⁸ in the Paper and Packaging segment rose by 3% qoq to RUB 7.8 bn, driven by increased sales of sacks and packaging from Russian converting facilities. The division's **OIBDA** stood at RUB 2.5 bn. The **OIBDA margin** was 32%.

For 6M 2023, segment revenues declined by 10% yoy to RUB 15.3 bn on the back of structural market transformation and the associated decline in sales volumes and prices. The segment's OIBDA was RUB 4.7 bn. The OIBDA margin stood at 31%.

Q2 2023	Production output	Sales volume	Average price, euros per unit (FCA)
Sack paper, ths t	87	85 ⁷	570
Paper packaging, mln pcs	214	216	184 ⁹

Forestry Management and Wood Working

The **revenue**⁸ in the Forestry Management and Wood Working segment for Q2 2023 was RUB 9.3 bn, marking a +10% qoq increase. The revenue growth is attributed to an increase in the Group's sawn timber sales volume and the positive impact of the rouble's decreased cross-rate against foreign currencies, particularly the Chinese yuan. The segment's **OIBDA** for the reporting period amounted to RUB 0.4 bn. The **OIBDA margin** was 5%.

The segment's revenue for 6M 2023 was RUB 17.8 bn — a 40% yoy decrease due to lower prices and sales volumes of the Group's sawn timber compared to the same period the year before. OIBDA amounted to RUB 0.5 bn. The OIBDA margin was 3%.

Q2 2023	Production output	Sales volume	Average price, euros per unit (FCA)
Sawn timber ¹⁰ , ths cu m	417	447	151
Pellets, ths t	33	45	28 ¹¹
Fiberboard, mln conv. m2	2	4	0.40 ¹²
Harvesting, ths cu m	1,393	-	-

Plywood and boards

The Plywood and Boards segment's **revenue**⁸ for Q2 2023 rose by 65% qoq, reaching RUB 2.8 bn. The growth of this indicator is associated with sales volume growth and with a positive effect from the reduction of the rouble's value vs the main foreign currencies. The segment's **OIBDA** was RUB 0.4 bn. The **OIBDA margin** was 13%.

RUB 8 bn

Revenue in the Paper and Packaging segment for Q2 2023

RUB 9 bn

Revenue in the Forestry Management and Wood Working segment for Q2 2023

RUB 3 bn

Revenue in the Plywood and Boards segment for Q2 2023

⁷ Sales volume of 85 ths t, including paper directed to Segezha Group's own converting facilities, 22 ths t.

⁸ Excluding revenue from transactions between segments.

⁹ Price for one thousand sacks.

¹⁰ Excluding the production volume of the Sokol Woodworking integrated plant, the results of which are reflected in the Laminated wood products segment

¹¹ Price per tonne

¹² Price per conv. m2

For 6M 2023, the segment's revenue was RUB 4.5 bn, marking a 40% yoy decrease due to structural market transformation and the consequent reduction in product sales volumes and prices. OIBDA was RUB 0.6 bn. The OIBDA margin was 13%.

Q2 2023	Production output	Sales volume	Average price, euros per unit (FCA)
Plywood, ths cu m	50	65	407
Fiberboard, mln conv. m ²	6	6	0.40 ¹²

Laminated wood products

RUB 1 bn

Revenue in the Laminated wood products segment for Q2 2023

In Q2 2023, **revenues**⁸ in the Laminated wood products segment increased by 27% qoq to RUB 1.1 bn, thanks to increased sales of all product types manufactured at the Sokol woodworking plant. **OIBDA** reached RUB 0.4 bn, the **OIBDA margin** amounted to 34%.

The segment's revenue for 6M 2023 was RUB 2.0 bn. The indicator went down by 47% yoy against the backdrop of structural market transformation and the associated reductions in product quantities and selling prices. OIBDA amounted to RUB 0.5 bn and the OIBDA margin, to 26%.

Q2 2023	Production output	Sales volume	Average price, euros per unit (FCA)
Glued timber, ths cu m	3	3	270
Prefabricated housing, ths cu m	8	8	379
CLT panels, ths cu m	3	3	510
Sawn timber ¹³ , ths cu m	38	36	151
Pellets, ths t	3	5	28 ¹¹

Segezha Group possesses 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 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 92% 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

¹³ Sawn timber produced at the Sokol woodworking plant. Not accounted for in the Forestry Management and Wood Working segment

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 the six months ended	
	30 June 2023	30 June 2022*
Continuing operations		
Revenue	39,787	57,856
Operating expenses:		
Cost of goods sold	(30,687)	(34,099)
Selling and administrative expenses	(12,608)	(13,587)
Other operating income/(expense), net	1,103	(287)
Operating (loss)/profit	(2,405)	9,883
Interest income	933	841
Interest expense	(7,558)	(4,721)
Other finance income	-	2,145
Foreign exchange differences, net	612	6,207
(Loss)/profit before tax	(8,418)	14,355
Income tax	1,227	(2,719)
Net (loss)/profit for the period from continuing operations	(7,191)	11,636
Discontinued operations		
Net (loss)/profit for the period from discontinued operations	(466)	365
Net (loss)/profit for the period	(7,657)	12,001
Other comprehensive income/(loss)		
<i>Items that may be reclassified subsequently to profit and loss:</i>		
Exchange differences on translation of foreign operations	162	(1,068)
Less: Gain reclassified to profit or loss on disposal of foreign operation	(2,080)	-
Other comprehensive income/(loss)	(1,918)	(1,068)
Total comprehensive loss for the period	(9,575)	10,933
Net (loss)/profit attributable to:		
Shareholders of Segezha Group PJSC	(7,638)	11,999
Non-controlling interests	(19)	2
	(7,657)	12,001
Total comprehensive (loss)/income attributable to:		
Shareholders of Segezha Group PJSC	(9,556)	10,931
Non-controlling interests	(19)	2
	(9,575)	10,933
(Loss)/earnings per share for profit attributable to the ordinary equity holders of the Company (in RUB)		
From continuing operations	(0.46)	0.74
From discontinued operations	(0.03)	0.02

