

RUSSIA SOFTWOOD TIMBER MARKET DEVELOPMENTS

Sviatoslav Bychkov, ILIM TIMBER

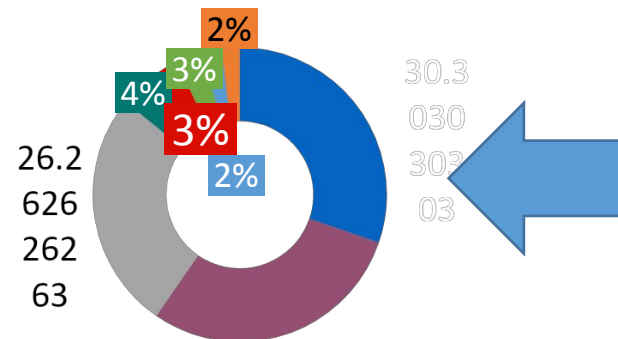
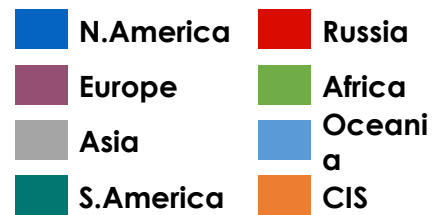
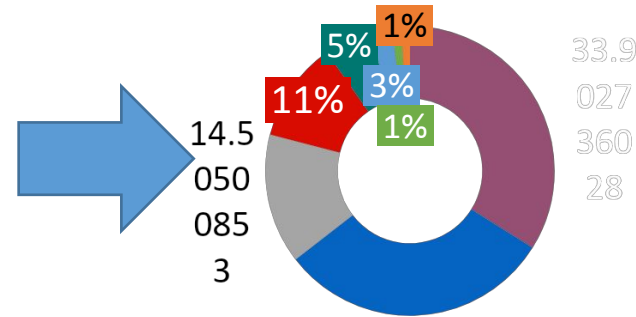
DANA 2021 NZ Forest - Wood Products Outlook Conference

Auckland March 16th 2021

RUSSIA SAWMILLING INDUSTRY ON A GLOBAL SCALE



GLOBAL SAWN SOFTWOOD PRODUCTION		
2019	Region	'000 m3
1	Europe	119,439
2	North America	107,880
3	Asia	51,101
4	Russia	39,492
5	South America	18,537
6	Oceania	8,812
7	CIS	3,519
8	Africa	3,519
Total		352,299

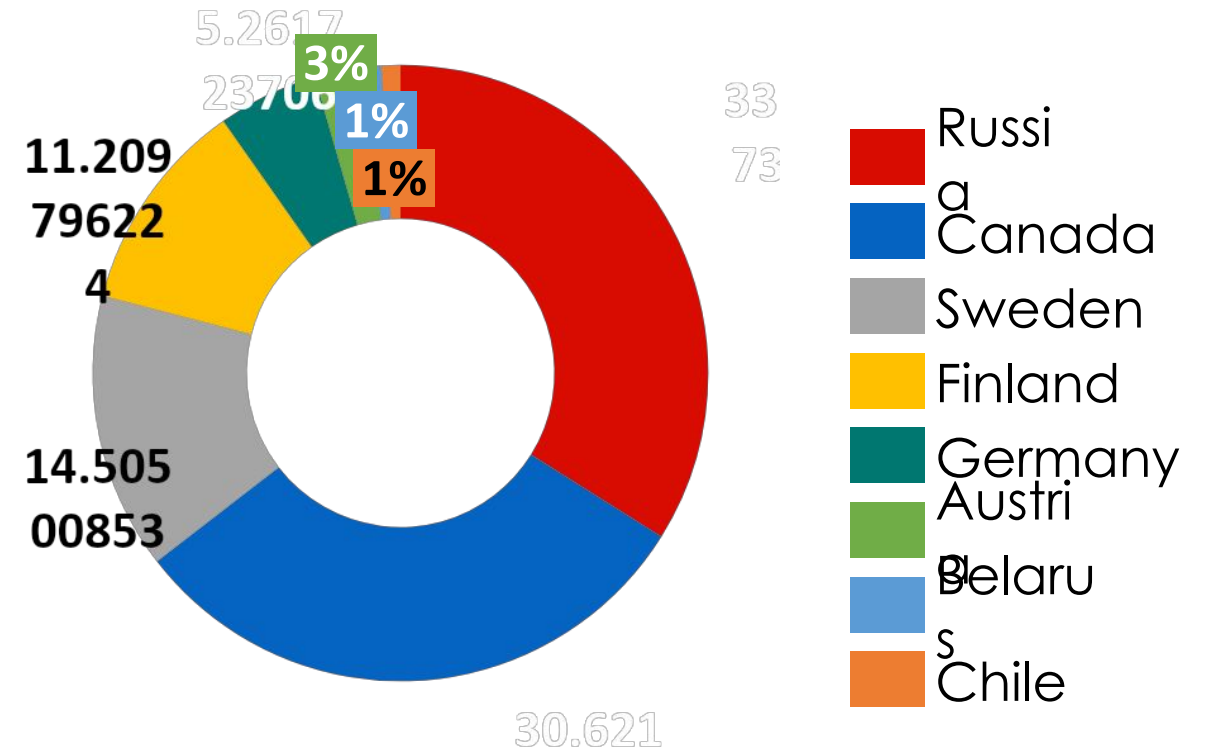


GLOBAL SAWN SOFTWOOD CONSUMPTION		
2019	Region	'000 m3
1	North America	104,529
2	Europe	100,038
3	Asia	90,285
4	South America	13,742
5	Russia	10,600
6	Africa	10,100
7	Oceania	7,872
8	CIS	6,453
Total		343,619

