

SEGEZHA GROUP ANNOUNCES OPERATING AND FINANCIAL RESULTS FOR Q1 2022

Moscow, May 20, 2022 – Segezha Group (MOEX: SGZH, a PJSC Sistema company), a leading vertically integrated holding company in the timber industry performing a full cycle of operations from logging to advanced wood processing, announces its unaudited consolidated financial results and operating results for Q1 2022.

- Revenue was up 96% year-on-year (yoy) to RUB 35.6 bn, driven by higher sales, higher average selling prices, a positive effect from ruble depreciation and also the effect of consolidation of the assets of Novoeniseisk Wood-Chemical Complex (NLHK) and Inter Forest Rus (IFR), which became part of the Group in Q3 and Q4 2021, respectively;
- OIBDA rose by 2.3x yoy to reach RUB 11.8 bn, driven by revenue growth and cost optimisation by management;
- The OIBDA margin increased to 33% (+5 pp yoy);
- Net debt as of March 31, 2022, increased to RUB 93.0 bn (+64% compared to March 31, 2021) against a backdrop of payment of principal under the M&A transaction involving Inter Forest Rus and the Company's payment of interim dividends for the first nine months of 2021;
- CAPEX amounted to RUB 3.9 bn, in line with the same period last year (+1% yoy).

Financial performance, RUB mln	Q1 2022	Q1 2021	yoy
Revenue	35,640	18,217	96%
OIBDA	11,757	5,028	2.3x
margin, %	33%	28%	5 pp
Net profit, adjusted ¹	3,674	2,254	63%
Capital expenditure	3,938	3,890	1%
M&A	18,390	2,489	7.4x
Free cash flow	20,735	7,508	-2.8x
Net debt	92,980	56,744	64%
Net debt/FY OIBDA, x	2.6	2.9	-

Rovshan Aliyev, Segezha Group's Vice President for Finance and Investment, said:

"Our company delivered strong results for the first quarter of the year, due among other factors to successful completion of the consolidation of Inter Forest Rus, which brings together a number of high-quality forestry assets and forest resources. Amid high levels of uncertainty and persistent market volatility, our focus remains on ensuring uninterrupted operations at all of our assets and adapting the business to the new environment, which among other measures includes strengthening and developing business ties, signing new partnerships and reconfiguring logistics arrangements to meet business needs."

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¹ Net profit has been adjusted for other finance expenses associated with revaluation of cross-currency interest rate swaps. For Q1 2022, the adjustments amounted to RUB 11.6 bn (RUB 0.2 bn for Q1 2021).

MANAGEMENT COMMENTS

Market review

In Q1 2022, average selling prices for Segezha Group's products were as follows:

- Sack paper – EUR 762/t (+42% yoy)
- Sawn timber – EUR 232/cu m (+32% yoy)
- Birch plywood – EUR 708/cu m (+63% yoy)
- Glulam – EUR 463/cu m (+44% yoy)

Q1 2022 saw the following trends in the Group's key products:

- Demand and prices in the sack paper market remained high against a backdrop of supply shortages. The Group increased supplies to its own converting facilities in Russia, allowing for import substitution of industrial sacks on the domestic market. The Group also increased sales on CIS markets, put in place alternative logistics routes, and developed new sales regions.
- The winter months saw the usual decline in consumption on the birch plywood market due to the seasonal factor (slowdown in the construction sector). Segezha Group maintained its high export volumes to key markets despite the introduction of import duties in a number of countries.
- January-February 2022 saw an increase in market prices for sawn timber and glulam in all of the main regions where the Group has a presence (China, Egypt, Europe), as well as a rebalancing of supply and demand and stabilisation of inventories. In March 2022, the Group reduced its share of sawn timber sales to Europe by reallocating volumes to the Chinese and Egyptian markets – a move necessitated by logistical constraints on maritime transport, which, however, were offset by an increase in container shipments by rail.

In Q1 2022, Russian exporters of timber and pulp and paper products were faced with higher container freight rates due to leading logistics operators cutting services to/from Russia. As a result, delivery prices in March jumped 50-100%.

