

SEGEZHA GROUP ANNOUNCES FINANCIAL AND OPERATING RESULTS FOR Q3 2023

Moscow, 13 November 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 results and operating results for Q3 2023.

- Revenue was up 13% quarter-on-quarter (qoq) to RUB 23.9 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 stood at RUB 3.0 bn, maintaining the level of Q2 2023, in the face of rising cost of sales and logistics expenses. OIBDA margin came in at 12% (-1 p.p. qoq);
- Net loss shrank by 17% qoq to RUB 3.2 bn;
- Debt volume as of 30 September, 2023, remained virtually unchanged compared to 30 June, 2023, at RUB 126.0 bn. Net debt stood at RUB 118.6 bn;
- CAPEX grew by 31% qoq to RUB 2.2 bn.

Financial performance, RUB million	Q3 2023	Q2 2023	qoq	9M 2023	9M 2022	yoy
Revenue	23,923	21,089	13%	63,710	79,807	(20%)
OIBDA	2,969	2,933	1%	7,004	18,877	(63%)
margin, %	12%	14%	(1 pp)	11%	24%	(54%)
Net profit/(loss)	(3,240)	(3,894)	(17%)	(10,897)	7,024	(3.6x)
Capital expenditure	2,150	1,646	31%	5,484	8,997	(39%)
Free cash flow	(3,307)	(2,722)	(21%)	(14,382)	(25,755)	(44%)
Debt	126,037	123,476	2%	126,037	103,845	21%

CONFERENCE CALL AND WEBCAST

A conference call with management to discuss the results will take place on 14 November 2023 at 4:00 pm Moscow time.

To participate in the webcast, go to: https://us06web.zoom.us/webinar/register/WN_G-1g8n6PQlybZrFZ5eNWJw

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MANAGEMENT COMMENTS

Market review

For Q3 2023, average selling prices of Segezha Group's products amounted to:

- Sack paper – EUR 564/t (-1% qoq);
- Sawn Timber - EUR 134/sq m (-11% qoq);
- Birch plywood – EUR 474/cu m (+16% qoq);
- Glued timber – EUR 251/cu m (-7% qoq).

Q3 2023 saw the following trends in the Group's key products:

- Demand in the global sack paper market persisted at a low level due to poor construction activity as well as high warehouse stock balances throughout the supply chain. Owing to a surplus supply, key competitors cut production volumes by 10–20%¹ yoy. The Group boosted its sales volumes to Turkey, Africa (Ghana, South Africa), MENA (UAE, Saudi Arabia), and the CIS countries, while China's share in the commodity paper sales structure decreased in Q3 2023. 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. Against this backdrop, sack imports from Moldova, Turkey, and China saw a slight increase, however, the overall decrease in imports to Russia for the first 9 months of 2023 compared to the same period in 2022 was -75%².
- In Q3 2023, the reduction in birch plywood production in Russia was -5% qoq, while exports fell by -15% qoq³. For the first time, China ranked first in terms of birch plywood exports from Russia (65 ths cu m, +1% qoq), surpassing Egypt (60 ths cu m, -38% qoq)⁴. The following shipment volume dynamics were observed in other major export destinations: USA +10% qoq, Turkey -34% qoq, Azerbaijan +42% qoq⁵. In the domestic market, after a price increase in the previous reporting period, Q3 2023 saw negative price dynamics due to high distributor stock levels and declining demand. For several items, FCA basis prices fell by -6% qoq. A similar trend was seen in overseas markets, such as the United States, where the average prices for Russian plywood fell by -7% qoq, and in Turkey, it was -4% qoq⁶.
- In the first 8 months of 2023, there was an estimated 9%⁶ yoy decrease in sawn timber production in Russia, and a -12% yoy decrease in sawn softwood exports from Russia over the first 9 months of 2023. Export reductions were observed towards Japan (-37%), MENA (-22%), and CIS (-4%). The primary destination where shipments increased was China (+2%). In Q3 2023, there was a stabilisation in the forest supply situation, an improvement in logistics, and a recovery in production and shipment volumes. From June 2023, rules determining cargo transportation priorities towards the Eastern Range came into effect, lifting restrictions on providing rolling stock to factories in the Siberian Federal District. As an additional support measure in July 2023, factories in the North-Western Federal District (NWFD) were given an opportunity to subsidise cargo transportation through NWFD ports. The recovery of export volumes was influenced by an improved situation in the Chinese market from

