

Segezha Group announces FY 2020 IFRS financial results

Moscow, 16 March 2021 – Segezha Group¹ (the “Company” or the “Group”), 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 audited consolidated financial results prepared in accordance with International Financial Reporting Standards (IFRS) for 2020.

Key financial highlights for 2020

- Revenue grew by 17.9% year-on-year to RUB 69.0 bn.
- OIBDA grew by 24.5% year-on-year to RUB 17.5 bn. The OIBDA margin was 25.3%, up 1.3 p.p. year-on-year.

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

“Segezha Group delivered another year of successful growth in 2020. In the face of a global economic slowdown, particularly in the construction industry, the Company was able to maintain strong growth rates across key financial and operating metrics. This success was due in large part to coordinated teamwork by the management team and Segezha Group entities, which almost entirely mitigated downward pressure from external factors. In 2020, revenue and OIBDA increased by 17.9% and 24.5%, respectively, while the OIBDA margin increased to 25.3%.

“Despite the external challenges, Segezha Group grew revenue across all business segments in 2020, thanks to increased sales and production volumes, as well as higher prices for some products. Significant OIBDA growth was driven by higher sales of sawn timber and by an increase in prices for both sawn timber and plywood. Our financial results were further supported by exchange-rate movements, as the euro advanced by an average of 14% and the US dollar by an average of 11% against the rouble over the period. Growth was constrained by increased logistical costs, as well as depressed prices for paper and paper packaging products.

“In 2020, the Group continued to execute its investment programme. Capex on investment projects in 2020 totalled RUB 15.3 bn, while we maintained a comfortable net debt/OIBDA ratio of 2.8x. The Group’s investment strategy continues to focus on increasing production of high-value-added products, as well as enhancing operational efficiency, selective acquisitions of assets where we see the potential to add value to Segezha Group, and increasing our allowable cut. In 2020, we introduced the SAP S/4HANA platform at Group enterprises, a key element in the Company’s digital transformation that is expected to increase Segezha Group’s overall operational efficiency and competitiveness. At the start of 2021, Segezha Group became the first Russian manufacturer of CLT panels, an innovative building material for the Russian market that makes it possible to construct high-rise buildings out of wood. Our advantageous production costs allow us to supply CLT panels at competitive prices to both the European and Russian markets.

“Increasing our own wood resources remains one of our key strategic priorities as Segezha Group’s wood consumption continues to grow. In 2020, the Group increased its allowable cut from 7.8 million m³ to 8.1 million m³. As a result, logging volumes rose by 9.5% year-on-year to 5.4 million m³. The Company’s own wood resources accounted for 80.2% of the total amount logged (69.5% in 2019). This growth was possible thanks to timely investments into our fleet of harvesters and haulers.

“Despite the difficulties posed by the Covid-19 pandemic, the Group's efficient response ensured that the Group's subsidiaries adapted to minimize the impact on operations throughout 2020, while observing enhanced health and safety measures to prevent the spread of Covid-19. Segezha Group was able to protect jobs, maintain stable wages and fulfil its obligations to customers and creditors throughout this period, while at the same time maintaining all essential production functions in the regions in which it operates and also improving labour productivity. Despite weaker demand in key markets, the Company was able to increase production volumes across almost all product types, and even increase prices in some markets. Our flexible approach to market selection and our diversified business model, both in terms of products and sales regions, played a key role in the Company's success.”

Key financial highlights:

RUB bn	Q4 2020	Q4 2019	Change Q4 2020 / Q4 2019	2020	2019	Change 2020 / 2019
Revenue	18.8	14.8	27.5%	69.0	58.5	17.9%
OIBDA	6.2	3.9	60.1%	17.5	14.0	24.5%
OIBDA margin	32.8%	26.1%	6.7 p.p.	25.3%	24.0%	1.3 p.p.
Operating income	4.6	1.9	144.9%	11.2	8.0	39.7%
Net income / (loss) ²	4.1	0.6	631.8%	(1.3)	4.8	-
Net debt ³	49.6	39.3	26.1%	49.6	39.3	26.1%
Net debt / LTM OIBDA	2.8	2.8	-	2.8	2.8	-
Capex ⁴	3.1	2.1	50.4%	15.3	7.6	100.2%

Share of FX-denominated revenue	70.8%	73.9%	(3.1 p.p.)	72.0%	73.1%	(1.1 p.p.)
---------------------------------	-------	-------	------------	-------	-------	------------

For further information please contact:

PR Department

Anastasia Poletaeva

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

Poletaeva_AA@segezha-group.com

¹ “Segezha Group”, the “Group” and the “Company” refer to JSC Segezha Group (before December 28, 2020 – LLC GC Segezha) and legal entities whose financial statements are consolidated with JSC Segezha Group’s financial statements under IFRS.

² Net income / (loss) attributable to shareholders of JSC Segezha Group.

³ Total outstanding loans minus cash.

⁴ Capex is presented here as per management accounts, and is calculated as the sum of actual investment payments made during the reporting period, incl. VAT and payments for M&A.