In Q1 2022, Segezha Group worked proactively to expand supplies to markets in Asia, the Middle East, Africa, etc.

Review of the Group's results

The Group's revenue for Q1 2022 increased significantly, amounting to RUB 35.6 bn (+96% yoy). This was mainly attributable to greater sales volumes and higher average prices for the Group's products, as well as the effect of consolidation of the assets of NLHK and IFR. The share of the Company's revenue from exports did not change significantly year-on-year and amounted to 70%.

In Q1 2022, Segezha Group's OIBDA increased by 2.3x year-on-year to RUB 11.8 bn. This significant increase was achieved through revenue growth and measures taken by management to control costs. Costs of sales and SG&A expenses grew at a significantly slower pace than revenue. The OIBDA margin for Q1 2022 was 33% (+5 pp yoy).

In Q1 2022, the Group's net profit amounted to RUB 3.7 bn (+63% yoy). Net profit was adjusted downward by RUB (11.6) bn to reflect the revised fair value² of the Group's cross-currency interest rate swaps.

RUB 36 bn

Group revenue
in Q1 2022

RUB 12 bn

Group OIBDA
in Q1 2022

² Cross-currency interest rate swaps are recognised in the financial statements at fair value through profit or loss. The fair value of swaps is determined using discounted future cash flows. Future cash flows are estimated using spot exchange rates (at the reporting date), contract and forward exchange rates, discounted at the interest rates applicable to similar financial transactions at each reporting date.

RUB 93 bn

The Group's net debt as of March 31, 2022

Financial position

As of March 31, 2022, total debt amounted to RUB 96.8 bn (+63% compared to March 31, 2021). The debt portfolio at the end of Q1 2022 consisted of liabilities denominated in foreign currencies (60%) and in roubles (40%). This data includes the conversion of part of previously placed rouble exchange-traded bonds into euros under cross-currency swap contracts. As of March 31, 2022, the rouble had fallen by 11% against the euro compared to the exchange rate on December 31, 2021, which resulted in a downward adjustment of the fair value of liabilities denominated in foreign currency by RUB (5.0) bn.

Interest income and expense for Q1 2022 totalled RUB 1.7 bn (+2x yoy), which was driven by higher borrowings and a slight increase in interest rates on the debt portfolio.

As of March 31, 2022, the weighted average funding rate on borrowed funds was 5.9% per annum. The weighted average financing period decreased to 3 years as a result of new short-term loans as well as the issuance of a new RUB 9 bn tranche of bonds with a 10.9% coupon rate which will mature in January 2024. Cash and cash equivalents, including bank deposits with maturities of three months or less, were up 51% yoy to RUB 3.8 bn as of March 31, 2022. The currency split of cash and cash equivalents was 32% in foreign currencies and 68% in roubles.

Net debt increased 64% yoy to RUB 93.0 bn in connection with principal payments as part of the M&A transaction involving Inter Forest Rus and the Company's payment of interim dividends for nine months of 2021. The net debt to LTM OIBDA ratio decreased to 2.6x from 2.9x as of March 31, 2021.

Investments

Capital expenditures in Q1 2022 totalled RUB 3.9 bn (+1% yoy), of which 63% was invested in capacity expansion projects and 37% in maintenance. Investments in the completion of the acquisition of Inter Forest Rus totalled RUB 18.4 bn.

Excluding M&A, key areas of investment were as follows:

- RUB 0.9 bn – modernisation of the Sokol PPM;
- RUB 0.3 bn – expansion of capacity at the Vyatka Plywood Mill;
- RUB 0.2 bn – modernisation of the Segezha PPM;
- RUB 0.2 bn – modernisation of the Lesosibirsk Sawmills;
- RUB 0.2 bn – development of converting facilities and acquisition of relevant equipment;

Detailed information by segment

Paper and Packaging

Paper and Packaging segment **revenue**⁴ in Q1 2022 was RUB 11.8 bn (+RUB 3.6 bn, or +44% yoy). **OIBDA** was RUB 2.7 bn (+26% yoy). The **OIBDA margin** was 23% (-4 pp yoy). The lower margin in Paper & Packaging was due to higher purchase prices for a number of key production components.

