



SEGEZHA GROUP

6M 2021 IFRS & OPERATING RESULTS

August 27, 2021

SEGEZHA GROUP 6M'21 RESULTS OVERVIEW



MORE ▼

RUB 42.7 bn

Revenue

+37% y-o-y



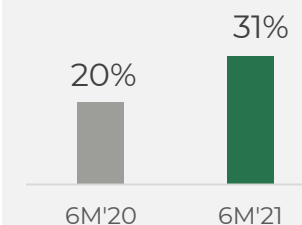
MORE ▼

RUB 13.2 bn

OIBDA

+112% y-o-y

OIBDA margin

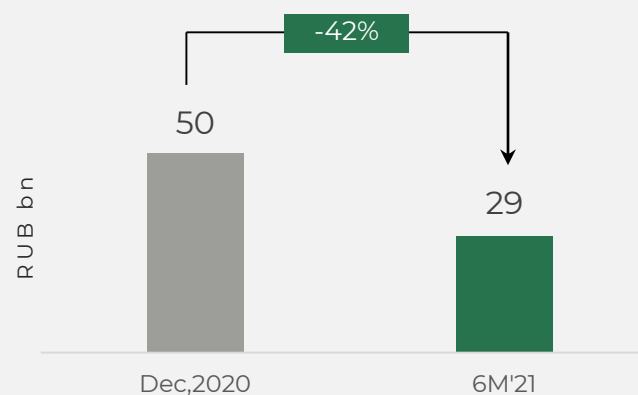


RUB 7.6 bn

Net profit

MORE ▼

Net debt



MORE ▼

RUB 13.2 bn

+65% y-o-y

CAPEX

incl. M&A RUB 4.7 bn

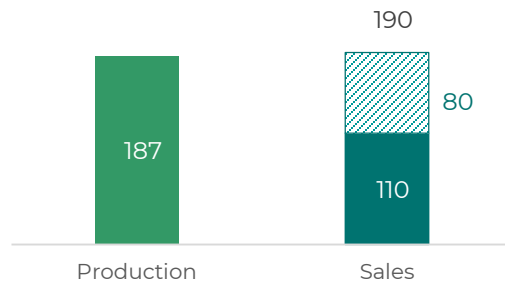
SEGEZHA GROUP KEY OPERATING RESULTS 6M'21



Paper

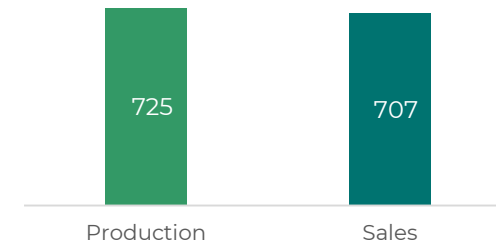
ths t

 Internal converting



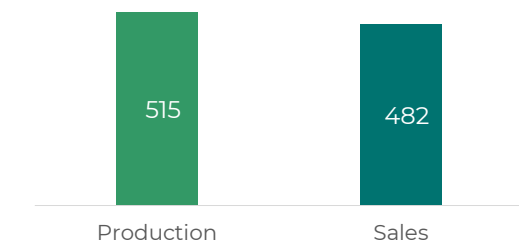
Packaging

mln pcs



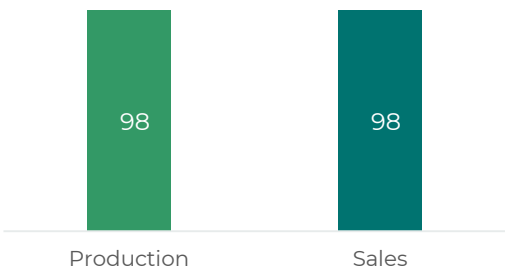
Sawn timber

ths m³



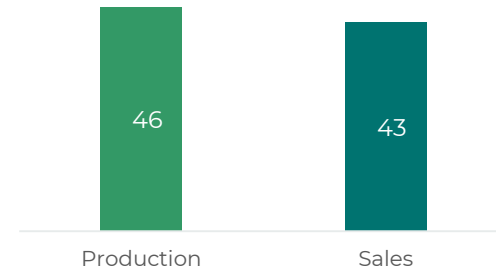
Plywood

ths m³



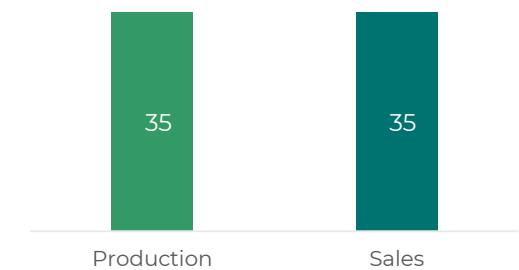
Pellets

ths t



Glulam

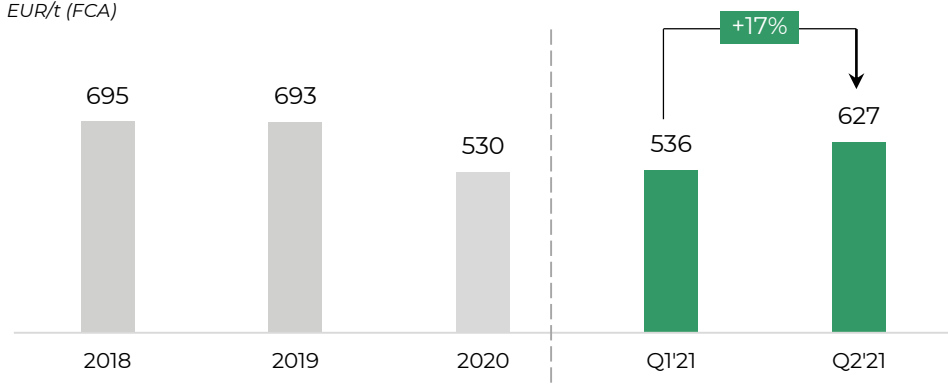
ths m³



PRICE DYNAMICS

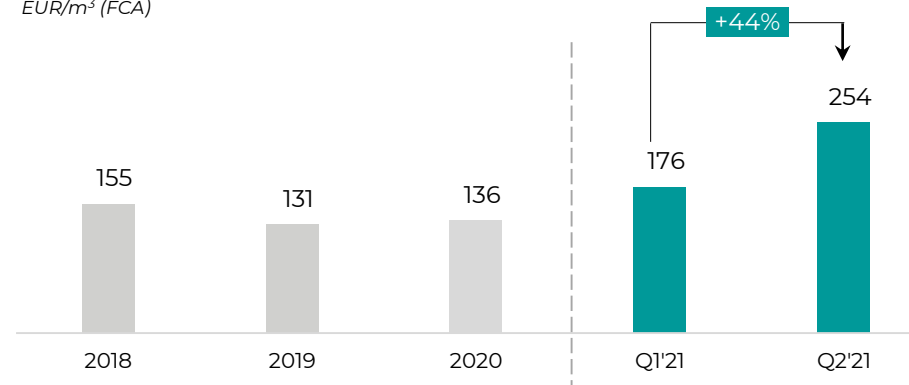
Paper

EUR/t (FCA)



