

Segezha Group announces IFRS results for Q2 2020

Moscow, 01 September 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 the International Financial Reporting Standards (IFRS) for the second quarter of 2020.

Key financial indicators of Q2 2020

- Revenue grew by 8.9% year-on-year to RUB 16.9bn.
- OIBDA fell by 4.4% year-on-year, to RUB 3.6bn, OIBDA margin was 21.2%.
- Net income surged by 152.1% year-on-year to RUB 3.2bn.

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

"Despite the negative developments in the global economy and the construction industry, Segezha Group has managed to cancel out the pressure of external factors on the business thanks to coordinated efforts of the team and the safety margin that was created earlier.

During the first six months of 2020, all enterprises of the Group functioned as usual, having taken strict measures to prevent spread of the coronavirus. Amid the challenges witnessed by the global markets, we managed to preserve jobs, maintain labour productivity and pay regular wages. We honour our commitments and kept production functions that are essential for communities where we operate.

The diversified business model enabled Segezha Group to increase revenue and OIBDA in the business segments Paper and Packaging, Woodworking, and Plywood and boards. OIBDA margin was 21.2%. Negative factors that affected OIBDA were the decline of paper prices and demand for packaging compared to Q2 2019 because of the coronavirus pandemic. Sales of laminated wood structures and prefab houses went down due to the replacement of the press line at the Sokol Woodworking Plant in the Vologda region in July. The new line with a capacity of 25 cu m of laminated structures per hour will increase the enterprise's output by 20% to 100,000 cu m per annum. Growth of the Company's financials was driven by higher sales and prices of sawn timber and plywood, and a significant increase of paper sales due to reduction of warehouse inventories. Exports revenue growth was supported by the significant increase of the average exchange rates year-on-year: the Euro went up 10% and the US dollar 12%.

Despite the unfavourable external situation, Segezha Group's financial stability enabled it to consistently implement its ambitious investment programme. Its CAPEX in Q2 2020 totalled RUB 3.6bn. The bulk of the amount was allocated to upgrade the existing production facilities in order to increase the output and reduce production costs in future. The Company also invested RUB 0.6bn in the construction of a CLT plant in the Vologda region with a capacity of 50,000 cu m of CLT panels. The project is at the final stage; commissioning is scheduled for the end of 2020. In the reporting period, we continued building the plywood mill in Galich with an annual capacity of 125,000 cu m of birch plywood. It will be commissioned in 2021. In April 2020, Segezha Group inaugurated the second fuel pellet facility at the Lesosibirsk Woodworking Plant No 1, which increased the Group's aggregate pellet production capacity to 110,500 t p.a. The entire output of pellets is exported to Denmark, the Netherlands, the United Kingdom and other countries.

One of the key investment projects is implementation of SAP S/4HANA, which will unite all of the Group's enterprises, unlock synergies between services and enhance operational efficiency.

One of the Company's key advantages and strategic priorities is increasing own logging. In Q2 2020, Segezha Group logged 1,040,600 cu m of wood, an increase of 11.1% vs Q2 2019. Despite the growing production volumes, the Company achieved an unprecedented level of own wood resources - over 76%. This was made possible by expansion of the woodland in leasehold and ongoing upgrade of the fleet of harvesters, haulers and road machinery."

Key financials

RUB bn	Q2 2020	Q1 2020	Q2 2019	Change Q2 2020/ Q2 2019	6M 2020	6M 2019	Change 6M 2020/ 6M 2019
Revenue	16.9	14.3	15.5	8.9%	31.2	30.0	4.1%
OIBDA	3.6	2.6 ²	3.7	(4.4%)	6.2	7.7	(19.9%)
OIBDA margin	21.2%	18.4% ²	24.1%	(2.8 p.p.)	19.9%	25.7%	(5.8 p.p.)
Operating income	2.0	1.1	2.4	(16.8%)	3.1	5.1	(39.7)
Net income/(loss) ³	3.2	(5.3)	1.3	152.1%	(2.1)	4.0	-
Net debt ⁴	47.5	48.4	37.9	25.5%	47.5	37.9	25.5%
Net debt / LTM OIBDA	3.8	3.8 ²	2.4	61.2%	3.8	2.4	61.7%
CAPEX ⁵	3.6	4.7	2.0	82.5%	8.3	3.5	136.1%

Share of foreign-currency revenue	72.8%	69.8%	70.0%	2.8 p.p.	70.8%	71.3%	(0.5 p.p.)
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For further information please contact:

PR Directorate

Anastasia Poletaeva

Phone: +7 499 962 82 00 ext. 10347

Poletaeva_AA@segezha-group.com

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

² OIBDA, OIBDA margin and Net Debt / LTM OIBDA for Q1 2020 were adjusted to the amount of gain from government subsidies totalling RUB 171.0m.

³ Net income / (loss) attributable to the members of Segezha Group.

⁴ Total outstanding loans minus cash.

⁵ CAPEX is calculated as a sum of actual investment payments made throughout the reporting period, incl. VAT.