RUB 12 bn

Revenue in the Paper and Packaging segment in Q1 2022

³ Sales volume of 90 ths t, including 43 ths t of paper directed to Segezha Group's own converting facilities.

⁴ Excluding revenue from intersegment transactions

Q1 2022	Production output	Sales volume	Average price, euros per unit (FCA)
Sack paper, ths t	89	90 ³	762
Paper packaging, mln pcs	393	345	201 ⁵

Market overview: in Q1 2022, paper prices increased significantly to EUR 762/t⁶ (+42% yoy). The market continued to be affected by all the same factors as in 2021: the energy crisis in Europe, which intensified in Q1 2022; limitations on paper manufacturing in China; and increased supply constraints due to logistical difficulties. Inventories throughout the supply chain were low. The same trends were also seen on the paper sack market, which spurred further growth in product prices.

Key investment projects:

1. The modernisation of the Sokol PPM continues. Waste water treatment facilities and new steam boilers are being designed. The structural steelwork for the main building of the mill and the shop for waste paper preparation plant are being built. Production of various types of paper will increase by 65 ths t per year to 100 ths t per year thanks to the construction of a new paper-making machine. Investment in the project is about RUB 11 bn. For more information, follow this [link](#).
2. The main phase of equipment upgrades at the Segezha PPM has been completed, and preparation for capital repairs, which will take place during the summer months, is now underway. Modernisation of the production facilities means that sack paper production capacity can be increased by 25 ths t in 2022. Investment in the project will amount to RUB 4.5 bn.
3. New conversion facilities in Lobnya. The design capacity of the new plant is 138 mln units of consumer packaging. The plant has a total of four lines installed, and in the reporting period the fourth line was put into operation. Investment in the project is approximately RUB 1 bn. For more information, follow this [link](#).
4. A new line at the plant in Romania was installed and launched in Q1 2022. Production capacity will increase by 60 mln sacks to 160 mln units per year. The project's capex is EUR 5.5 mln. For more information, follow this [link](#).

Forestry Management and Wood Working

RUB 18 bn

Revenue in the Forestry Management and Wood Working segment in Q1 2022

Forestry Management and Wood Working segment **revenue**^{4,8} in Q1 2022 increased by 3.6x, or by RUB 12.6 bn, to RUB 17.6 bn. In addition to the growth in LFL⁷ sales volumes and selling prices, the segment was significantly impacted by the consolidation of the results of NWCC and Inter Forest Rus. **OIBDA** rose by 3.7x yoy, or RUB 5.3 bn, to RUB 7.2 bn. The **OIBDA margin** was 40% (+1 pp yoy).

Q1 2022	Production output	Sales volume	Average price, euros per unit (FCA)
Sawn timber ⁸ , ths cu m	587	577	232
Pellets, ths t	68	60	76
Fibreboard, mln sq m	7	7	0.76 ⁹
Harvesting, ths cu m	3,048	-	-

⁵ Price for one thousand sacks

⁶ Hereinafter prices are based on the FCA

⁷ Like-for-like. LFL data includes results of Group companies within the perimeter of Segezha Group in Q1 2021. The results of companies that were consolidated by the Group after March 31, 2021 are taken into account in addition to the LFL figures

⁸ Excluding the production volume of Sokol DOK, the results of which are reflected in the Laminated wood products segment

⁹ Price per thousand sq m

Market overview: In the beginning of the year weaker demand for sawn timber continued due to reduced construction activity during the winter months. However, in the course of Q1 2022 sawn timber prices began to recover after the seasonal decline. As a result of the low base prices from early 2021 caused by Covid-19, a price rise of 32% yoy, to EUR 232/cu m, was seen in the reporting period.

There continued to be a shortage of softwood sawlogs on the market and, consequently, high prices for wood raw materials.