RUSSIA SAWMILLING INDUSTRY ON A GLOBAL SCALE

TOP-8 SAWNWOOD EXPORTERS GLOBALLY

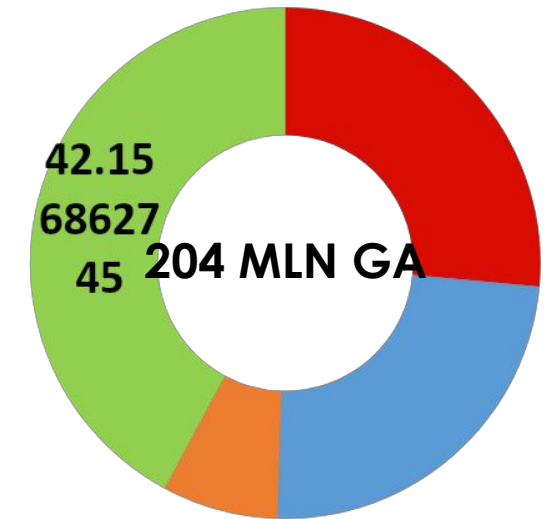
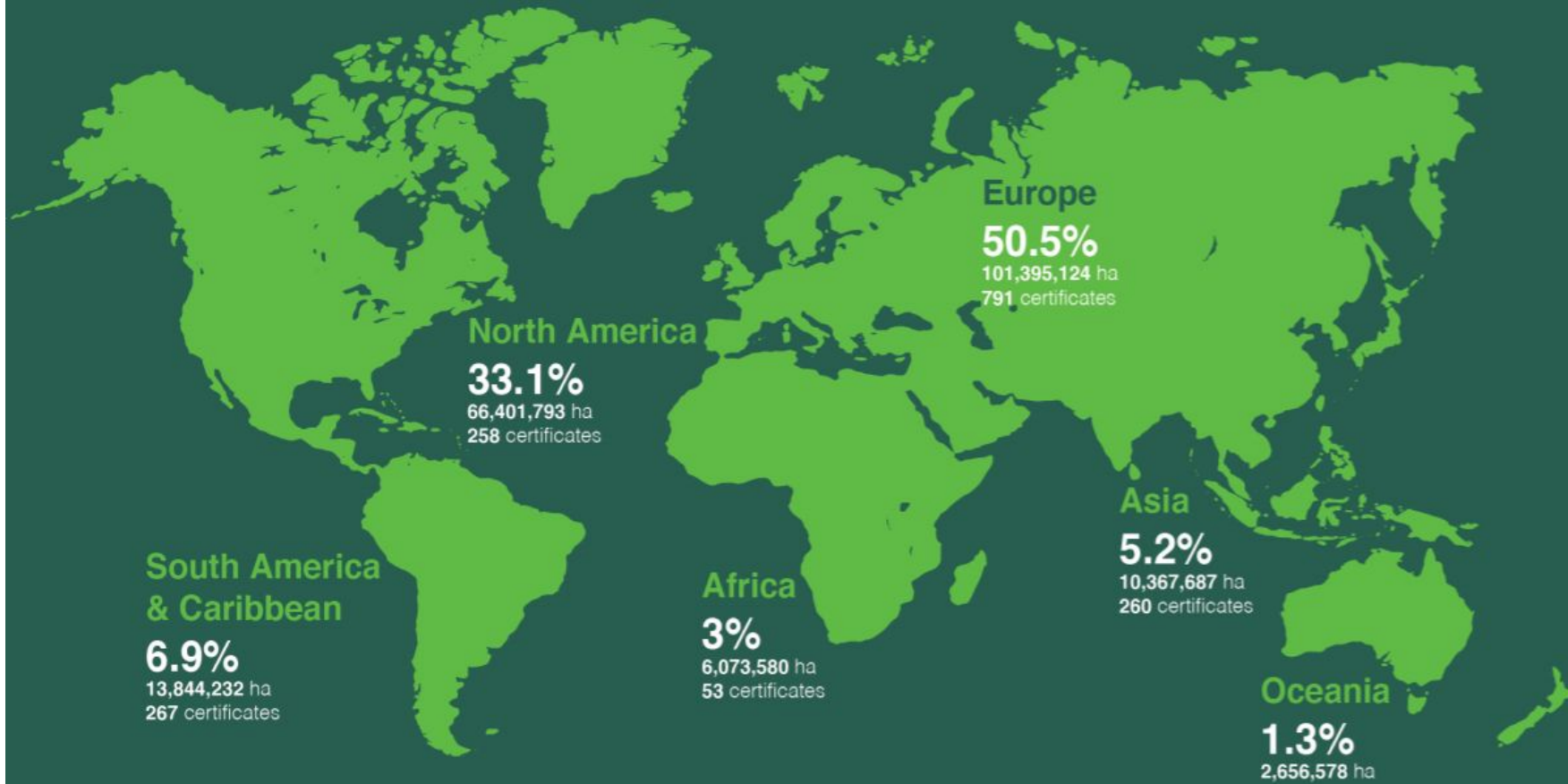
2019	Region	'000 m3
1	Russia	31,474
2	Canada	27,714
3	Sweden	12,601
4	Finland	8,955
5	Germany	8,787
6	Chile	6,980
7	Austria	6,090
8	Belarus	3,987
Total		108,893