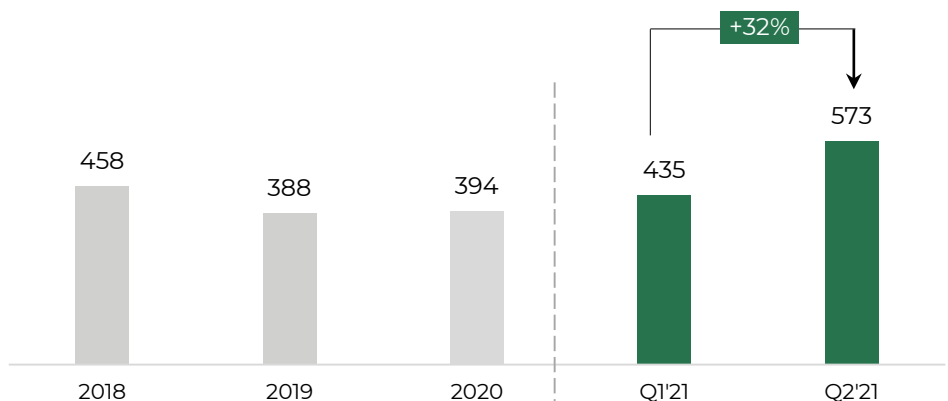
Sawn timber

EUR/m³ (FCA)



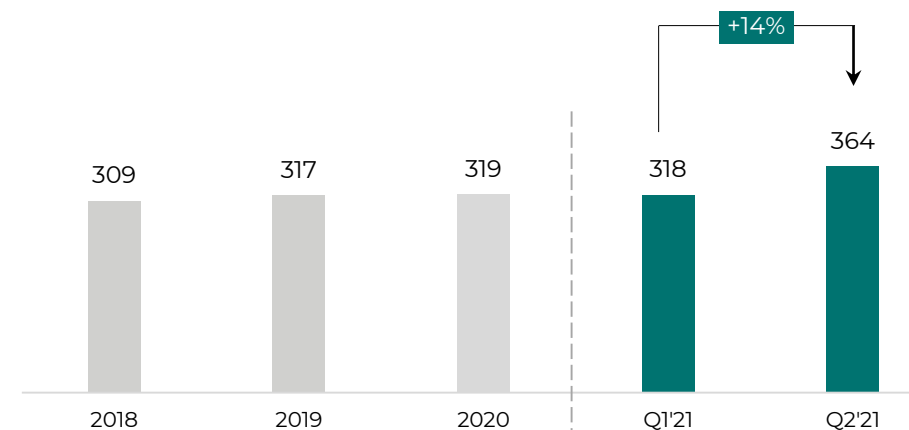
Plywood

EUR/m³ (FCA)



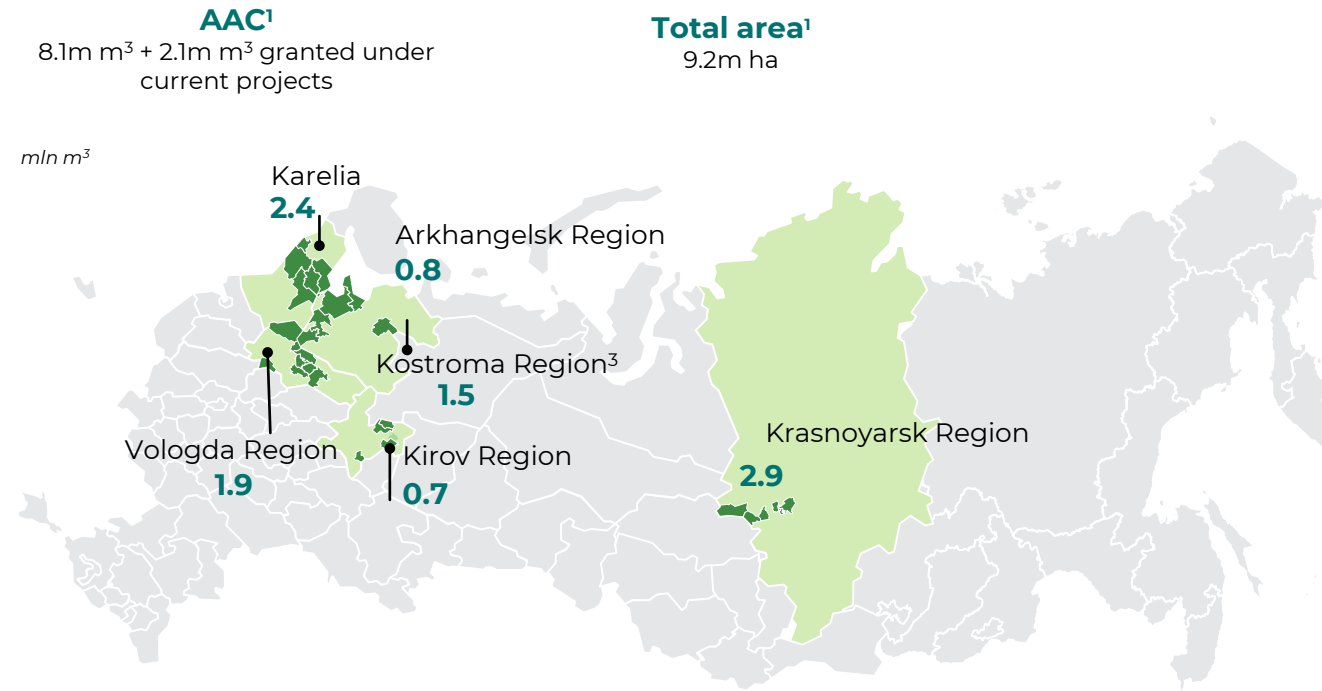
Glulam

EUR/m³ (FCA)



HARVESTING

Forestry map of Segezha Group



78% - Group's wood self-sufficiency

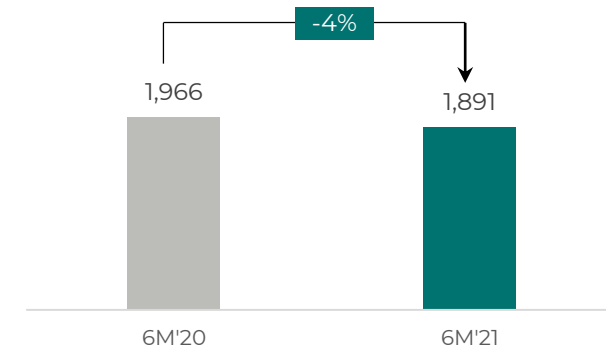
Source: Company data

Notes: 1 - AAC of 8.1m m³ as of 31 December 2020; Access to additional 2.1m m³ AAC is contingent on the execution of agreed and approved terms of Priority Investment Projects in Forest Development application.

2. Incl. Galich plywood mill which is under construction

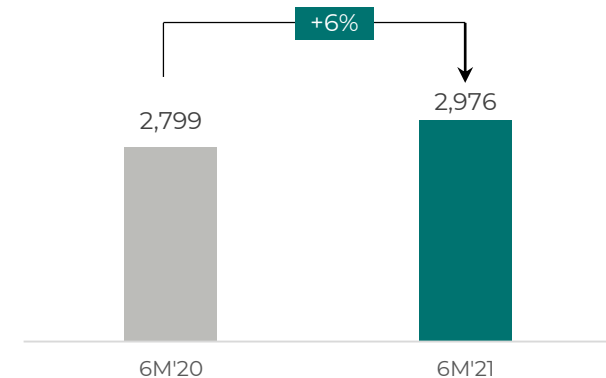
Cost of timber harvesting for Segezha Group

