

En+ Group announces 9M and 3Q 2018 financial and operational results

16 November 2018 — EN+ GROUP PLC (the “**Company**”, “**En+ Group**” or together with its subsidiaries “**the Group**”) announces its financial and operational results for the nine month and three month periods ended 30 September 2018.

The information presented in this announcement only reflects the position of the Company during the review period from 1 January 2018 to 30 September 2018 (the “**Review Period**”), unless otherwise specified.

On 6 April 2018 the Office of Foreign Assets Control (“**OFAC**”) of the Department of the Treasury of the United States of America designated certain legal and natural persons to its Specially Designated Nationals List (the “**SDN List**”) (the “**OFAC Sanctions**”), including, among others, the Company and its subsidiaries. On the same day, OFAC issued two general licenses (General Licenses 12 and 13) in connection with these designations, authorising U.S. persons to engage in certain limited activities and transactions involving the Company or its subsidiaries for a specified period of time. In addition, General Licenses 14 and 16 concerning the Company and/or its subsidiaries were issued by OFAC on 23 April 2018 and on 4 June 2018 respectively.

Since 6 April 2018 OFAC has extended the deadlines for activities earlier permitted by General Licenses 12, 13, 14 and 16 on several occasions. The latest General Licenses 13G, 14C, and 16C amend their previous versions by extending the expiration dates to 7 January 2019 for transactions related to the Company and its subsidiaries. The Company continues to focus on and prepare for the implementation of the Barker Plan, originally announced on 27 April 2018 and aimed at removal of the Company and its subsidiaries from the SDN List.

The Company's current assessment is that it is highly likely that the impact of the OFAC Sanctions may be materially adverse to the business. The Company's primary focus remains on the protection of the interests of all of its stakeholders; including investors, shareholders and partners.

Financial highlights:

- In 9M 2018, the Group's revenue increased by 8.2% y-o-y to USD 9,434 million, and in 3Q 2018 it increased by 14.7% y-o-y to USD 3,298 million;
- The Group's Adjusted EBITDA¹ grew by 13.0% y-o-y to USD 2,618 million in 9M 2018, and by 15.4% y-o-y to USD 927 million in 3Q 2018;
- In 9M 2018, the Group's net profit increased by 80.7% to USD 1,623 million from USD 898 million in 9M 2017, and by 67.4% y-o-y to USD 586 million in 3Q 2018;
- The Group's net debt² of USD 11,407 million as of 30 September 2018 improved by 6.2% compared to the Group's net debt of USD 12,164 million as of 31 December 2017.

¹ Adjusted EBITDA for any period represents the results from operating activities adjusted for amortisation and depreciation, impairment charges and loss on disposal of property, plant and equipment for the relevant period.

² Net debt – the sum of loans and borrowings and bonds outstanding less total cash and cash equivalents as at the end of the relevant period.

Operational performance:

- The Group's electricity production grew by 5.6% y-o-y and accounted for 53.2³ TWh in 9M 2018 and increased by 9.6% y-o-y to 18.3 TWh in 3Q 2018;
- The Group's hydro power output increased by 3.1% y-o-y to 42.9 TWh in 9M 2018, and by 16.0% to 16.7 TWh in 3Q 2018;
- Power production generated by combined heat and power plants ("CHPs") increased by 17.0% y-o-y to 10.3 TWh in 9M 2018, while it decreased by 30.4% y-o-y to 1.6 TWh in 3Q 2018;
- Aluminium production increased by 1.7% y-o-y to 2.8 million tonnes in 9M 2018, and by 1.0% to 0.940 million tonnes in 3Q 2018;
- In 9M 2018, the Group's total alumina production of 5.8 million tonnes remained stable y-o-y.

Consolidated financial results

USD million (except %)	9M'18	9M'17	chg,%	3Q'18	3Q'17	chg,%
Revenue	9,434	8,716	8.2%	3,298	2,875	14.7%
Adjusted EBITDA	2,618	2,316	13.0%	927	803	15.4%
Adjusted EBITDA margin	27.8%	26.6%	1.2pp	28.1%	27.9%	0.2pp
Net profit	1,623	898	80.7%	586	350	67.4%
Net profit margin	17.2%	10.3%	6.9pp	17.8%	12.2%	5.6pp

Revenue

In 9M 2018, revenue increased by 8.2% to USD 9,434 million, compared to USD 8,716 million in 9M 2017. The increase is primarily attributable to an increased aluminium price⁴ on the London Metals Exchange ("LME") (up 12.2% from an average of USD 1,924 per tonne in 9M 2017 to USD 2,158 per tonne in 9M 2018), which was partially off-set by a decrease in aluminium sales volumes during the period by 5.4% y-o-y.