Key investment projects:

1. As part of the Lesosibirsk Sawmills modernisation, the delivery of equipment for the second drying kiln complex is expected. Foundation work for the thermal power plant is underway. Detailed engineering of new sorting lines for sawn logs and dry sawn timber have been completed. The modernisation of the Lesosibirsk plant will increase the production of sawn timber by 50 ths cu m, reduce production costs, switch manufacturing to more advanced technologies, and boost product competitiveness in export markets. Operations at Lesosibirsk Sawmills will become waste-free thanks to the construction of a new 40 MW boiler house fuelled by bark waste. For more information please see [here](#) and [here](#). The project budget will be approximately RUB 4.4 bn.

Plywood and Boards

Plywood and Boards segment **revenue**² in Q1 2022 was RUB 4.4 bn (+75% yoy). The main driver of growth was a significant increase in the average selling price of birch plywood. **OIBDA** increased 81% yoy, to RUB 1.9 bn. The **OIBDA margin** was 46% (+5 pp yoy).

RUB 4 bn

Revenue in the Plywood and Boards segment in Q1 2022

Q1 2022	Production output	Sales volume	Average price, euros per unit (FCA)
Plywood, ths cu m	56	56	708
Fibreboard, ths sq m	7	6	0.76 ¹⁰

Market overview: Q1 2022 was under typical pressure of seasonal factors in the construction industry, but birch plywood prices were up significantly compared to the same period last year: +63% yoy, to EUR 708/cu m. There was an upward trend in birch log prices against a backdrop of insufficient supply from loggers and a shortage of available rolling stock.

Key investment projects:

1. Modernisation of the Vyatka Plywood Mill (VPM). The load-bearing structures of the new workshop building have been fully assembled, and the roof, wall panels and flooring are being installed. The process lines for the new workshop are being delivered. Work on installing the dust-extraction system has begun. The mill's capacity is being expanded by 33%, or 64 ths cu m, to 255 ths cu m. Investment will total approximately RUB 6.5 bn. The launch date is scheduled for 2022. For more information, follow this [link](#).
2. Construction of the Galich Plywood Mill (GPM). Start-up and pre-commissioning of 14 process lines and work on installation of the ventilation, fire-extinguishing and heating systems, as well as finishing work, are underway. The territory of the raw materials exchange is also being developed. The mill's capacity is 125 cu m. A wide range of products is planned, including high-margin products. The focus is on maxi plywood (7x13 feet), which is unique for the Russian market. Project investment is based on project financing, with the Group investing RUB 2.9 bn of the total commitment exceeding RUB 12 bn. Production will commence in 2022.

RUB 2 bn

Revenue in the Laminated Wood Products segment in Q1 2022

Other:

1. Segezha Group continued to expand its customer base in Q1 2022, launching partnerships with 14 new customers in the Middle East, Asia and Russia.

Laminated Wood Products

Laminated Wood Products segment **revenue**² in Q1 2022 increased 62% yoy, to RUB 1.8 bn. Growth was driven by sales of glulam and CLT panels, which were not sold in Q1 2021. **OIBDA** was up 89% yoy, to RUB 1.0 bn. The **OIBDA margin** was 53% (+8 pp yoy).

Q1 2022	Production output	Sales volume	Average price, euros per unit (FCA)
Glulam, ths cu m	18	18	463
Prefabricated housing, ths cu m	3	3	586
CLT panels, ths cu m	4	3	452
Sawn timber ¹⁰ , ths cu m	28	14	232
Pellets, ths t	16	13	99

Market overview: in Q1 2022, the price of glulam began to recover after the seasonal decline during the winter period. Supply and demand came into a balance and there was a stabilisation of inventories.

The Group's average selling prices for glulam beams in Q1 2022 grew by 44% yoy, to EUR 463/cu m.

Events subsequent to the reporting date

April 2022: The board of directors of Segezha Group recommended that the general meeting of shareholders allocate an additional RUB 10,041,600,000, or RUB 0.64 per ordinary share in PJSC Segezha Group, for final dividends based on the results of FY 2021.

