

Segezha Group announces Q3 2020 IFRS financial results

Moscow, 1 December 2020 – Segezha Group¹, a subsidiary of Sistema PJSC 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 third quarter (Q3) and first nine months (9M) of 2020.

Key financial highlights for Q3 2020

- Revenue grew by 38.0% year-on-year to RUB 19.0 bn.
- OIBDA grew by 106.9% year-on-year to RUB 5.1 bn. The OIBDA margin was 26.7%, up 8.9 p.p. year-on-year.

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

“In 9M 2020, Segezha Group was one of only a few timber processing companies in the world² to maintain a positive trajectory across key financial indicators, thanks to management efforts and the coordinated work of all Segezha Group entities.

“This year our industry faced new challenges amid the COVID-19 pandemic, including a global economic slowdown and a downturn in business activity, lower demand for our products from the construction sector, higher prices for logistics services and a number of other factors. Despite this, the Company grew revenue and OIBDA in Q3 2020 by 38% and 106.9% year-on-year, respectively. The OIBDA margin was 26.7%, which is among the strongest results in the industry globally².

“In Q3 2020, OIBDA increased across all Group segments: Paper and Packaging grew by 1.5x, Woodworking by 8x, and Plywood and boards more than doubled. This significant OIBDA growth was driven by higher sales of paper and sawn timber, as well as by an increase in the share of high-margin products in the Group’s portfolio. Systematic implementation of measures to keep cost growth down while at the same time increasing production volumes plays an important role in enhancing company efficiency. Our financial results were supported by significant year-on-year increases in average exchange rates versus the ruble, with the Euro rising by 20% and the US dollar by 14%.

“In Q3 2020, the Group continued to execute its investment programme, while keeping the net debt to LTM OIBDA ratio at 3.3x. In Q3 2020, capex totalled RUB 2.9 bn. The majority of investments were made to modernise existing production facilities in order to increase production volumes and reduce production costs. We invested RUB 0.5 bn into the implementation of the SAP S/4HANA system in order to enhance operational efficiency, competitiveness and further transform Segezha Group. The Company also invested RUB 0.4 bn in the construction of a CLT plant³ with capacity to produce 50,000 cu m of CLT panels, due to open in December 2020.

“In August, we launched production of technical powdered lignosulphonates at the Sokol PPM with capacity of 21 thousand tonnes per year. This new production enables more efficient use of pulp production by-products and brings us one step closer to fully closed-loop production, which will significantly reduce environmental impact. The launch of a new high-tech product also opened up new high-margin markets for us, including

internationally. Technical powdered lignosulphonates are widely used in the production of technical carbon, in the oil industry, in foundries, in cement manufacturing and in road construction.

“As production volumes and demand continue to grow, increasing our own wood resources remains one of our strategic priorities. In Q3 2020, the Company achieved a record level of own wood resources, at 85.6% The Company logged 1,246,900 cu m of wood in Q3, up 8.7% year-on-year. This was made possible due to timely investments into our fleet of harvesters and haulers.

“Despite all the challenges that the industry faced in 2020, Segezha Group continues to deliver strong financial results, once again confirming that we have the right strategy and have made the correct tactical decisions.”

Key financial highlights:

RUB bn	Q3 2020	Q3 2019	Change Q3 2020/ Q3 2019	9M 2020	9M 2019	Change 9M 2020/ 9M 2019
Revenue	19.0	13.7	38.0%	50.2	43.7	14.7%
OIBDA	5.1	2.5	106.9%	11.3	10.2	11.0%
OIBDA margin	26.7%	17.8%	8.9 p.p.	22.5%	23.2%	(0.7 p.p.)
Operating income	3.5	1.0	251.1%	6.6	6.1	7.7%
Net income / (loss) ⁴	(3.4)	0.2	-	(5.5)	4.2	-
Net debt ⁵	50.1	37.9	32.2%	50.1	37.9	32.2%
Net debt / LTM OIBDA	3.3x	2.7x	-	3.3x	2.7x	-
Capex ⁶	2.9	2.1	42.0%	11.2	5.6	101.3%

Share of FX revenue	70.1%	67.8%	2.3 p.p.	70.5%	70.0%.	0.5 p.p.
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For further information please contact:

PR Department

Anastasia Poletaeva

Tel.: +7 499 962 82 00 ext. 10347

Poletaeva_aa@segezha-group.com

¹Segezha Group, the Group, the Company refer to LLC Segezha Group and legal entities whose financial statements are consolidated with LLC Segezha Group's financial statements under IFRS.

²Source: Segezha Group research based on analysis of the published financial results of fifteen leading global pulp and paper producers, by reference to Segezha Group's OIBDA and such producers' published EBITDA for the period. OIBDA and EBITDA are non-IFRS measures, the definitions of which may vary. As such, the comparability of these measures from company to company may be limited.

³Construction of a cross-laminated timber (CLT) panels plant in Sokol

⁴Net income / (loss) attributable to the members of Segezha Group.

⁵Total outstanding loans minus cash.

[6] CAPEX is calculated as a sum of actual investment payments made throughout the reporting period, incl. VAT.