RUSSIA AND FSC CERTIFICATION GLOBALLY

Global FSC Certified Area

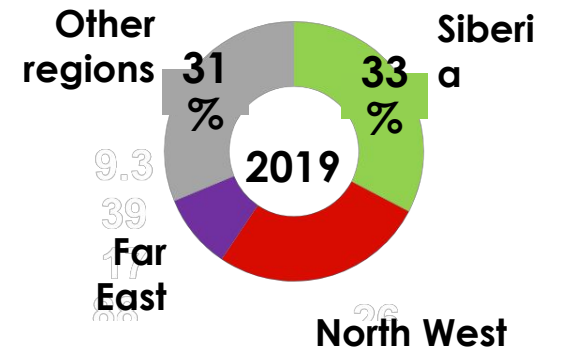
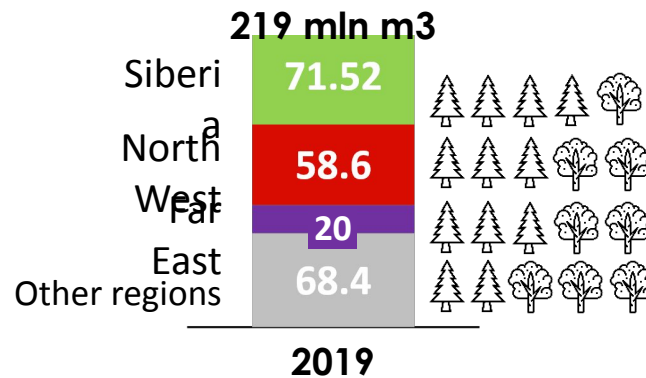
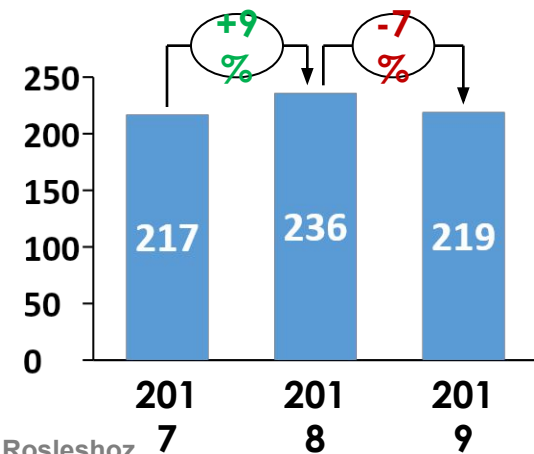
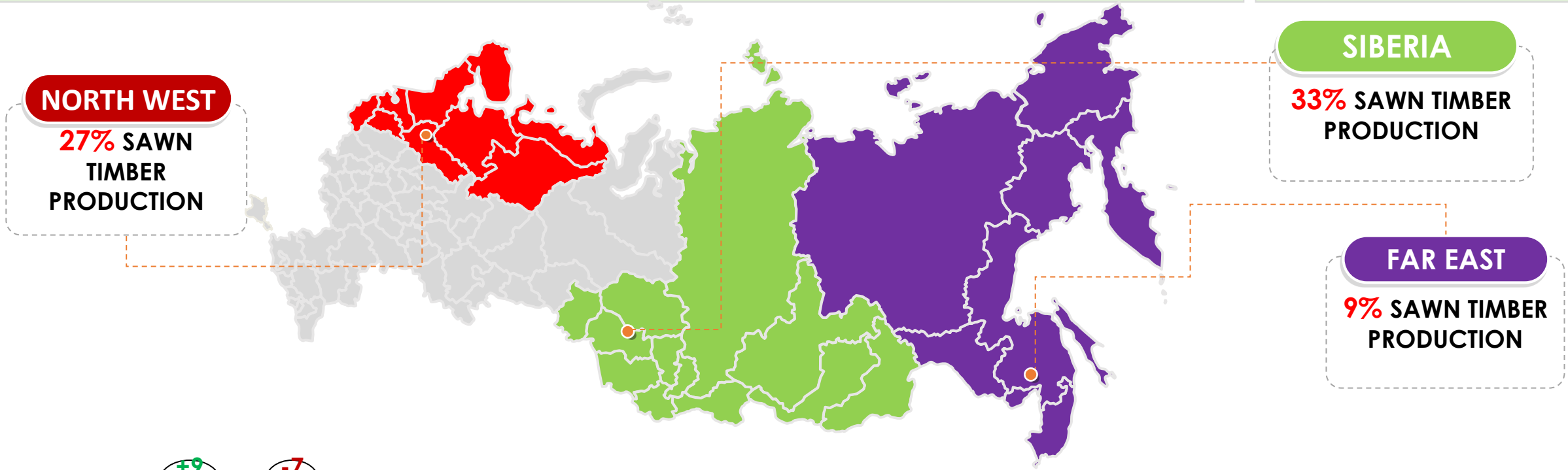
200,738,995 ha 82 countries 1,668 certificates