RUB/m³



Timber harvesting volumes

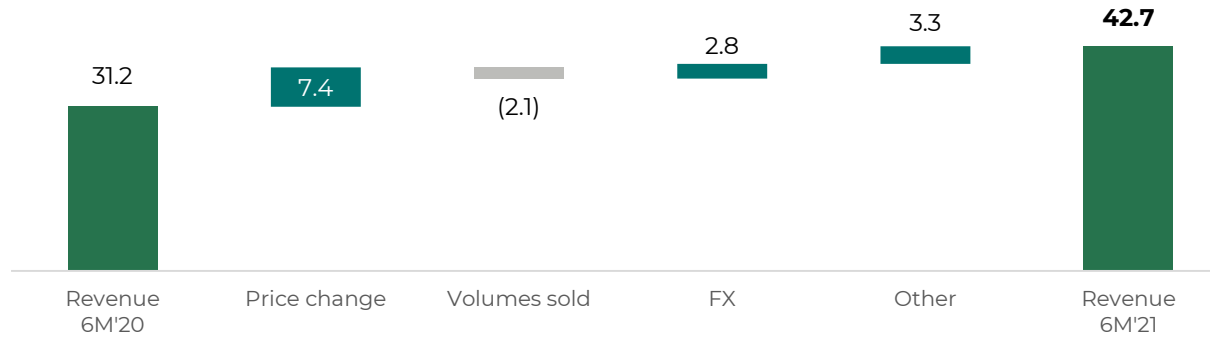
ths m³



REVENUE DRIVERS

Revenue bridge by factors

RUB bn

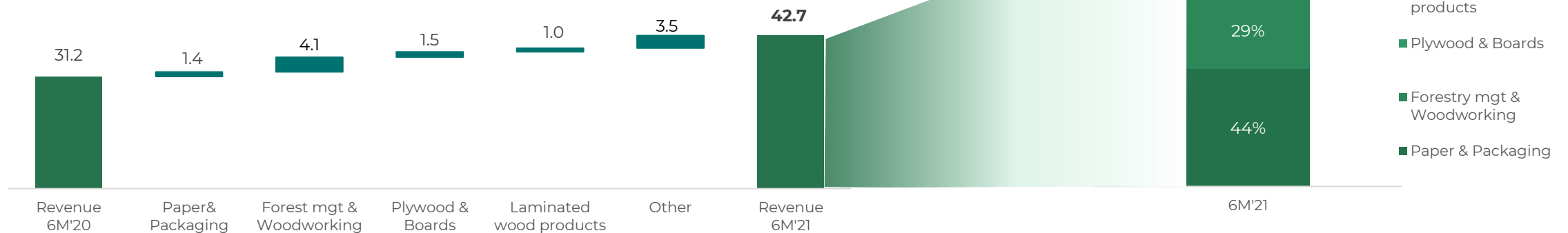


Comments

- In 6M'21 revenue amounted to RUB 43 bn up by 37% y-o-y driven predominantly by market recovery and associated price growth
- Forest management & woodworking segment made the largest input to Group's revenue growth with extra RUB 4 bn
- The largest share of revenue is still generated by Paper & packaging segment, although Prefabricated houses segment has grown and took a bite of 6% of top-line

Revenue bridge by segments

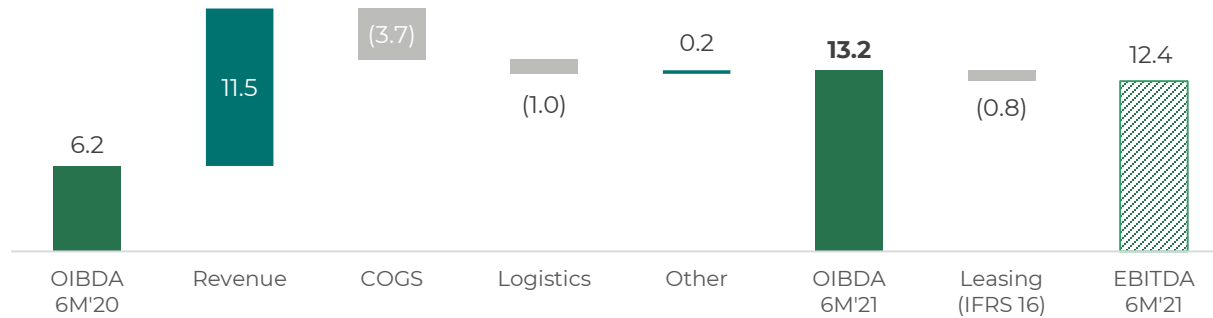
RUB bn



OIBDA DRIVERS

OIBDA bridge by factors

RUB bn

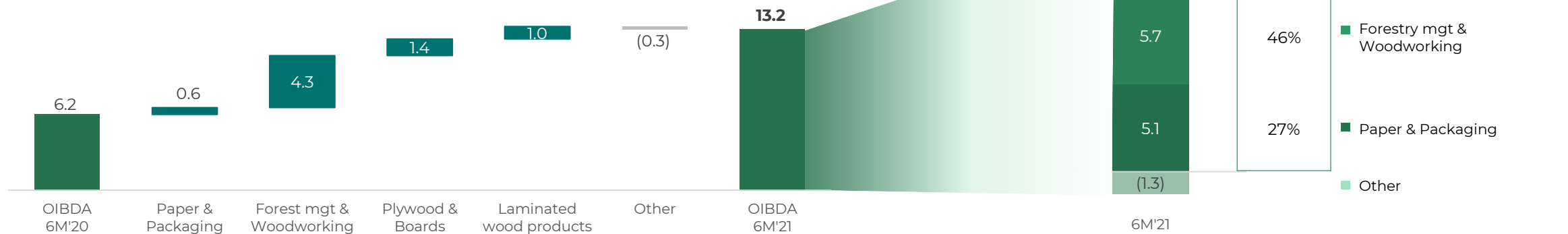


Comments

- In 6M'21 OIBDA reached RUB 13 bn up by 2x y-o-y driven by revenue growth and measures taken to improve operational efficiency during first half of 2021
- Forest management & woodworking segment made the largest input to Group's OIBDA growth with extra RUB 4 bn and improved it's margin up to 46% from 18% driven by 78% of wood self-sufficiency and strict control over costs