* Comparative information for the six months ended 30 June 2022 has been re-presented to disclose results of discontinued operations separately (Note **Ошибка!** Источник ссылки не найден.).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited)

(in millions of Russian Rubles)

	30 June 2023	31 December 2022
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	77,784	82,213
Right-of-use assets	58,479	60,591
Intangible assets	5,346	5,442
Goodwill	444	444
Investments in joint ventures and associates	421	386
Deferred tax assets	1,549	1,215
Prepayments for non-current assets	3,295	4,039
Loans issued	12,715	7,978
Other non-current assets	2,948	1,154
Total non-current assets	162,981	163,462
CURRENT ASSETS:		
Inventories	23,553	24,613
Trade and other receivables	11,036	8,522
VAT reimbursable and taxes receivable	2,851	2,573
Income tax receivable	524	928
Advances and other current assets	5,052	5,113
Cash and cash equivalents	9,469	22,879
Total current assets	52,485	64,628
TOTAL ASSETS	215,466	228,090
EQUITY AND LIABILITIES		
EQUITY:		
Share capital	1,569	1,569
Additional paid-in capital	35,122	35,129
(Accumulated deficit)/retained earnings	(4,179)	3,451
Accumulated other comprehensive (loss)/income	(101)	1,856
Equity attributable to the shareholders of Segezha Group PJSC	32,411	42,005
Non-controlling interest	44	49
Total equity	32,455	42,054
NON-CURRENT LIABILITIES:		
Loans and borrowings	89,999	86,584
Lease liabilities	19,115	19,562
Deferred tax liabilities	6,132	7,775
Other non-current liabilities	2,205	1,989
Total non-current liabilities	117,451	115,910
CURRENT LIABILITIES:		
Loans and borrowings	33,477	37,257
Trade and other payables	21,356	21,110
Lease liabilities	3,575	3,953
Provisions	1,745	2,070
Taxes payable	3,115	2,864
Income tax payable	339	856
Dividends payable	229	229
Advances received	1,724	1,787
Total current liabilities	65,560	70,126
TOTAL EQUITY AND LIABILITIES	215,466	228,090

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(in millions of Russian Rubles)

	For the six months ended	
	30 June 2023	30 June 2022*
Cash flows from operating activities:		
Net (loss)/profit for the period	(7,657)	12,001
<i>Adjustments for:</i>		
Depreciation and amortisation	6,501	7,046
Interest income recognised in profit and loss	(899)	(720)
Interest expense recognised in profit and loss	7,568	4,748
Other finance income	-	(2,145)
Income tax recognised in profit and loss	(1,797)	2,722
Allowance for expected credit losses	157	(74)
Foreign exchange differences, net	(637)	(5,966)
Loss on disposal of Group entities and other adjustments	779	74
	4,015	17,686
<i>Movements in working capital:</i>		
Increase in trade and other receivables	(3,617)	(6,380)
Increase in inventories	(1,057)	(4,653)
(Increase)/decrease in other assets	(780)	426
Increase in trade and other payables	1,228	787
Increase/(decrease) in other liabilities	288	(1,210)
Cash generated from operating activities	77	6,656
Interest paid	(7,038)	(4,499)
Income taxes paid	(780)	(3,341)
Net cash used in operating activities	(7,741)	(1,184)
Cash flows from investing activities		
Payments for property, plant and equipment and intangible assets	(3,334)	(6,377)
Loans issued to joint venture	(908)	(1,641)
Interest received	387	265
Investments in joint ventures	(35)	(791)
Net cash outflow on acquisition of Group companies	-	(18,390)
Other movements	(887)	(174)
Net cash used in investing activities	(4,777)	(27,108)
Cash flows from financing activities		
Proceeds from loans and borrowings	16,827	29,865
Proceeds from bonds	6,000	17,200
Repayment of principal of loans and borrowings	(14,839)	(12,036)
Repayment of bonds	(10,000)	-
Proceeds from cross-currency interest-rate swaps	-	990
Dividends paid	-	(16,614)
Lease liability payments	(620)	(650)
Net cash (used in)/generated from financing activities	(2,632)	18,755
Net decrease in cash and cash equivalents	(15,150)	(9,537)
Cash and cash equivalents at the beginning of the period	22,879	12,634
Effect of exchange rate changes on cash held in foreign currencies	1,740	617
Cash and cash equivalents at the end of the period	9,469	3,714

* Comparative information for the six months ended 30 June 2022 has been re-presented to disclose interest paid on lease liability within 'Interest paid' line.