¹ Company reports for 6M 2023, assessment based on foreign trade volume dynamics (ITC)

² Group Assessment

³ Whatwood, Board Market

⁴ According to the Federal Customs Service of the Russian Federation (excluding EAEU countries)

⁵ According to the Federal Customs Service of the Russian Federation

⁶ WhatWood, Russian Sawn Timber Market, Issue No. 30

August to September 2023: warehouse inventory levels decreased (from a record 1.7 mln cu m at Taicang port in Q1 2023 to 1.0 mln cu m at the end of September), demand increased, and prices trended upwards. Sawm timber sales to the Egyptian market in Q3 2023 remained unchanged for Russian companies: large factories continued to ship products to the region based on residual principle.

- The wooden housing construction market in Russia experienced high demand in Q3 2023. In Russia, prefabricated housing manufacturers increased prices for woodworking products, citing improved order availability and production capacity utilisation.

Review of the Group's results

The Group's revenue for Q3 2023 saw a 13% qoq increase, reaching RUB 23.9 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: -16% for USD, -12% for RMB. The Group's export revenue share was 61%, a rise of +3.4 pp points compared to Q2 2023.

For 9M 2023, revenue decreased by 20% to RUB 79.8 bn. This was caused by the structural transformation of sales markets, as well as by lower prices for timber products globally.

Segezha Group's OIBDA in Q3 2023 remained almost at the level of Q2 2023, totalling RUB 3.0 bn. The rise in revenue was offset by an increase in cost of goods sold and higher logistics costs. The OIBDA margin was 12%, a decrease of 1.5 pp compared to Q2 2023.

For 9M 2023, OIBDA fell by 63% to RUB 7.0 bn due to a structural shift in sales markets, which had resulted in a high base for 9M 2022, lower product prices, and a significant increase in costs, particularly logistics costs.

In Q3 2023, the Group's net loss was RUB 3.2 bn, compared to RUB 3.9 bn in Q2 2023. For 9M 2023, the figure was RUB 10.9 bn.

Financial situation

As of 30 September 2023, total debt amounted to RUB 126.0 bn, virtually unchanged from 30 June 2023. The debt portfolio at the end of Q3 2023 mainly consisted of liabilities denominated in roubles (92%).

The net financial expenses for Q3 2023 totalled RUB 3.8 bn, marking a 12% increase from Q2 2023.

The weighted average funding rate on borrowed funds was 12.4% per annum on 30 September 2023. A weighted average funding maturity dropped somewhat, to 1.9 years. As of 30 September 2023, cash and cash equivalents, including bank deposits with maturities of 3 months or less, stood at RUB 7.4 bn. Currency structure of cash and cash equivalents: 79% – foreign currency, 21% – RUB.

Net debt made up RUB 118.6 bn, up 4% on 30 June 2023 primarily due to the reduction of cash and cash equivalents. The net debt to LTM OIBDA ratio decreased by 0.5 points to 10.4x, due to an increase in LTM OIBDA.

Investments

In Q3 2023, capital investments amounted to RUB 2.2 bn (+31% qoq), with 40%, or RUB 0.9 bn, directed towards new capacity expansion projects (primarily the modernisation of the Sokol Pulp and Paper Mill, which received funding of RUB 0.7 bn). The remaining 60%, or RUB 1.3 bn, was spent on maintaining existing assets.