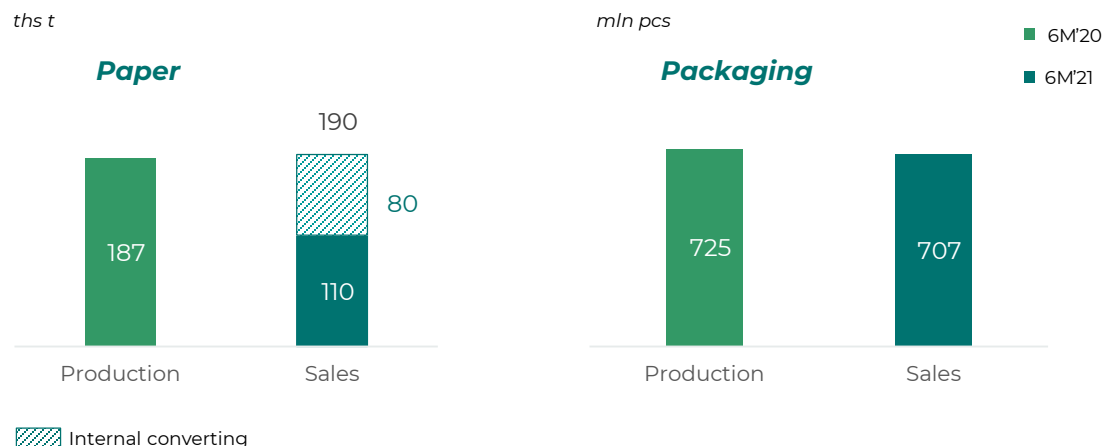
OIBDA bridge by segments

RUB bn



PAPER & PACKAGING SEGMENT

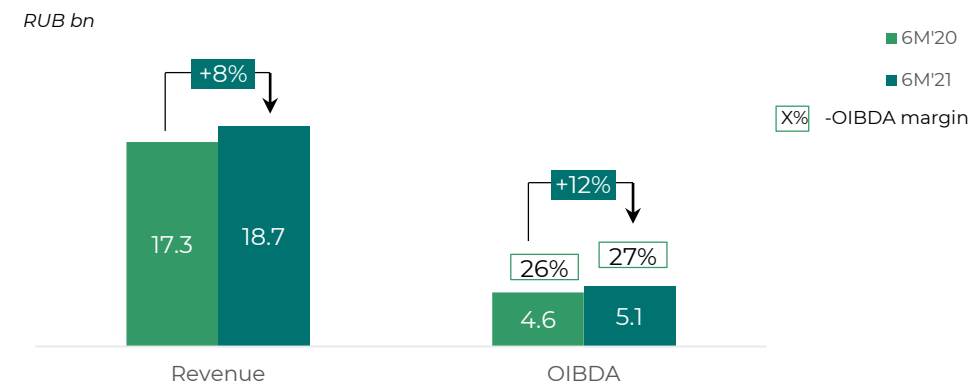
Operating results



Key highlights

- Segezha Group is expanding the geography of its sack paper sales, with deliveries to Brazil and Haiti to commence in 6M 2021.
- The launch of an auction platform based on SAP Ariba will enable Segezha Group to expand its sales geography by attracting new customers, as well as improve sales efficiency.
- In 6M 2021, the industrial production of white micro-crepe paper at Segezha PPM was launched, allowing the Company to expand its product range and increase raw material security. Plans for the production of this paper amount to 38 ths t a year. The entire volume is processed by the holding's converting facilities.

Key financials for Pulp & Paper segment



Key projects

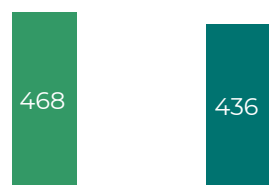
- The modernisation of the Sokol PPM will increase the production of various types of paper by 65 ths t per year to 100 ths t per year. Investment in the project is approximately RUB 11 bn. For more information, follow the [link](#).
- Modernisation of the Segezha PPM will increase sack paper production capacity by 25 ths t in 2022. Investment in the project will amount to RUB 4.5 bn.

FORESTRY MGT & WOODWORKING SEGMENT

Operating results

Sawn timber¹

ths t



Production

Sales

Pellets

ths t



Production

Sales

Harvesting

ths m³



Harvesting

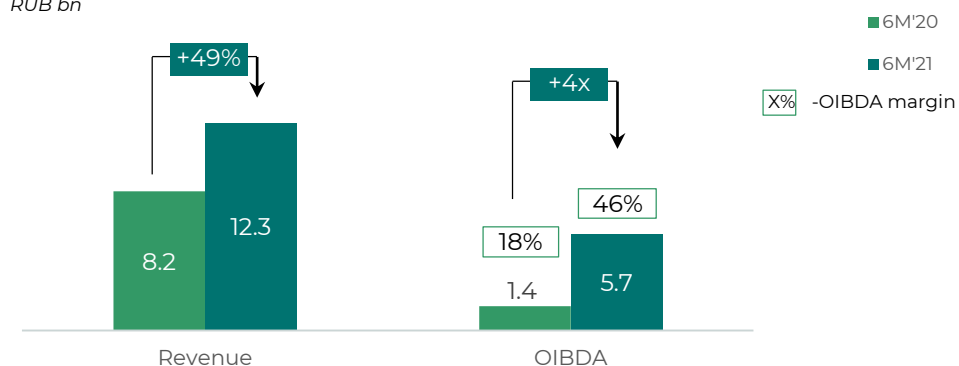
■ 6M'20
■ 6M'21

Key highlights

- Segezha Group has one of the highest **raw wood self-sufficiency at 78%** in 6M'21
- In 6M'21 the Group has increased **volumes of timber harvesting by 6% y-o-y**
- Despite the raw wood harvesting cost inflation around the world, Segezha Group **managed to decrease the cost by 4% y-o-y**. This combined with high self-sufficiency with wood let the Company to increase margins across all the segments.

Key financials for Forestry mgt & Woodworking segment

RUB bn

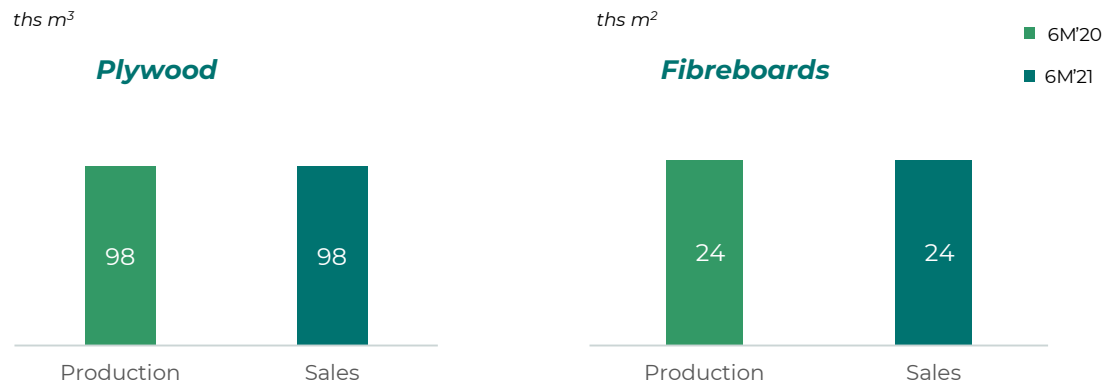


Key projects

- **The modernisation of the Onega LDK** will increase total annual sawn timber output by 20% to 280 ths m³ and reduce production costs by 30% due to improved operational efficiency through the automation and development of added-value wood conversion. For more information, follow [the link](#).
- **The modernisation of the Lesosibirsk LDK** will increase production of sawn timber by 50 ths m³, pellets by 100 ths t, and will also make it possible to achieve zero-waste manufacturing by constructing a new bark waste boiler with a capacity of 40 MW. More information is available [here](#) and [here](#).

PLYWOOD & BOARDS SEGMENT

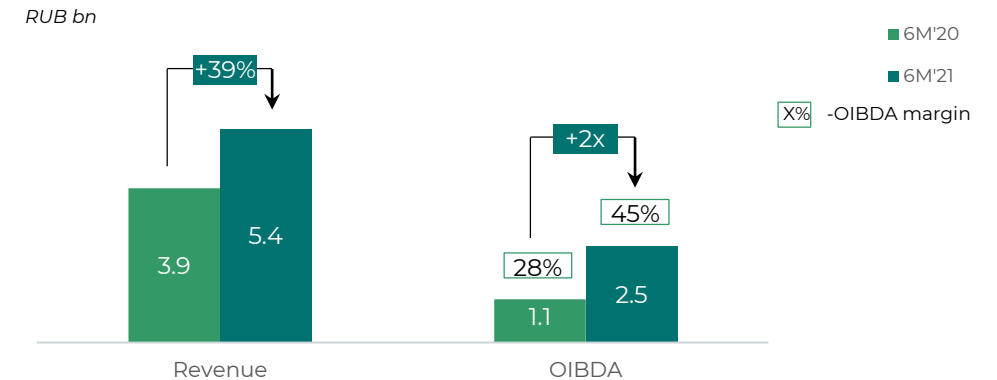
Operating results



Key highlights

- **Increase in the sales share of high-margin products** for both export and domestic markets:
 - ClearPly – furniture segment;
 - Ecofloor – floor-covering and parquet segment;
 - PlyForm – construction segment.
- **Expansion of the customer base:** cooperation has started with more than 20 new customers in Europe and North America, and trial deliveries of plywood to the new Mongolian market have been carried out.

