

## Segezha Group announces IFRS results for Q1 2020

**Moscow, 10 June 2020** – Segezha Group<sup>1</sup>, a member of Sistema Group and a leading Russian vertically integrated holding company in the forest industry performing a full cycle of operations from logging to advanced wood processing, announces its unaudited consolidated financial results prepared in accordance with International Financial Reporting Standards (IFRS) for the first quarter of 2020.

### **Mikhail Shamolin, President and Chairman of the Management Board of Segezha Group, said:**

“At the beginning of 2020, there was a recovery in the timber industry markets, an increase in the prices of some types of products, but the coronavirus pandemic changed the situation. The greatest risk for Segezha Group is uncertainty in target markets. There is a slowdown in global economic growth, which entails a decrease in demand from the construction industry, which is the consumer of most of our products. The Group's enterprises currently continue to operate normally with enhanced measures to prevent the spread of COVID-19. Despite new challenges, the Group managed to increase sales and output of all its key products year-on-year.

The key factor that had a negative impact on the Group's financial results is the decrease in paper prices. The Company's revenue dropped by 1.1% to RUB 14.3bn. OIBDA in Q1 2020 is down 33.6% YoY. But it should be noted that the results of Q1 2019 with an OIBDA margin of 27% were the highest in the Company's history and were associated with record-high prices in global forest industry markets throughout 2018 and at the beginning of 2019. Despite the fact that our industry is cyclical, such long-term trends as urbanisation, e-commerce development and environmental friendliness remain fundamental drivers of steady growth in demand.

In 2019, the Group carried out work to optimise its loan portfolio, which allowed us to significantly reduce the cost of financing in early 2020. In January 2020, the Company debuted in the Russian debt market with three-year bonds worth RUB 10bn and a coupon rate of 7.1%. Despite the success in reducing the cost of borrowing, the Group's interest expenses have increased. The Group's net debt rose 29.0% QoQ, to RUB 48.4bn, which is mainly associated with the revaluation of the foreign-currency debt due to the rouble's depreciation.

Nevertheless, Segezha Group does not revise its plans for the implementation of the investment programme. CAPEX in Q1 2020 amounted to RUB 2.6bn. The Company also invested RUB 2bn in the construction of a plywood mill in Galich with a capacity of 125,000 cu m of birch plywood per year. The first quarter also saw the completion of the project to increase pellet production in Lesosibirsk from 70,000 to 110,500 tonnes per year. Pellets are an export-oriented product and are sold in such countries as Denmark, the Netherlands and the United Kingdom.

At the beginning of 2020, Segezha Group acquired LLC Karelian Wood Company, a logging and woodworking enterprise in the Republic of Karelia with a capacity of up to 250,000 cu m of sawn timber per year and allowable cut of more than 200,000 cu m. This acquisition is in line with Segezha Group's strategy to increase the share of its own wood supply. In Q1 2020, the Company procured 1,682,000 cu m, which corresponds to more than 70% of its own needs for raw wood.”

## Key financials

RUB bn	Q1 2020	Q1 2019	Change
Revenue	14.3	14.5	(1.1%)
OIBDA	2.6	4.0	(33.6%)
OIBDA margin	18.4%	27.4%	(9.0 p.p.)
Operating income	1.1	2.7	(60.1%)
Net profit/(loss) <sup>2</sup>	(5.3)	2.7	-
Net debt <sup>3</sup>	48.4	37.5	29.0%
Net debt / LTM OIBDA	3.8	2.5	-
CAPEX <sup>4</sup>	2.6	1.5	-
Share of foreign-currency revenue	69.8%	72.5%	(2.7 p.p.)

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<sup>1</sup> Segezha Group, the Group or the Company means LLC GK Segezha and legal entities whose financial statements are consolidated with the financial statements of LLC GK Segezha under IFRS.

<sup>2</sup> Net profit/(loss) attributable to members of LLC GK Segezha

<sup>3</sup> Total outstanding loan payments minus cash.

<sup>4</sup> CAPEX is calculated as a sum of actual investment payments made throughout the reporting period, VAT inclusive