

Segezha Group announces Q1 2021 IFRS results

Moscow, 23 April 2021 – 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 first quarter (Q1) of 2021.

Key financial highlights for Q1 2021

- Revenue grew by 27.4% year-on-year to RUB 18.2 bn.
- OIBDA grew by 93.5% year-on-year to RUB 5.0 bn. The OIBDA margin was 27.6%, up 9.2 p.p. year-on-year.

Mikhail Shamolin, President of Segezha Group, said:

"Segezha Group delivered strong growth in the first quarter of 2021, increasing revenue by 27.4% year-on-year and OIBDA by 93.5% year-on-year, and achieving an OIBDA margin of 27.6%. Despite a challenging 2020, since December we have seen a recovery in the market and significant growth in demand from the construction industry and other sectors, driving significant price increases for the Group's key products.

"In the first quarter, revenue and OIBDA increased across all segments. Our OIBDA margin of 27.6% was driven by an increase in production volumes throughout 2020, a favorable pricing environment, as well as ruble depreciation while maintaining a high share of export sales. Results were also supported by cost-control measures while at the same time increasing production volumes and expanding the business. A significant contribution to this comes from increasing the share of own wood resources employed in production, which reached 80% in Q1 2021.

"In Q1 2021 the Company continued to implement its strategy, investing to expand production volumes, continuing an extensive programme launched in 2020 to upgrade its fleet of harvesters, as well as M&A transactions. During the quarter the Sokol Timber Company shipped the first CLT panels produced at Segezha Group's new production facility in the Vologda region. CLT panels are a new product for the Russian construction market that enable the quick and efficient construction of high-rise wooden buildings.

"Our leverage remains at a comfortable level, with the net debt/OIBDA ratio decreasing by 0.7 p.p. to 3.1x as of the end of the quarter as a result of significant OIBDA growth. Net debt rose to RUB 56.7 bn, up 17.2% year-on-year, primarily as a result of revaluation of the Company's FX-denominated debt on the back of ruble depreciation as well as continued implementation of our investment program.

"Net profit for Q1 was RUB 2.4 billion, compared to a loss in Q1 2020, driven by high levels of operational profitability in Q1 2021 as well as the effect in Q1 2020 of a loss from revaluation of FX-denominated debt.

"In Q1 2021, Segezha Group adopted a new sustainability strategy and an ESG policy through 2025. The strategy focuses on four key areas: an innovative forestry business, making Russia's forest regions a better place to live, climate-smart forest management and production, and a responsible forest supply chain."

Key financial highlights

RUB bn	Q1 2021	Q1 2020	Change
Revenue	18.2	14.3	27.4%
OIBDA	5.0	2.6	93.5%
OIBDA margin (%)	27.6%	18.4%	9.2 p.p.
Operating profit	3.4	1.1	208.2%
Net profit / (loss) ²	2.4	(5.3)	-
Net debt ³	56.7	48.4	17.2%
Net debt / LTM OIBDA	3.1	3.8	(0.7 p.p.)
Capex ⁴	7.1	2.6	173,1%
Share of FX-denominated revenue	70.8%	69.8%	1.0 p.p.

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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. JSC Segezha Group became PJSC Segezha Group on 7 April 2021 as it prepared to become a public company.

² Net profit / (loss) attributable to shareholders of PJSC 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.