Key financials for Plywood & Boards segment

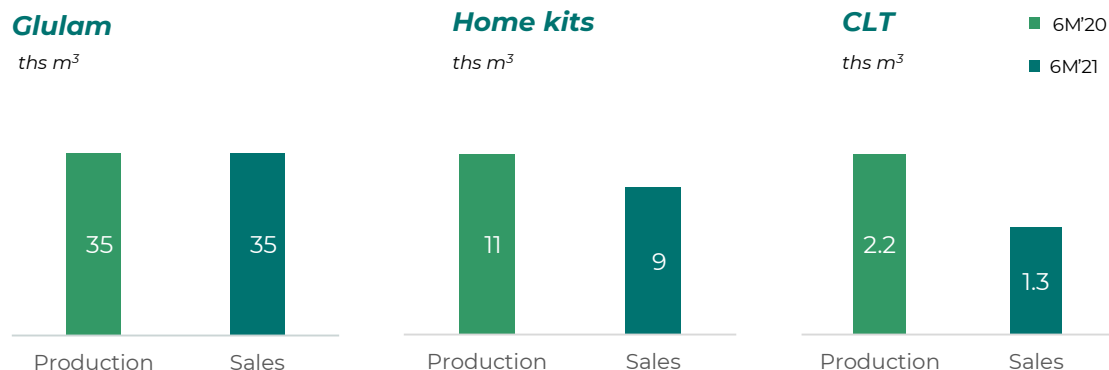


Key projects

- **The expansion of capacity at the Vyatka plywood mill** by 33%, or 64 ths m³. Investment in the project will amount to RUB 6.5 bn. The launch of new capacities is scheduled for 2022. For more information, follow [the link](#).
- **The construction of the Galich plywood mill** will increase capacity by 125 ths m³ per year. GPM will produce high-margin types of plywood, including Maxi-format plywood, 7x13 ft, which is unique to Russia. Investment in the project is based on the principle of project financing, with the Group investing RUB 2.3 bn. For more information, follow [the link](#).

LAMINATED WOOD PRODUCTS SEGMENT

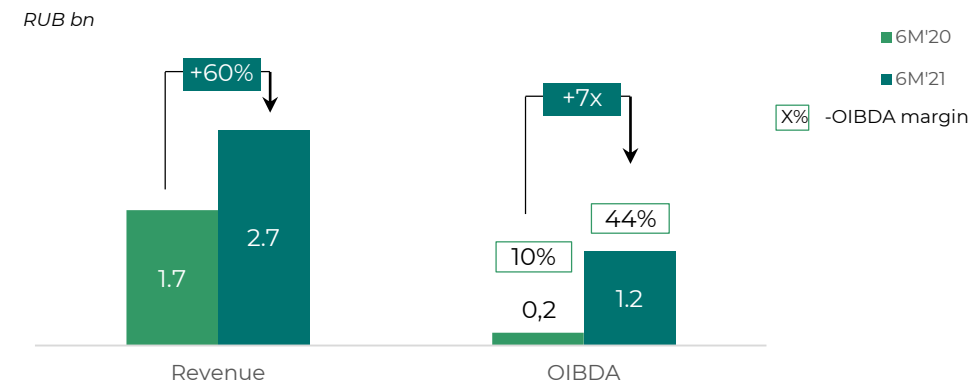
Operating results



Key highlights

- CLT Segezha Group's production facility received an award from FSC in the Green Project of the Year 2021 category. The Company presented the project "CLT panels: the climate-neutral building material of the future". For more information, follow [the link](#).
- Launch of Sokol CLT plant – Russia's first large-scale industrial production of cross-laminated panels. Segezha Group has invested more than RUB 3 bn in the new manufacturing facility, which has a capacity of 50 ths cu m of CLT panels per year. For more information, follow [the link](#).

Key financials for Laminated wood products segment

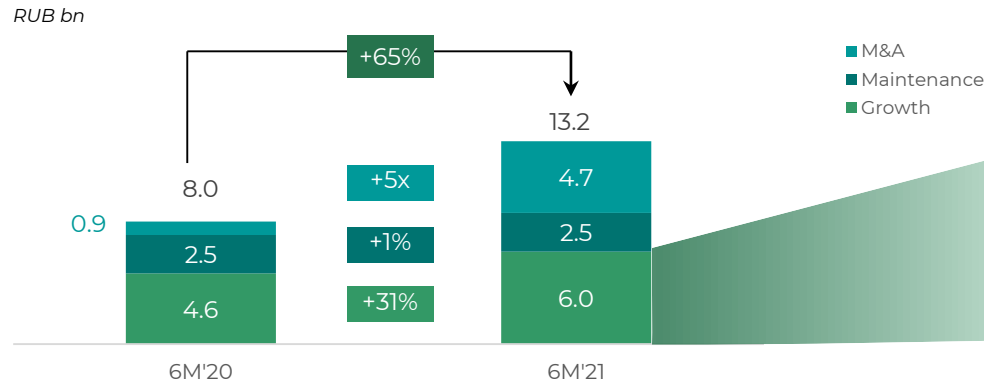


Key projects

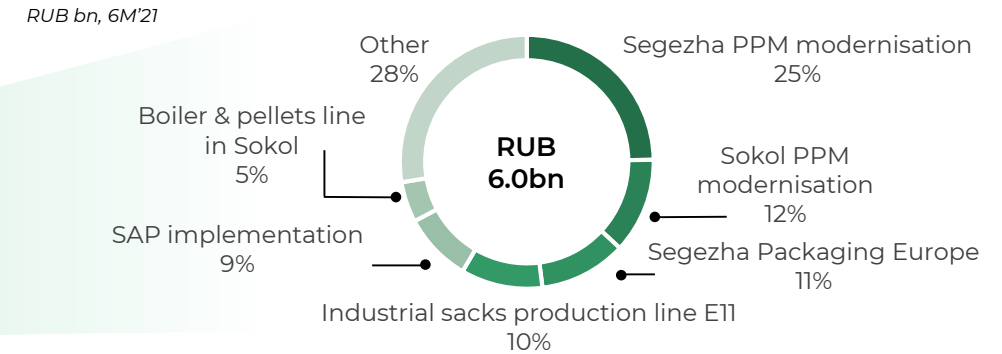
- Construction of a pellet plant at the Sokol DOK, as well as a new boiler plant operating on bark and wood waste. The capacity of the new unit will be 65 ths t of pellets per year. Investments in the project are approx. RUB 1.1 bn. Production is scheduled to start by the end of 2021. For more information, follow [the link](#).
- Construction of a new glulam plant in Segezha with a capacity of 240 ths m³ of glulam and 100 ths t of pellets. Construction work is planned to start at the end of 2021 with a total project budget of RUB 11.2 bn, and it will be implemented through project financing, similar to the Galich Plywood mill project.