In 3Q 2018, the Group's revenue increased by 14.7% y-o-y to USD 3,298 million, mainly as a result of an increase in the Metals segment's revenue (due to positive dynamics both in LME prices and aluminium sales volumes).

³ Excluding Ondskaya HPP, which produced 0.3 TWh in 9M 2018.

⁴ Aluminium price per tonne quoted on the LME represents the average of the daily closing official LME prices for each period.

EBITDA

In 9M 2018, the Group's Adjusted EBITDA grew by 13.0% to USD 2,618 million, primarily as a result of higher LME prices. The Group's Adjusted EBITDA margin improved by 1.2pp y-o-y to 27.8% in 9M 2018.

In 3Q 2018, the Group's Adjusted EBITDA grew by 15.4% y-o-y, accounting for USD 927 million, whereas the Group's Adjusted EBITDA margin remained stable y-o-y and accounted for 28.1%.

The growth in the Group's Adjusted EBITDA resulted from higher LME prices and rouble depreciation, which were partially offset by increase in Metal's segment's cost of sales.

Net profit

In 9M 2018, the Group's net profit increased to USD 1,623 million as compared to USD 898 million in 9M 2017. The growth was driven by an improvement in operating results, as well as a significant decrease in net financial expense. Decrease in financial expense was primarily attributable to improvement in Metals segment due to (1) change in the fair value of derivative financial instruments for the nine months of 2018, as compared to a significant net loss on this item for the first nine months of 2017, and (2) increase in the share of profits of associates and joint ventures.

Capital expenditures

In 9M 2018, the Group's capital expenditures amounted to USD 674 million before intersegmental elimination.

The Energy segment's capital expenditures stood at USD 94 million in 9M 2018 (down 8.7% y-o-y). Hydro power plant ("**HPP**") modernisation programme remains to be strategic priority of the Energy segment's capital expenditure plan.

The Metals segment's capital expenditures amounted to USD 580 million in 9M 2018 compared to USD 547 million in 9M 2017. In 9M 2018, Metals segment made the following progress in two large-scale projects: (1) the first stage of development of the Dian-Dian bauxite deposit in Guinea was completed, and ore export shipments commenced; (2) operations on the Friguia alumina refinery in Guinea restarted. These two projects are important for Metals segment development and contribute to the vertically integrated business model of the Group.

Debt position

The Group's net debt⁵ as of 30 September 2018 reduced by 6.2% compared to 31 December 2017, accounting for USD 11,407 million. Net debt attributable to the Metals segment amounted to USD 7,468 million (down 2.4%), to the Energy segment - USD 3,939 million (down 12.8%). The Group's net debt reduction is mainly attributable to rouble depreciation.

⁵ Net debt – the sum of loans and borrowings and bonds outstanding less total cash and cash equivalents as at the end of the relevant period.

Energy segment 9M 2018 results

Energy segment financial results

USD million (except %)	9M'18	9M'17	chg,%	3Q'18	3Q'17	chg,%
Revenue	2,315	2,308	0.3%	604	709	(14.8%)
Adjusted EBITDA	863	829	4.1%	237	257	(7.8%)
Adjusted EBITDA margin	37.3%	35.9%	1.4pp	39.2%	36.3%	2.9pp

Energy segment key operational highlights

	9M'18	9M'17	chg,%	3Q'18	3Q'17	chg,%
Total Electricity Production ⁶ , TWh	53.2	50.4	5.6%	18.3	16.7	9.6%
HPPs, TWh	42.9	41.6	3.1%	16.7	14.4	16.0%
CHPs, TWh	10.3	8.8	17.0%	1.6	2.3	(30.4%)
Abakan SPP, GWh	5.2	5.5	(5.5%)	2	2	-
Heat, Gcal, million	18.4	17.5	5.1%	2.8	2.9	(3.4%)

In 9M 2018, the Energy segment's revenue increased by 0.3%, totalling USD 2,315 million compared to USD 2,308 million in 9M 2017. The level of the Energy segment's revenue was affected by rouble depreciation⁷, which was compensated by increase in electricity sales volumes and weighted average electricity and capacity prices⁸, as well as growth in heat tariffs. In 9M 2018, the Energy segment's Adjusted EBITDA increased by 4.1% to USD 863 million, as compared to USD 829 million in 9M 2017.