7.352

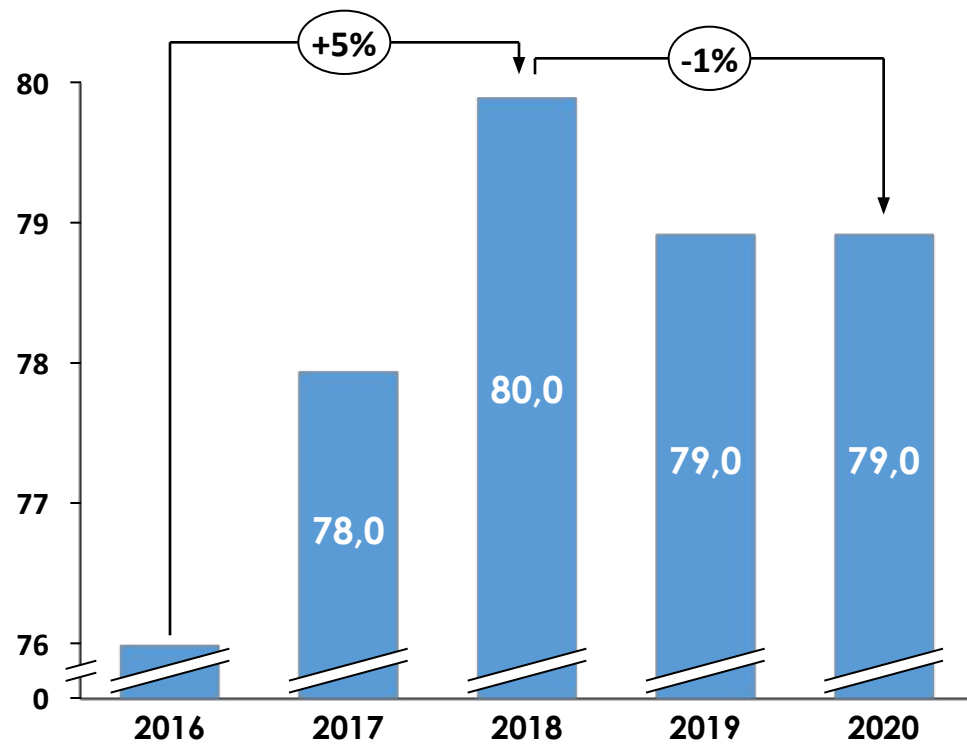
- Russia
- Canada
- US
- Other
- S

RUSSIA FOREST RESOURCES MAJOR SOFTWOOD HARVESTING REGIONS

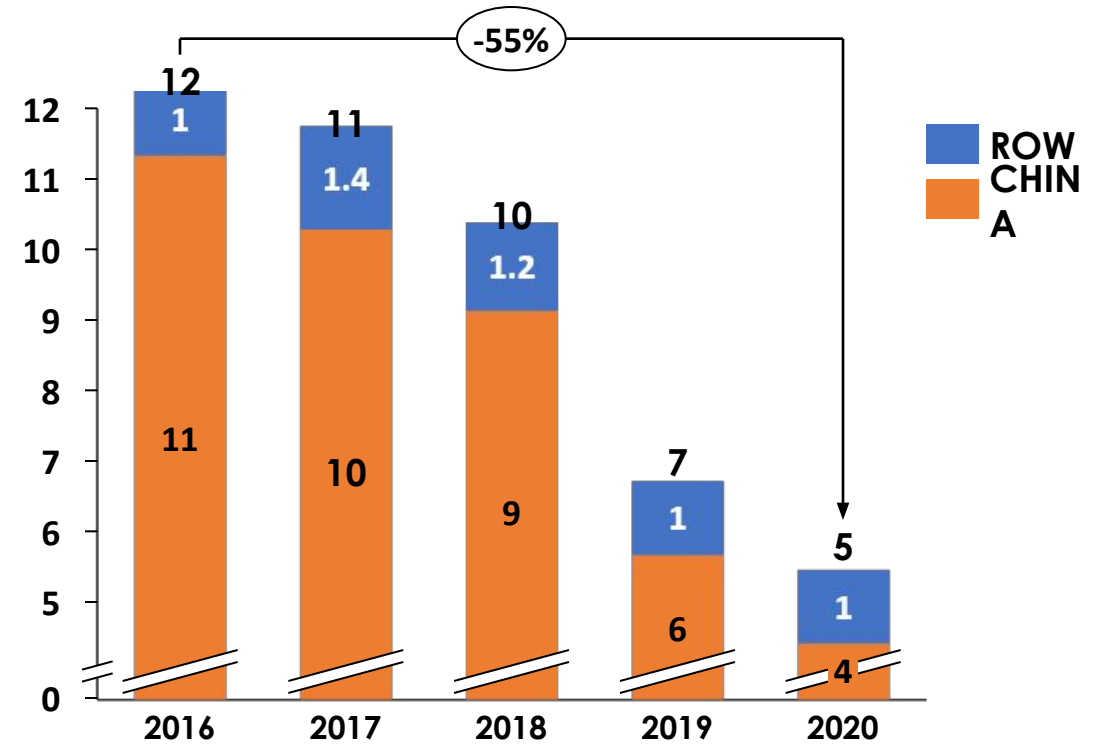


RUSSIA SOFTWOOD SAW LOG PRODUCTION AND EXPORTS

RUSSIA SOFTWOOD SAW LOG PRODUCTION MLN. M3

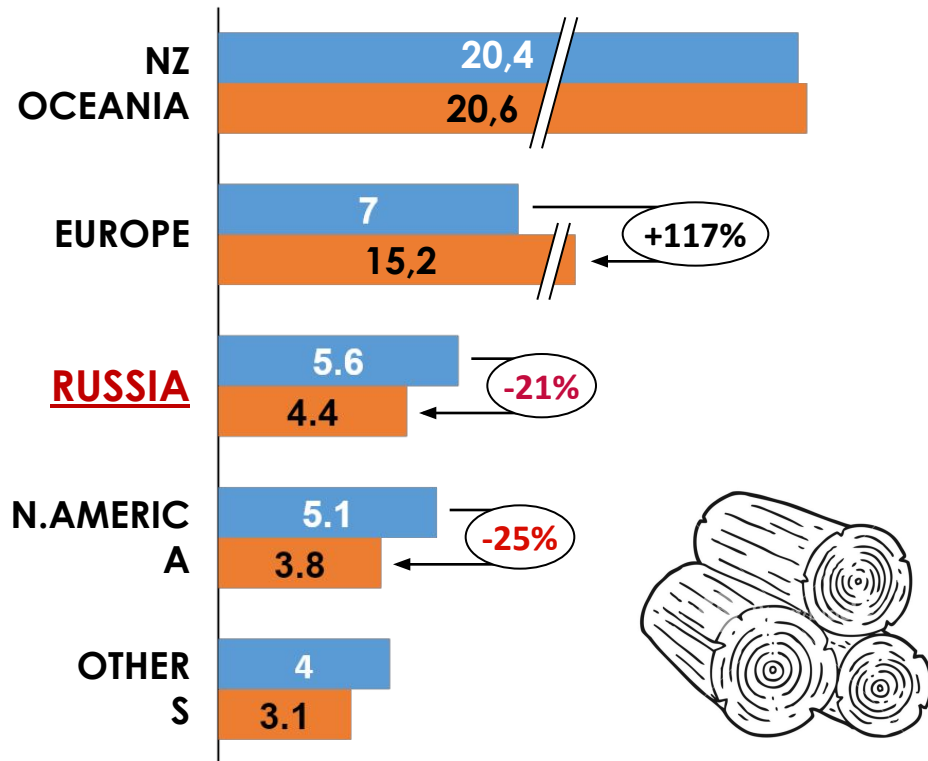