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

That said, given the high level of uncertainty and rapidly changing environment, Segezha Group cannot rule out the possibility of material adverse effects on the operations and the financial results of the Group's companies and, consequently, on the Company's operations and financial results due to current and/or future external factors beyond its control, including macroeconomic changes and/or 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 specialized 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 15.7 million hectares and an annual allowable cut of 22.9 million cubic meters (including PIPs, or priority investment projects). Segezha Group has a high level of self-sufficiency in raw materials, with 91% of

¹⁰ Sawn timber produced at Sokol DOK. Not accounted for in the Forestry Management and Wood Working segment

the company's timber needs covered by its own resources. The company's international status as an environmentally and socially responsible forest user is supported by the fact that 88% of the company's forest lands are certified for compliance to voluntary international forest certification standards (not including Inter Forest Rus LLC). 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 green carbon-capturing forestry products. 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 5th largest producer of large-format birch plywood. The Company is also Europe's 3rd largest sawn timber manufacturer. Segezha Group is an international holding company that operates in 14 countries, although all of its primary 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 100 countries. The Group's workforce grows and develops together with the holding, and currently numbers approximately 20 thousand employees. More information is available on the website: <http://segezha-group.com>

APPENDIX 1

SEGEZHA GROUP PJSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
(in thousands of Russian Rubles)

	For three months, ended	
	31 March 2022	31 March 2021 года
Revenue	35 639 508	18 217 238
Cost of sales	(20 293 651)	(11 594 224)
Gross profit	15 345 857	6 623 014
Selling and administrative expenses	(6 706 315)	(3 516 756)
Other operating (expenses)/income, net	(228 871)	281 658
Operating profit	8 410 671	3 387 916
Interest income	359 164	49 443
Interest expense	(2 079 493)	(858 942)
Other finance (expenses)/ income, net	(11 591 474)	150 691
Foreign exchange differences, net	(5 025 132)	561 230
(Loss)/ profit before tax	(9 926 264)	3 290 338
Income tax	2 008 349	(885 203)
Net (loss)/profit for the reporting period	(7 917 915)	2 405 135
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	500 774	(13 436)
Other comprehensive income/(loss)	500 774	(13 436)
Total comprehensive (loss)/income for the period	(7 417 141)	2 391 699
Net (loss)/profit attributable to:		
Shareholders of Segezha Group PJSC	(7 922 326)	2 401 717
Non-controlling interests	4 411	3 418
	(7 917 915)	2 405 135
Total comprehensive (loss)/income attributable to:		
Shareholders of Segezha Group PJSC	(7 421 552)	2 388 281
Non-controlling interests	4 411	3 418
	(7 417 141)	2 391 699

SEGEZHA GROUP PJSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(UNAUDITED)

(in thousands of Russian Rubles)

	31 March 2022	31 December 2021
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	83 400 155	81 387 769
Right-of-use assets	50 386 691	49 105 235
Intangible assets	5 964 925	5 967 749
Goodwill	443 838	443 838
Investments in joint ventures and associates	843 055	593 036
Deferred tax assets	4 173 349	1 317 143
Prepayments for non-current assets, net	5 669 745	5 279 688
Loans issued to related parties	9 176 235	8 266 061
Other non-current assets	819 321	629 045
Total non-current assets	160 877 314	152 989 564
CURRENT ASSETS:		
Inventories, net	25 715 681	23 469 638
Contract assets	1 857 220	1 185 695
Trade and other receivables, net	11 711 709	8 224 944
Taxes receivable	7 120 562	7 712 461
Advances and other current assets	3 449 357	3 093 172
Cash and cash equivalents	3 842 819	12 633 628
Total current assets	53 697 348	56 319 538
TOTAL ASSETS	214 574 662	209 309 102
EQUITY AND LIABILITIES		
EQUITY:		
Share/charter capital	1 569 000	1 569 000
Additional paid-in capital	35 128 800	35 128 800
Retained (earnings)	(433 347)	7 757 982
Accumulated other comprehensive income	2 209 843	1 709 070
Equity attributable to the shareholders of Segezha Group PJSC	38 474 296	46 164 852
Non-controlling interest	30 962	26 628
Total equity	38 505 258	46 191 480
NON-CURRENT LIABILITIES:		
Loans and borrowings	54 982 203	52 361 914
Lease liabilities	21 517 016	19 256 015
Other financial liabilities	12 772 177	974 465
Pension obligations	790 386	737 137
Deferred tax liabilities	8 747 210	8 555 202
Consideration payable for business acquisition	4 204 255	3 714 630
Other non-current liabilities	5 379 358	4 296 183
Total non-current liabilities	108 392 605	89 895 546
CURRENT LIABILITIES:		
Loans and borrowings	41 841 003	21 364 349
Trade and other payables	15 900 723	14 430 964
Lease liabilities	2 362 932	3 184 023
Provisions	1 531 133	1 261 601
Taxes payable	2 399 695	3 391 242
Consideration payable for business acquisition	1 084 477	18 410 897
Dividends payable	48 521	6 591 137
Advances received	2 508 315	4 587 863
Total current liabilities	67 676 799	73 222 076
TOTAL EQUITY AND LIABILITIES	214 574 662	209 309 102