CAPEX & WORKING CAPITAL

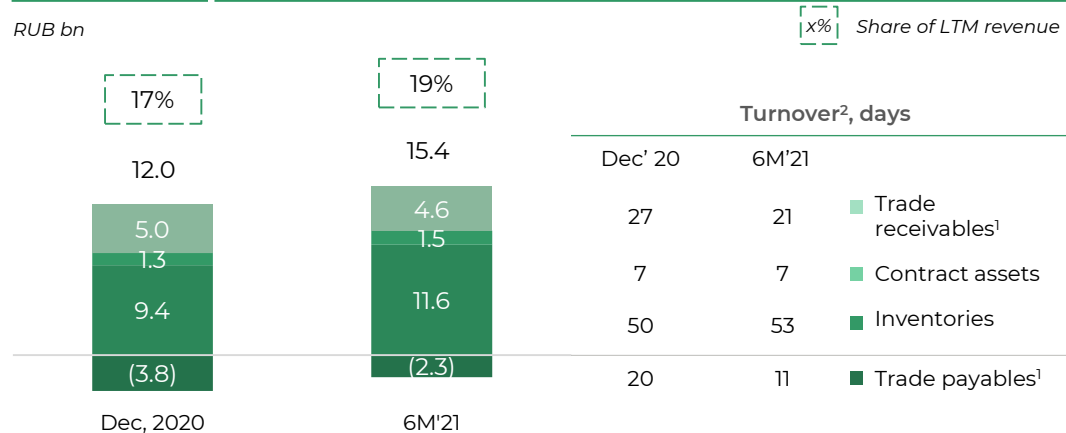
CAPEX dynamics



Growth CAPEX breakdown



Operating working capital¹



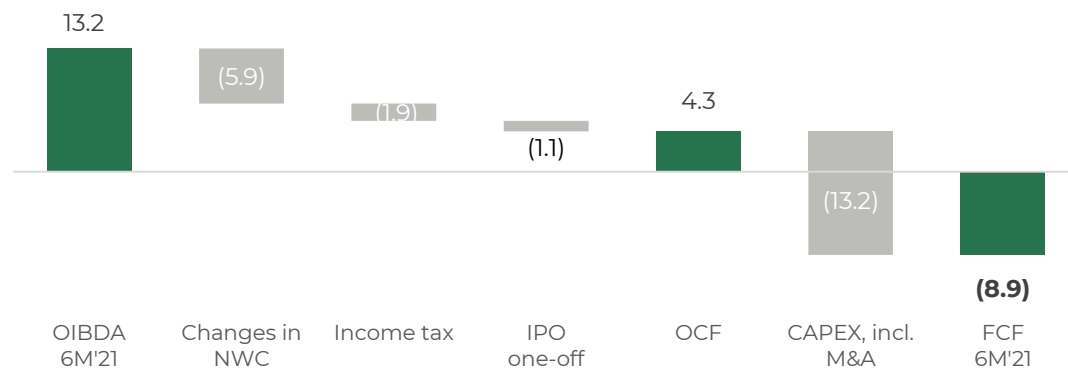
Comments

- In 6M'21 CAPEX increased by 65% up to RUB 13.2 bn due to expansion of investments into growth and advance payment for M&A of NLHK (see [slide 17](#))
- Maintenance CAPEX remained flat y-o-y at RUB 2.5 bn
- Investments into new projects amounted to RUB 6.0 bn with key projects:
 - Segezha Pulp & Paper Mill modernization (+25 ths t of paper pa)
 - Sokol Pulp & Paper Mill modernization (+65 ths t of paper pa)
 - Expansion of packaging business
- Working capital has seasonal growth in the first 6M of the year due to growing stock of wood harvested in winter period

FCF & LIQUIDITY

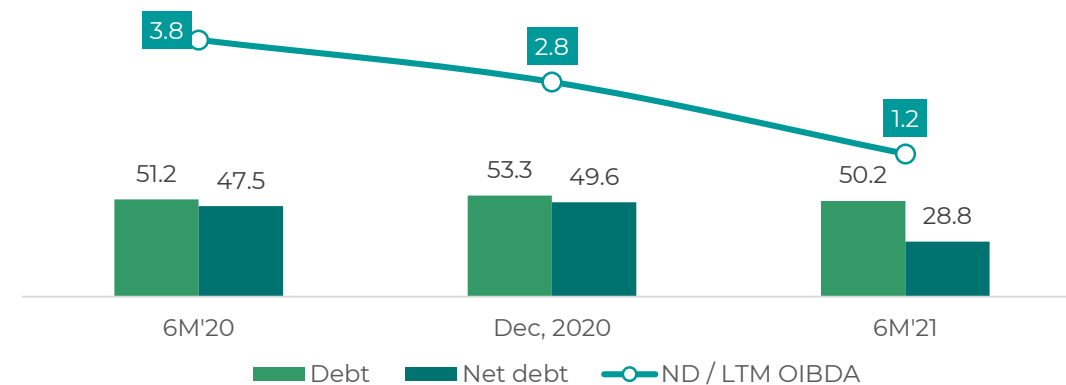
FCF

RUB bn



Robust liquidity & deleveraging

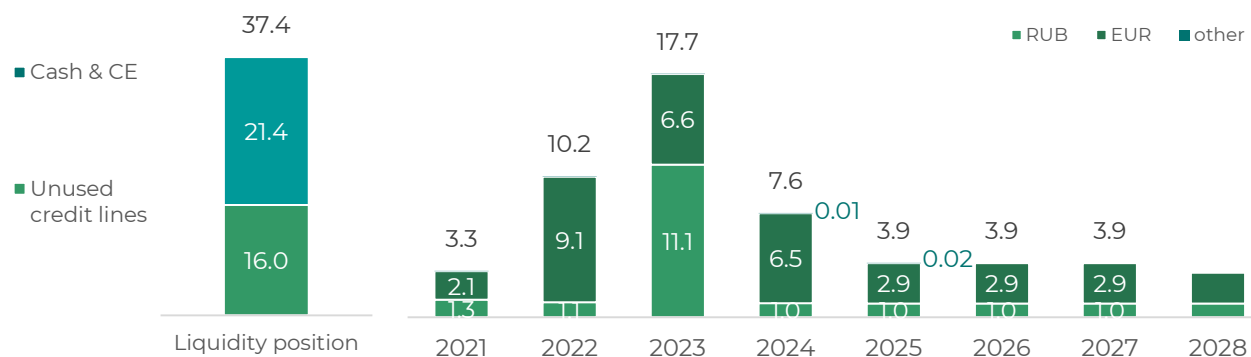
RUB bn



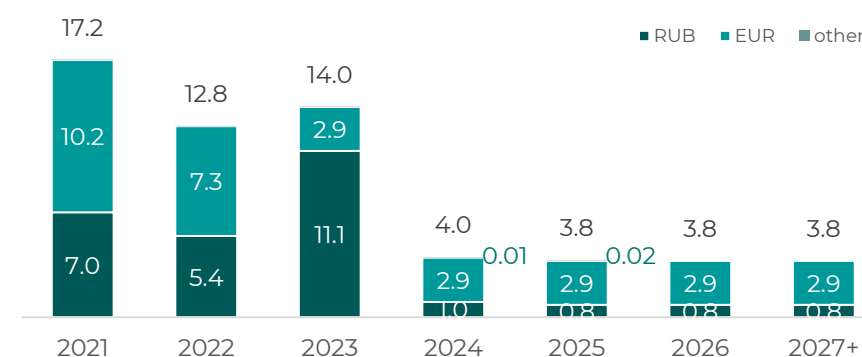
Debt repayment schedule & liquidity position