In 3Q 2018, the Energy segment's revenue decreased by 14.8% y-o-y to USD 604 million affected by rouble depreciation on the back of increase in electricity sales volumes and weighted average electricity and capacity prices. The Energy segment's adjusted EBITDA decreased in 3Q 2018 by 7.8% y-o-y and accounted for USD 237 million, whilst the Energy segment's adjusted EBITDA margin improved by 2.9pp and amounted to 39.2% due to increase in HPP generation and cost optimisation.

The Group's power plants⁹ generated 53.2 TWh of electric energy (up 5.6% y-o-y) in 9M 2018, and 18.3 TWh in 3Q 2018 (up 9.6% y-o-y).

⁶ Excluding Ondskaya HPP

⁷ In 9M 2018, the average for the period RUB/USD exchange rate increased by 5.3% to 61.44 compared to 58.33 in 9M 2017. In 3Q 2018, the average for the period RUB/USD exchange rate increased by 11.0% to 65.53 compared to 59.02 in 3Q 2017.

⁸ Electricity sales and prices are referred to the spot market, balancing market, free bilateral market, regulated contracts, retails sales; capacity sales and prices referred to the free bilateral contracts, regulated contracts and KOM.

⁹ Excluding Ondskaya HPP

The Group's hydro power output increased to 42.9 TWh in 9M 2018 from 41.6 TWh in 9M 2017 (up 3.1% y-o-y) and increased to 16.7 TWh in 3Q 2018 (up 16.0% y-o-y):

- In 9M 2018, Krasnoyarsk HPP's total power generation increased by 6.1% to 15.6 TWh (from 14.7 TWh in 9M 2017) on the back of more favourable hydrological conditions. In 3Q 2018, power generation at Krasnoyarsk HPP accounted for 5.6 TWh (up 10.9% y-o-y). At the beginning of 3Q 2018, water levels at the headrace of the dam were 1.94 metres higher than at the start of 3Q 2017; and
- Water inflows to Lake Baikal have been recovering in 3Q 2018, moving closer to normal level (94.1% of normal levels in 3Q 2018 compared to 50.2% of normal level in 3Q 2017). The water level of Lake Baikal reached 456.83 metres as at the end of 3Q 2018 (as compared to 456.24 metres at the end of 3Q 2017)¹⁰. The Group's Angara cascade HPPs (Irkutsk, Bratsk and Ust-Ilimsk HPPs) increased their power generation by 0.4 TWh y-o-y to 27.3 TWh in 9M 2018 (up 1.5% y-o-y) and by 1.1 TWh y-o-y to 10.5 TWh in 3Q 2018 (up 11.7% y-o-y).

In 9M 2018, the Abakan Solar Power Plant generated 5.2 million kWh, being 0.3 million kWh less compared to production level in 9M 2017, while in 3Q 2018 the production level remained stable.

In 9M 2018, power generation at the Group's CHPs increased by 17.0% y-o-y to 10.3 TWh, primarily as a result of a lower monthly average air temperature and lower production at the Angara Cascade HPPs in first half of the year compared to the same period of 2017. In 3Q 2018, the Group's CHPs generated 1.6 TWh of power or 30.4% less y-o-y (compared to 2.3 TWh in 3Q 2017). The decrease is related to high comparison base in 3Q 2017, when CHPs generated additional electricity volumes on the back of decreased electricity production by HPPs, which was affected by the earlier closure of navigation period on Angara River.

In 9M 2018, heat generation increased by 5.1% y-o-y, amounting to 18.4 million Gcal for the period, including 2.8 million Gcal generated in 3Q 2018 (down 3.4% y-o-y).

Electricity production and consumption by the Siberian integrated energy system

- According to the System Operator of the United Power System, in 9M 2018, the Siberian integrated energy system (which is located in the Company's key region of operations) produced 149.1 TWh of electricity (up 1.1% y-o-y) and HPP output totalled 75.7 TWh (up 6.6% y-o-y). Electricity consumption in the Siberian integrated energy system increased by 2.4% y-o-y, reaching 153.3 TWh. This increase in consumption was primarily driven by lower seasonal temperatures in the first half of the year compared to the same period in 2017, especially in May (the monthly average air temperature was 3.1C° lower and consumption increased by 4.8% y-o-y) and in March (the monthly average air temperature was 3.3C° lower and consumption increased by 3.7% y-o-y).
- In 9M 2018, the Group generated approximately 35.7% of the total electricity, produced in the Siberian integrated energy system, and the Group's HPPs generated approximately 56.7% of the total HPPs' electricity output.