RUSSIA SOFTWOOD SAW LOG EXPORTS MLN. M3

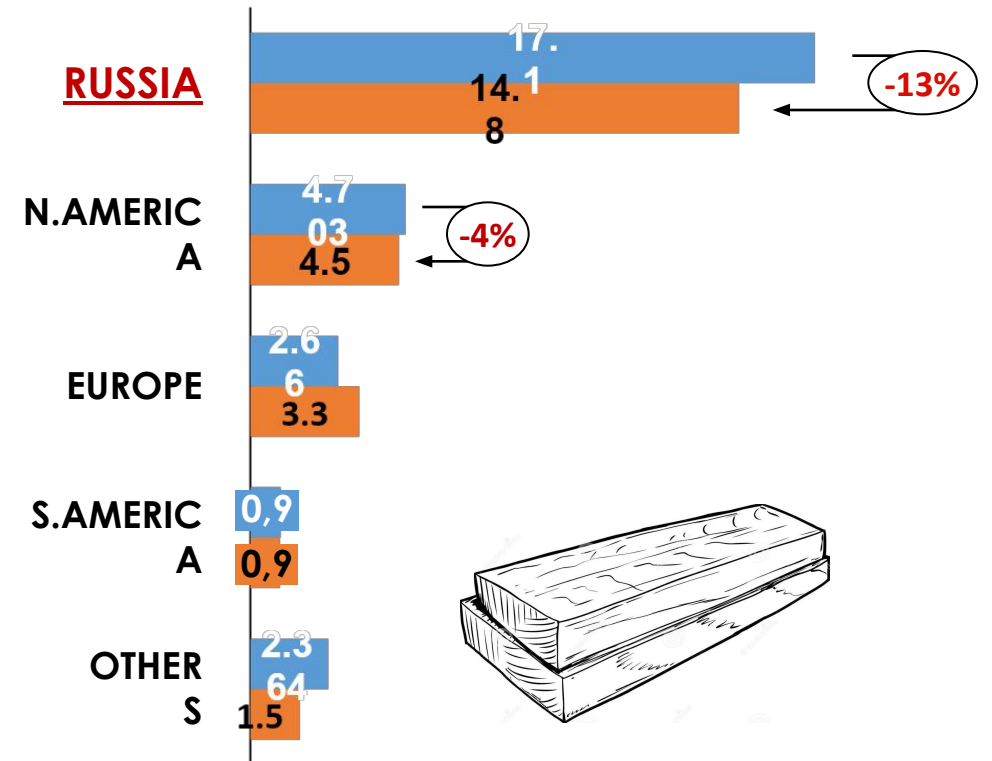


SOFTWOOD TIMBER EXPORTS TO CHINA

SOFTWOOD SAW LOG EXPORTS TO CHINA
BY COUNTRY MLN. M3

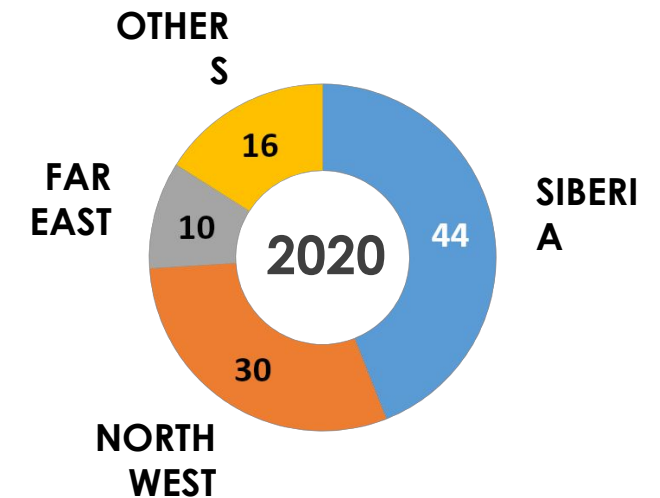
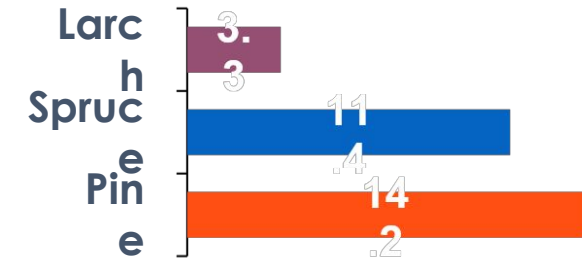
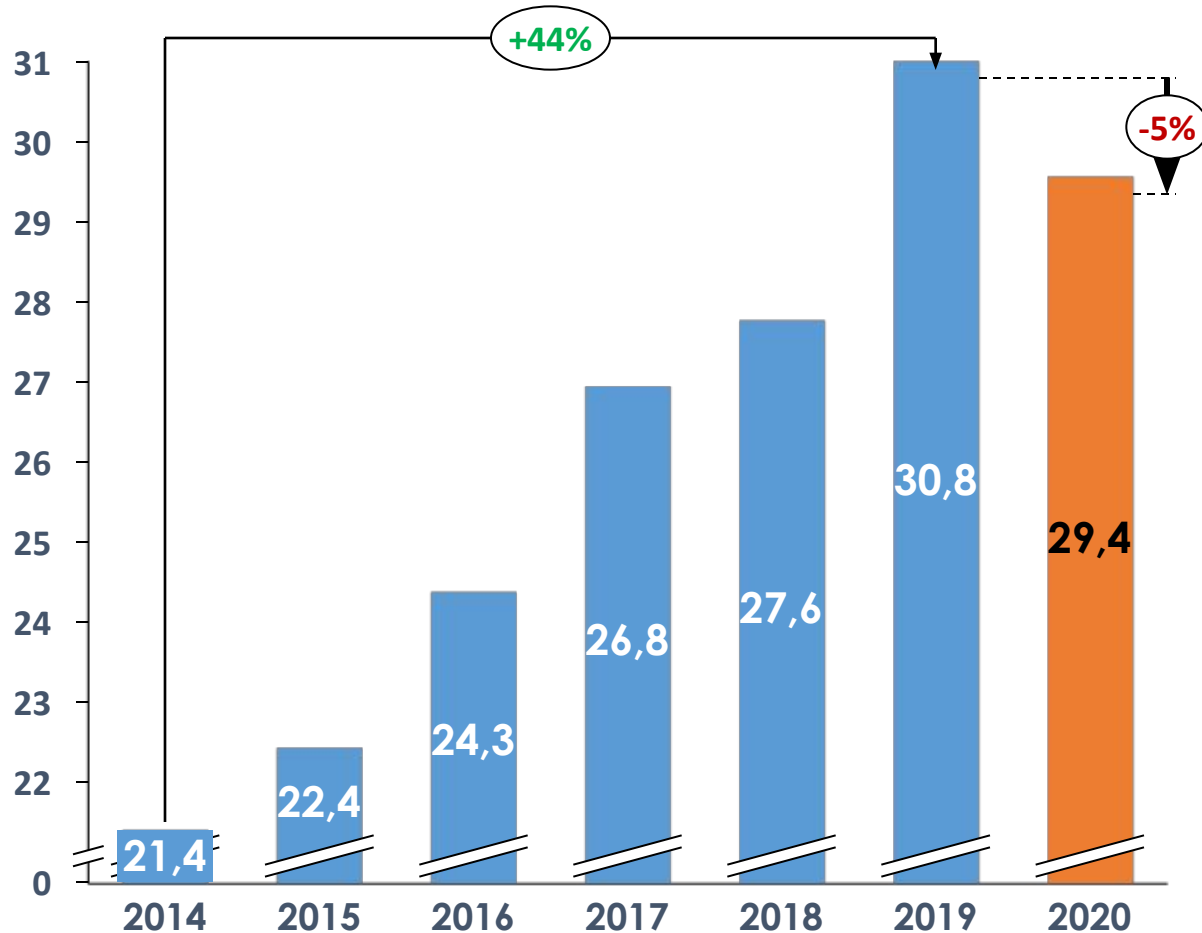