RUB bn

Payment schedule as per agreements



Payment schedule as per Company's estimate



Group's ESG ratings



21.4

First rating of Segezha Group in 2021 (zero is the best)



ecovadis

Golden status

Given to Segezha Packaging Europe
Upgrade from Silver in 2018-2019

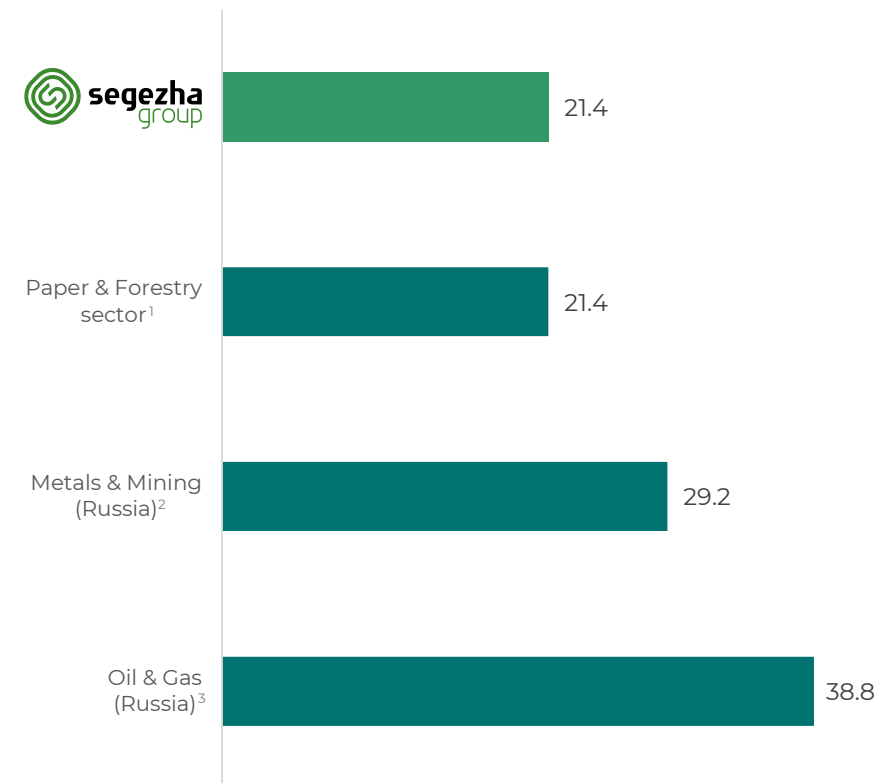


36 out of 140

RAEX-Europe runs ESG ranking of Russian companies

Segezha's position in Sustainalytics landscape

Sustainalytics rating at Aug 26, 2021



Strategy update

OUR STRATEGY IS BASED ON OUR COMPETITIVE ADVANTAGES



- Obtaining areas via Priority Investment Projects **+4m m³ AAC¹** in the mid-term
- Additions of forest area leases through potential M&A **+2m m³ AAC** in 2021
- Increase of harvesting volumes **+3.5m m³** in the mid-term

Long-term targets



~20m m³ AAC by 2030



- Increase share of own logging and wood processing depth by **~3%²** in the mid-term
- Focus on long-term attractive market segments - **new high-margin value added products**
- Increase utilization of **wood residuals** and optimization of **energy consumption**

Pipeline of investment projects with investment criteria of >25% IRR and >20% ROCE³



- Further promote sustainable forestry management practices - **mills certification & reforestation** investments
- Develop **eco-friendly** products
- Reduction of emissions and environmental impact - **decarbonization** strategy development

Commitment to best ESG practices

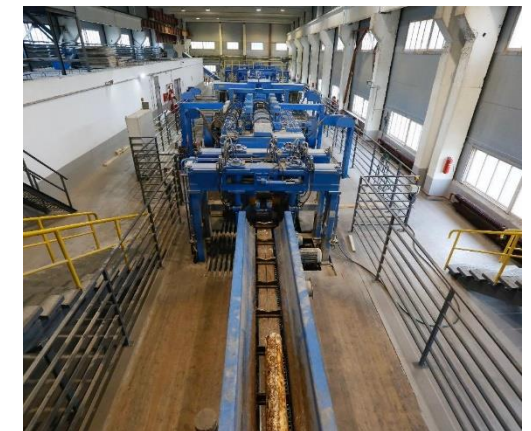
Key parameters of the deal

- Capacity:
 - 2.2 mln m³ of AAC with ca. 90% of softwood (1.3 m ha total area)
 - 50 ths m³ of sawn timber in Q4'21; 300-350 ths m³ in 2022; up to 400-450 ths m³ in 2023
 - 100 ths t of pellets
 - 20 m m² of fibreboards
- Timing: Q3'21 – consolidation to the Group
- Rationale:
 - Consolidation of forestry assets in the region & reaching 100% wood self-sufficiency for 2 assets
 - NLHK is located in ca.20 km from Group's LLDK complex
 - NLHK's synergy with LLDK: NLHK's harvesting has seasonal shift towards winter period and has lower supply of raw wood in summer, while LLDK's has scarce of raw wood in winter and has to buy it from 3rd parties. With M&A deal done both entities will supply raw wood to each other when needed.
- Deal structure:
 - Feb 2021 – Segezha acquired the bank's rights of claim for NLHK loans payable and other payables totaling RUB 11.5 bn and rights to conclude call option for 71% of shares in NLHK for RUB 2.3 bn
 - May 2021 - Segezha signed an agreement on the acquisition of a minority stake in Tegli Holdings Ltd holding a 100% stake in NLHK
 - Sep 2021 – finalizing legal procedures on termination of the bankruptcy procedure

Location of the assets



NLHK is a modern asset



SEGEZHA TO INVEST RUB 31 bn IN THE FUTURE GROWTH



Project	Region	Segment	2019	2020	2021	2022	2023	2024	2025	Remaining CAPEX ¹	Status	Capacity ³ increase
Plywood Mill	Galich, Kostroma region	Plywood & Boards	CAPEX ¹ = RUB 2.9 ² bn							RUB 1.6 ² bn	Installation of equipment	+125 k m ³ of birch plywood
Segezha Pulp & Paper Mill (modernisation)	Segezha, Karelia	Paper & Packaging	RUB 4.5 bn							RUB 1.6 bn	Installation of equipment	+25 kt of sack paper
Boiler & pellets line	Sokol, Vologda region	Forestry Mgt & Woodworking		RUB 1.1 bn						RUB 0.5 bn	Installation of equipment	+65 kt of pellets
Industrial sacks production line E11	Segezha, Karelia	Paper & Packaging		RUB 0.9 bn						-	Completed	+90 m industrial paper sacks
Consumer Packaging	Moscow region	Paper & Packaging		RUB 0.9 bn						RUB 0.4 bn	3 out of 4 are installed, other 2 to be installed till the end of 2021	+144 m consumer paper sacks
SAP implementation	-	Other		RUB 1.9 bn						RUB 0.4 bn	To be completed in Q4'21	-
M&A of NLHK	Lesosibirsk, Krasnoyarsk region	Forestry Mgt & Woodworking			RUB 4.7bn	RUB 1.5bn				RUB 1.5 bn ⁵	To be completed in Q3'21	+2.2 m ³ AAC +350 m ³ of sawn timber +100 kt of pellets
Plywood Mill (expansion)	Vyatka, Kirov region	Plywood & Boards			RUB 4.9 bn					RUB 4.4 bn	Tendering & contracts conclusion	+64 k m ³ of plywood
Sokol Pulp & Paper Mill (modernisation)	Sokol, Vologda region	Paper & Packaging			RUB 12.0 bn					RUB 11.2 bn	Key equipment contracted, preparation of the construction site	+3.2 kt sack paper +43 kt greaseproof paper +18 kt subpergament paper
Segezha Packaging Europe	Europe	Paper & Packaging			RUB 0.7 bn					RUB 0.2 bn	To be completed in Q1'22	+70 m industrial paper sacks
Wood resources	Russia	Forestry Mgt & Woodworking			> RUB 8.0 bn					-		1. Renewal of forest equipment 2. AAC expansion
Lesosibirsk Mill (modernisation)	Lesosibirsk, Krasnoyarsk region	Forestry Mgt & Woodworking			RUB 4.4 bn					RUB 4.3 bn	First deliveries of equipment were executed	+50 k m ³ sawn timber +100 kt pellets
Onega mill (modernisation)	Onega, Karelia	Forestry Mgt & Woodworking				RUB 4.6 bn				RUB 4.2 bn	Tendering	+64 k m ³ sawn timber +30 kt pellets
Glulam facility	Karelia	Other				RUB 3.3 ⁴ bn				RUB 2.2 bn	Construction starts in Sept, 21	+240 k m ³ of glulam +100 kt of pellets
New plywood mill	Karelia	Plywood & Boards	Developing stage, no decision made									+125 k m ³ of plywood
Segezha West	Segezha, Karelia	Paper & Packaging	Developing stage, no decision made									From ~0.9 to 1.5 kt of pulp (various design options are considered)