¹⁰ In accordance with the Federal Law on the Protection of Lake Baikal (December 27, 2017 No. 1667), the minimal level in the lake during low water periods must be 455.54 metres (Pacific elevation) and the maximum water level – 457.85 metres (Pacific elevation) in 2018-2020.

Projected water inflows into reservoirs

The Hydrometeorological Centre of Russia forecasts water inflows into the main reservoirs of En+ Group's generating assets in 4Q 2018 as follows:

- Angara cascade: water inflows into Lake Baikal are expected to be 500-700 cubic metres per second or 176.7-247.3% of normal level. In 4Q 2017, the useful water inflow was 37,5 cubic metres per second. In 3Q 2018 the water inflow accounted for 3,933 cubic metres per second (up 87% y-o-y). Lateral inflows into the Bratsk Reservoir are expected to be 390-450 cubic metres per second or 114.1% of normal level. In 4Q 2017, the average monthly lateral inflows into the Bratsk Reservoir were 460 cubic metres per second; in 3Q 2018 the water inflow accounted for 1,840 cubic metres per second (up 39.7% y-o-y); and
- The Krasnoyarsk Reservoir: water inflows are expected to be 640-860 cubic metres per second or 106-142% of normal level.

Metals segment 9M 2018 results

Metals segment financial results

USD million (except %)	9M'18	9M'17	chg,%	3Q'18	3Q'17	chg,%
Revenue	7,915	7,224	9.6%	2,918	2,460	18.6%
Adjusted EBITDA	1,800	1,534	17.3%	676	549	23.1%
Adjusted EBITDA margin	22.7%	21.2%	1.5pp	23.2%	22.3%	0.9pp
Profit for the period	1,549	782	98.1%	597	312	91.3%
Profit margin	19.6%	10.8%	8.8pp	20.5%	12.7%	7.8pp

Metals segment key operational highlights

	9M'18	9M'17	chg,%	3Q'18	3Q'17	chg,%
Aluminium production, kt	2,810	2,762	1.7%	940	931	1.0%
Primary aluminium and alloys sales, kt	2,794	2,955	(5.4%)	1,046	968	8.1%
Primary aluminium and alloys avg. sales price, USD/t	2,304	2,051	12.3%	2,274	2,124	7.1%

In 9M 2018, the revenue attributable to the Metals segment increased by 9.6% y-o-y to USD 7,915 million, primarily due to higher average aluminium sales price, premiums and alumina prices, which was partially offset by a 5.4% decrease in primary aluminium and alloys sales volume. The average sales price increased to an average of USD 2,304 per tonne in 9M 2018 from USD 2,051 per tonne in 9M 2017 (up 12.3%).

In 9M 2018, Adjusted EBITDA attributable to the Metals segment increased by 17.3% to USD 1,800 million y-o-y, compared to USD 1,534 million in the same period of 2017 on the back of higher LME prices and weaker rouble.

In 3Q 2018, revenue attributable to the Metals segment increased by 18.6% y-o-y to USD 2,918 million. Adjusted EBITDA improved by 23.1% y-o-y to USD 676 million. The EBITDA margin improved by 0.9pp y-o-y, reaching 23.2%.

The Metals segment achieved a profit for the period of USD 1,549 million for 9M 2018, as compared to USD 782 million for the same period of 2017, representing 98.1% y-o-y growth, while adjusted net profit increased by 20.1% y-o-y, from USD 727 million in 9M 2017 to USD 873 million in 9M 2018.¹¹

In 9M 2018, the Group's aluminium production increased by 1.7% and totalled 2,810 thousand tonnes. Adverse effect of the OFAC Sanctions resulted in extraordinary low sales of primary aluminium and alloys reported by the Company in 2Q 2018. As a result, compared to this low base level there was a one-off recovery of sales volumes in 3Q 2018, which increased by 33.6% compared to 2Q 2018 (in 2Q 2018 sales volumes decreased by 18.9% compared to 1Q 2018 and by 21.9% compared to 2Q 2017).

In 9M 2018, alumina production remained almost flat y-o-y and totalled 5,816 thousand tonnes. Bauxite output increased by 16.4% to 10,128 thousand tonnes. Nepheline output increased by 5.6% y-o-y to 3,476 thousand tonnes.

¹¹ Adjusted Net Profit for any period is defined as the Net Profit adjusted for the net effect of the Company's investment in Norilsk Nickel, the net effect of derivative financial instruments, net of tax and the net effect of impairment of non-current assets.

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