SOFTWOOD SAWN TIMBER EXPORTS TO CHINA
BY COUNTRY MLN. M3

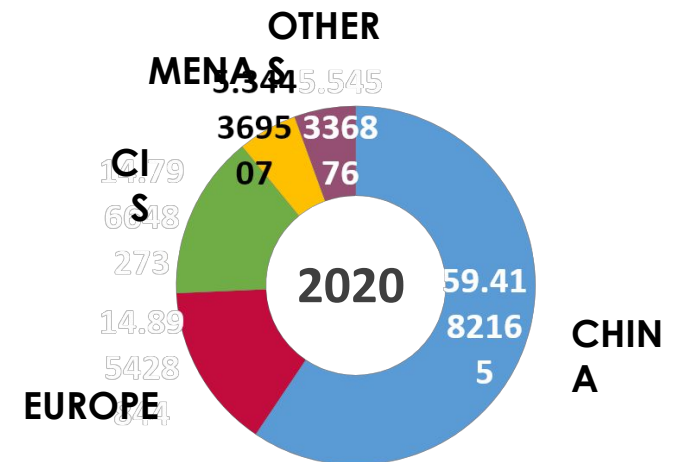
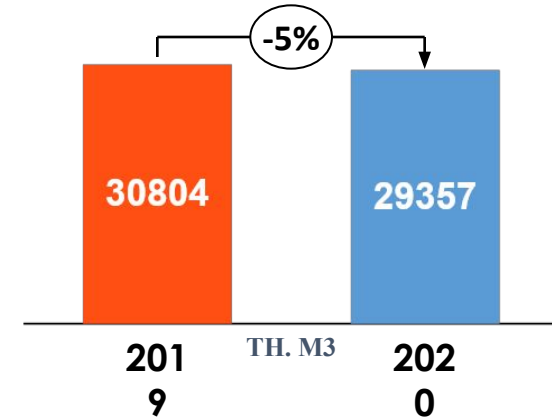
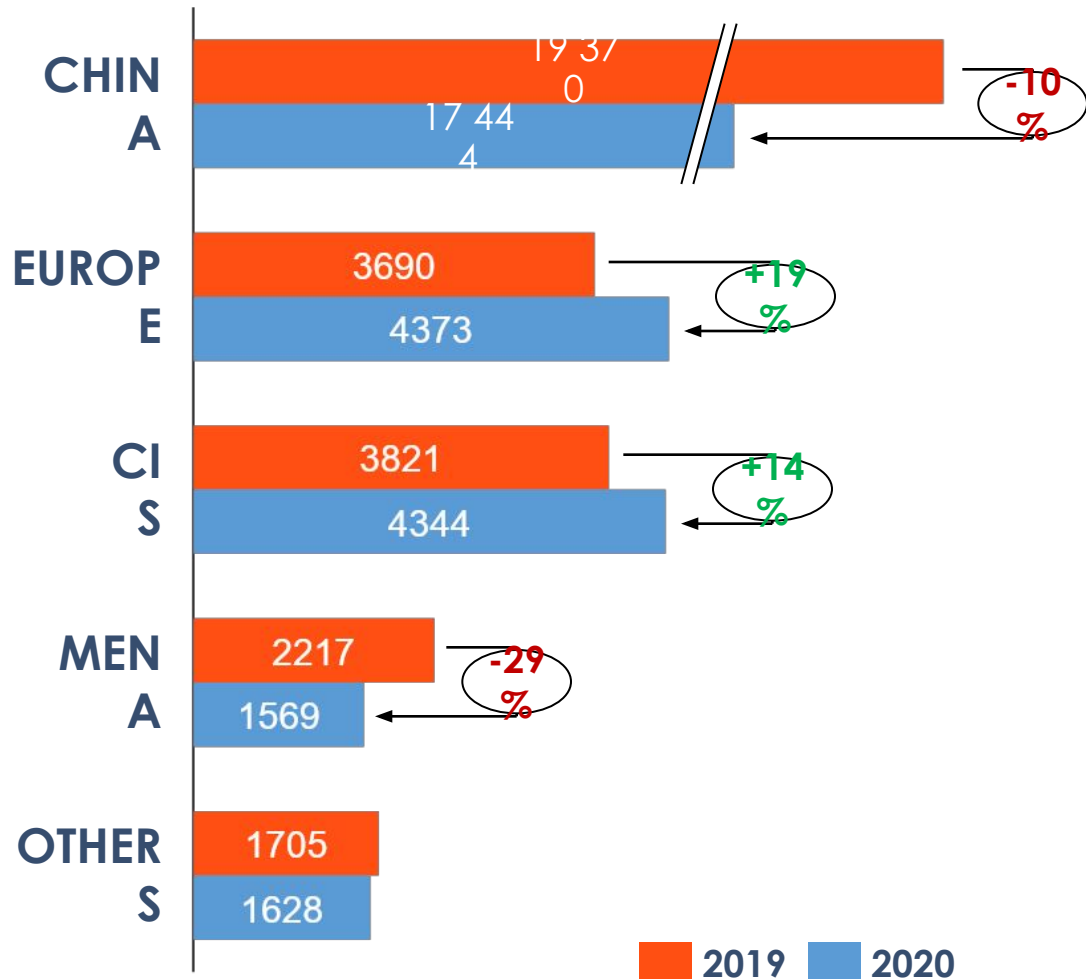