Source: Company data

Notes: **1.** CAPEX presented net of VAT **2.** Project is deconsolidated from the Group. Group's share, total project capex is RUB 11.5bn net of VAT; project financing structure with Segezha equity contribution of 25% with optionality to consolidate the asset highly preliminary as early as 2023, when the project Debt/OIBDA will be below 3x; excluding capex on AAC expansion (roads construction, investments into equipment) **3.** Subject to adjustments **4.** Group's share, total project capex is RUB 11.2bn net of VAT; project financing structure **5.** CAPEX for development

1.5mt of pulp



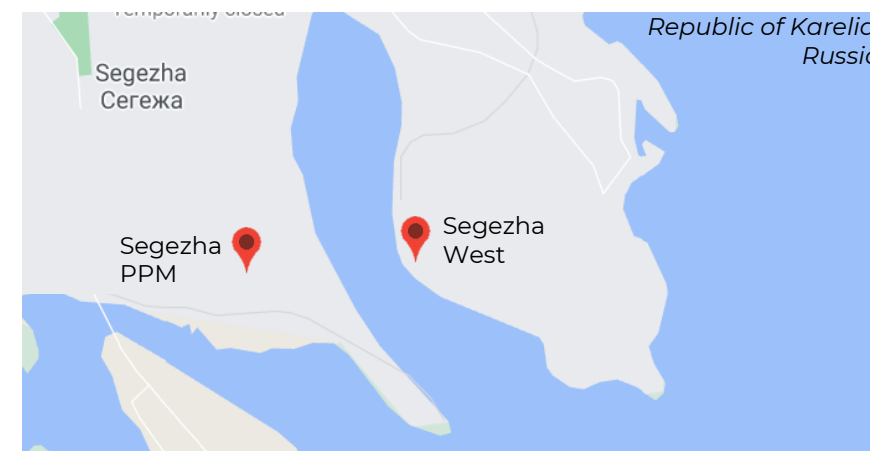
1.0 mt of bleached pulp

0.5 mt of unbleached pulp

Description of the project

- Current status: Segezha Group is receiving approvals, basic engineering on main production blocks, preparation of construction ground
- Timing: **5 years of construction; BoD to consider project in 2022**
- CAPEX: Segezha's exposure is RUB 20 bn out of total CAPEX RUB 150 bn (net of VAT)
- Rationale:
 - **Expansion through pulp production.** Growing bleached softwood pulp market +12%¹ & hardwood pulp +23%¹ by 2030
 - **Utilisation of available forest resources** in Karelia, Arkhangelsk, and Vologda region (incl. hardwood)
 - **Synergy with Segezha PPM & increase of Group's efficiency with new technology application**
 - ✓ Part of SW pulp will be transferred to Segezha PPM for paper production resulting in lower costs due to scale effect, and economy for electricity
 - ✓ SW will generate excessive electricity which will cover Segezha PPM needs for electricity. No need to buy it on the market
- **Off balance sheet financing.** Terms & conditions are negotiated with potential financial partners

Location of the assets



3D model of Segezha West



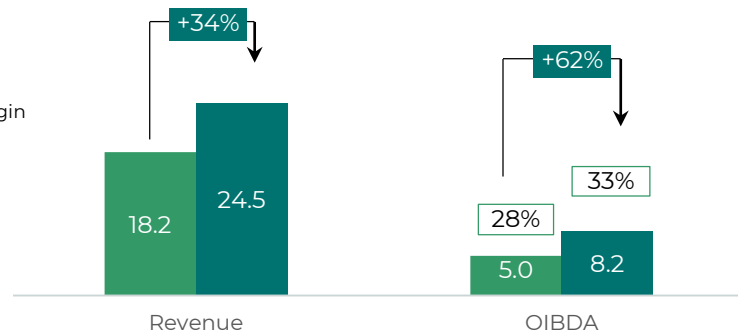
Appendix

REVENUE & OIBDA DYNAMICS QoQ

Segezha Group

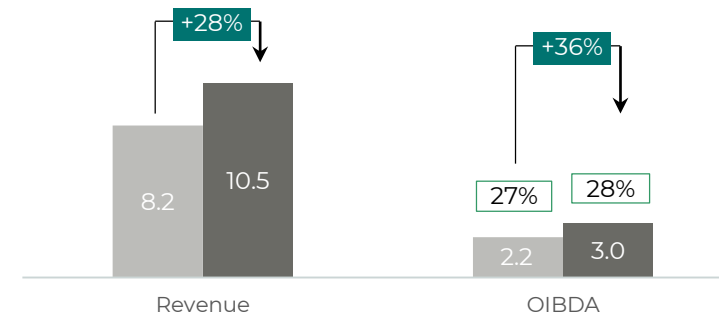
RUB bn

■ Q1'21
■ Q2'21
X% -OIBDA margin



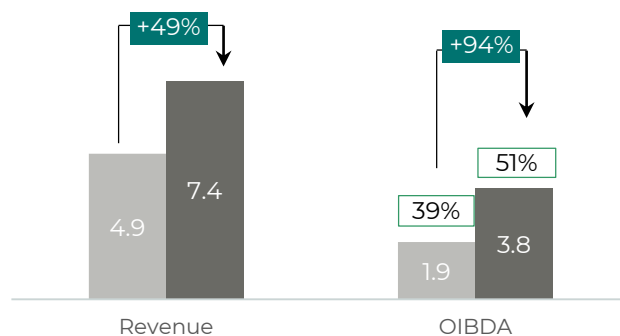
Paper & Packaging

RUB bn



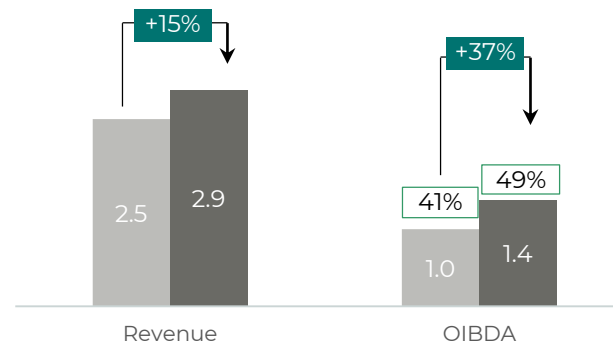
Forestry mgt & Woodworking

RUB bn



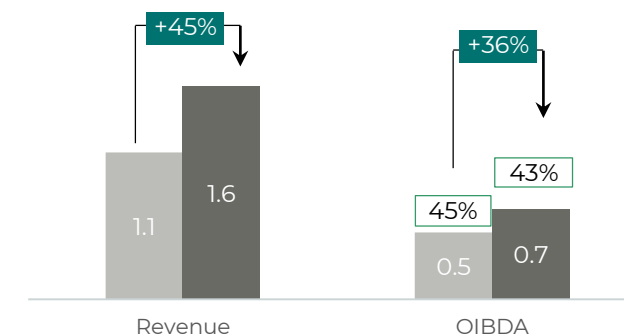
Plywood & Boards

RUB bn



Laminated wood products

RUB bn



Q&A

DISCLAIMER



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For notes

THANK YOU!

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