RUB 24 bn

The Group's revenue for Q3 2023

RUB 3 bn

OIBDA of the Group for Q3 2023

RUB 119 bn

The Group's net debt as of 30 September 2023

RUB 2 bn

CAPEX for Q3 2023

RUB 7 billion

Revenue in the Paper and Packaging segment for Q3 2023

Information by segment

Paper and packaging

The revenue⁸ of the Paper and Packaging segment in Q3 2023 was RUB 7.4 bn, a decrease of 5% qoq due to reduced third-party paper sales, resulting from the planned shutdown of the flagship Segezha PPM during the reporting period. The division's **OIBDA** remained steady at RUB 2.5 bn, the same as in Q2 2023. The **OIBDA margin** rose by 2 pp. to reach 34%.

For 9M 2023, segment revenues declined by 7% yoy to RUB 22.8 bn on the back of structural market transformation and the associated decline in sales volumes and prices. The segment's OIBDA was RUB 7.2 bn. The OIBDA margin stood at 32%.

Q3 2023	Production output	Sales volume	Average price, euros per unit (FCA)
Sack paper, ths t	76	74 ⁷	564
Paper packaging, mln pcs	211	220	160 ⁹

Forestry Management and Woodworking

RUB 12 bn

Revenue in the Forestry Management and Wood Working segment for Q3 2023

The revenue⁸ of Segment, Forestry Management and Woodworking, for Q3 2023 increased by 34% qoq to reach RUB 12.5 bn. 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 rate against foreign currencies, particularly the Chinese yuan. The segment's **OIBDA** for the reporting period amounted to RUB 0.3 bn. **OIBDA margin** – 2%.

The segment's revenue for 9M 2023 was RUB 30.3 bn — a 26% 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 0.8 bn. The OIBDA margin was 3%.

Q3 2023	Production output	Sales volume	Average price, euros per unit (FCA)
Sawn timber ¹⁰ , ths m ³	631	596	134
Pellets, ths t	35	35	30 ¹¹
Fiberboard, mln conv. sq m	6	5	0.35 ¹²
Harvesting, ths cu m	1,425	-	-

Plywood and boards

RUB 3 bn

Revenue in the Plywood and Boards segment for Q3 2023

The Plywood and Boards segment's revenue⁸ for Q3 2023 rose by 5% qoq, reaching RUB 2.9 bn. The growth of this indicator is associated with selling price 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 0.9 bn. **OIBDA margin** – 32%.

⁷ Sales volume of 74 ths t, including paper directed to Segezha Group's own converting facilities, 24 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. sq m

For 9M 2023, the segment's revenue was RUB 7.4 bn, marking a 23% yoy decrease due to structural market transformation and the consequent reduction in product sales volumes and prices. OIBDA was RUB 1.5 bn. The OIBDA margin was 20%.

Q3 2023	Production output	Sales volume	Average price, euros per unit (FCA)
Plywood, ths cu m	48	47	474
Fiberboard, mln conv. sq m	6	6	0.35 ¹²

Laminated wood products

RUB 1 bn

Revenue in the Laminated wood products segment for Q3 2023

The revenue⁸ of Segment, Laminated wood products, for Q3 2023 was RUB 1.0 bn, a decrease of 13% qoq due to lower prices and sales volumes of certain products from Sokol Woodworking integrated plant. OIBDA amounted to RUB 0.2 bn, the OIBDA margin, to 23%.

The segment's revenue for 9M 2023 was RUB 3.0 bn. The indicator went down by 38% yoy against the backdrop of structural market transformation and the associated reductions in product quantities and selling prices. OIBDA amounted to RUB 0.8 bn, the OIBDA margin, to 25%.

Q3 2023	Production output	Sales volume	Average price, euros per unit (FCA)
Glued timber, ths cu m	4	5	251
Prefabricated housing, ths cu m	9	9	318
CLT panels, ths cu m	2	2	416
Sawn timber ¹³ , ths cu m	33	27	134
Pellets, ths t	2	3	30 ¹³

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

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

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>