2019 2020

RUSSIA SOFTWOOD SAWN TIMBER EXPORTS VOLUME, SPECIES AND ORIGING MLN M3



RUSSIAN EXPORTS SOFTWOOD SAWN TIMBER BY REGION, '000 m3



SAWN TIMBER CONTAINER SHIPMENT TO CHINA. RAILWAY AND SEA TRANSPORT



EXPORT BY LAND

Russia—China 2019-2020 H1*

- Zabaikalsk – **327 036 TEU**
- Naushki – **307 528 TEU**
- Dostyk – **73 556 TEU**
- Grodekovo – **50 792 TEU**

EXPORT BY SEA

Russia—China 2019-2020 H1*

- St. Petersburg – **240 268 TEU**
- Vladivostok – **233 480 TEU**
- Novorossiysk – **1 396 TEU**

- Representative office of RZHD Logistika, OAO
- Border crossings/Ports
- ▣ Freight consolidation points



*Source: MCC of the Russian Railways

ONE BELT, ONE ROAD

EXPORT BY LAND

Russia—China 2019-2020H1*

- Krasnoyarsk (Bazaiha st./Krasnoyarsk st.)
2 968 TEU
- Irkutsk (Batareynaya st.)
2 156 TEU
- Novosibirsk (Inya-Vostochnaya st. /Klechiha st.)
840 TEU
- Kirov (Luza st.)
176 TEU

THE GROWTH OF CARGO TURNOVER AT THE BORDER CROSSING IN ZABAİKALSĀK WILL BE **71% BY 2025**. INVESTMENT IN MODERNIZATION OF THE RAILWAY HUB AMOUNTS TO **21.9 BILLION RUBLES**



● Shipping points ● Delivery points Border crossings

*Source: MCC of the Russian Railways

GOVERNMENT INCENTIVES AND LEGISLATION



INDUSTRIAL DEVELOPMENT

- Russian Government have approved in February 2021 updated Strategy for the wood processing industry development up to 2030 (cluster approach, further processing, pulp and paper production development, intensive reforestation) targeting:
 - Double the share of forest based industries in GDP
 - Annual harvesting 286 mln m³
 - Sawn timber domestic consumption 24 million m³ and 43 million m³ exports
- Resolution #1509 from 21.09.2020 legalized logging at abandoned agricultural lands (about 100 million hectares across Russia, primarily in NW regions)
- Resolution #496 from 18.09.2019 offers federal subsidies for the forestry based industries to cover partly logistic costs for exports

CONTROLLING FUNCTIONS

- Federal Law No. 3-FZ of February 4, 2021 «On Amendments to the Forest Code of the Russian Federation and Certain Legislative Acts of the Russian Federation in Terms of Improving the Legal Regulation of Forest Relations» (full enforcement from July 01, 2021)
 - Total tracking of round wood and sawn goods for timber supply chain including stocks in the logging area
 - Digitalization of all documents for timber turnover in Unified State Information System
 - Registration of all transactions with timber including commercial contracts with pricing
 - Assignment of harvesters to dedicated cutting areas and satellite tracking of all transportation vehicles in logging areas

RECENT INITIATIVES

- **Development of the new regulations to set additional export duties for green lumber (more than 22% moisture content) including changes in HS codes and Customs duties. Planned to be enforced starting 2022**
- **Package of new initiatives (customs regulations, border crossing points, railway tariffs) to enable further limitations on round wood exports targeting softwood and hardwood saw log exports from Siberia and Far East regions. Planned to be enforced starting 2022**

CONCLUSIONS

- China remains the key market for Russian sawmills in all major lumber production regions. «One Belt One Road» strategic initiative will give more opportunities for Russian exporters
- Russian saw milling industry achieved maximal historic export volumes in 2019. The availability of saw log became a major limiting factor for further growth in production capacity utilization
- Russian State in past 10 years has successfully promoted investments in saw milling and is taking next steps to stop saw log exports completely in order to increase share of further processing
- Recent Government incentives will drive modernization projects at existing sawmills. The share of kiln dried sawn goods in Russian exports will increase as well as further processed timber in the domestic market