SEGEZHA GROUP PJSC**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS****(UNAUDITED)*****(in thousands of Russian Rubles)***

	For three months, ended	
	31 March 2022	31 March 2021
Cash flows from operating activities:		
Net profit/(loss) for the reporting period	(7 917 915)	2 405 134
<i>Adjustments for:</i>		
Depreciation and amortisation	3 346 222	1 640 037
Interest income recognised in profit or loss	(359 164)	(49 443)
Interest expense recognised in profit or loss	2 079 493	858 943
Other finance expenses/(income)	11 591 474	(150 691)
Income tax recognised in profit or loss	(2 008 349)	885 203
Foreign exchange differences, net	5 025 132	(561 230)
Other	(63 728)	114 204
	11 693 165	5 142 157
Movements in working capital:		
Increase in trade and other receivables	(3 902 372)	(2 198 554)
Increase in inventories	(2 573 416)	(2 416 503)
(Increase)/decrease in other assets	(10 719)	484 526
Increase/(decrease) in trade and other payables	1 180 091	(1 033 102)
(Decrease)/increase in other liabilities	(1 716 306)	439 955
Cash generated from operating activities	4 670 443	418 479
Interest paid	(1 181 435)	(709 722)
Income taxes paid	(1 896 435)	(838 015)
Net cash from operating activities	1 592 573	(1 129 258)

SEGEZHA GROUP PJSC**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS****(UNAUDITED)*****(in thousands of Russian Rubles)***

	For three months, ended	
	31 March 2022	31 March 2021
Cash flows from investing activities		
Payments for property, plant and equipment, intangible assets and right-of-use assets	(3 938 292)	(3 889 803)
Proceeds on disposal of property, plant and equipment	77 860	3 455
Loans issued to joint venture	(900 000)	(451 400)
Interest received	170 410	49 443
Investment in joint venture	(250 000)	(28 348)
Distribution to companies under common control	(269 000)	(16 896)
Net cash outflow on acquisition of Group companies	(18 389 558)	(2 488 690)
Net cash used in investing activities	(23 498 580)	(6 822 239)
Cash flows from financing activities		
Proceeds from loans and borrowings	12 493 980	7 827 402
Proceeds from bonds	9 000 000	-
Repayment of principal of loans and borrowings	(1 546 998)	(1 099 628)
Other finance income	206 493	204 113
Dividends paid	(6 582 781)	-
Lease liability payments	(869 994)	(294 290)
Net cash generated from financing activities	12 700 700	6 637 597
Net decrease in cash and cash equivalents	(9 205 307)	(1 313 900)
Cash and cash equivalents, beginning of the year	12 633 628	3 670 197
Effect of exchange rate changes on cash held in foreign currencies	414 498	184 297
Cash and cash equivalents, end of the period	3 842 819	2 540 594