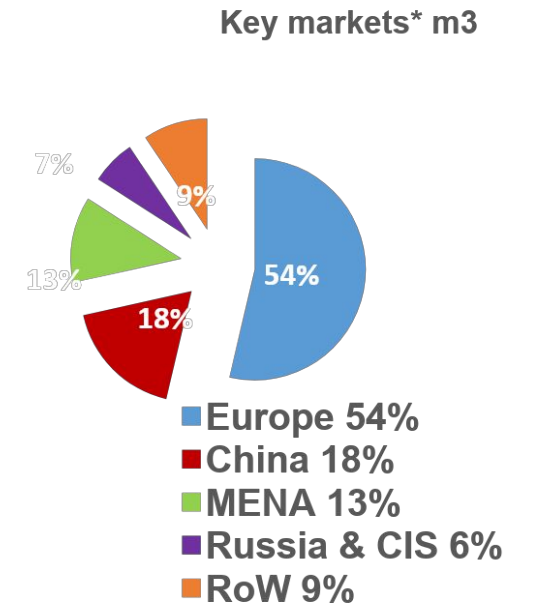
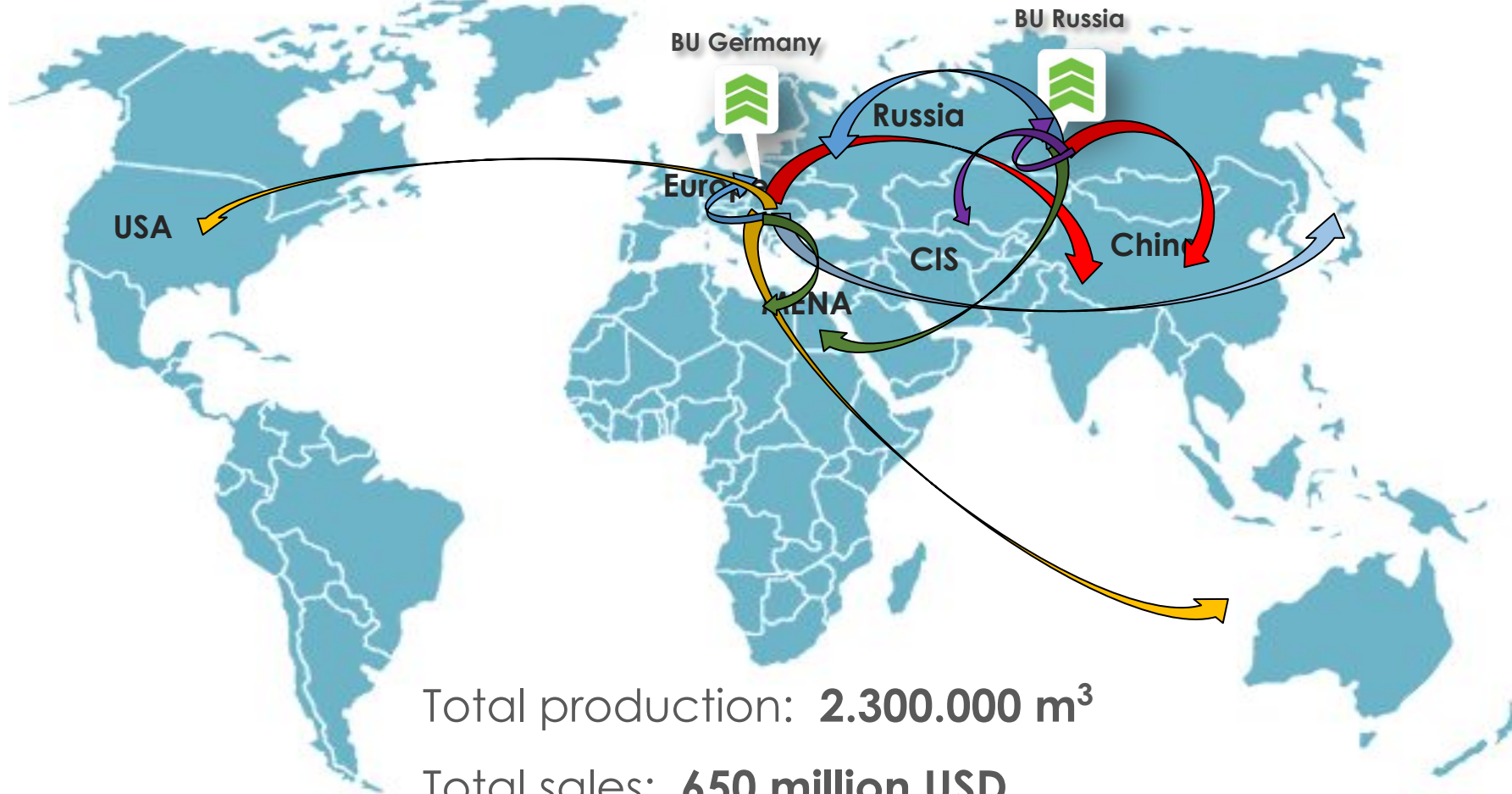
ILIM TIMBER CORPORATE PROFILE OPERATIONS



- Business Units: Russia and Germany
- Sales organizations: EU, USA, China, Russia and NIS, MENA
- Annual production capacity: **2,65 million m³** of sawn timber and **230 000 m³** of plywood
- Company headcount: **3000** people
- Species: Pine, Siberian larch, Spruce, Douglas fir, Sitka spruce
- Long-term contracts with strategic log suppliers

ILIM TIMBER CORPORATE PROFILE

SALES AND PRODUCTION VOLUMES



*incl. sales of plywood



**THANK YOU
FOR YOUR ATTENTION!**