

EN+ GROUP 1H AND 2Q 2019 FINANCIAL RESULTS

Recovery continues in a challenging environment

16 August 2019 — EN+ GROUP IPJSC (the “Company”, “En+ Group” or the “Group”) announces its financial results for the six month and the three month periods ended 30 June 2019.

The Group continues to make good progress in its ongoing recovery from the impact of OFAC sanctions, which were lifted in January 2019. The Power segment has delivered stable operational performance and a strong increase in net profitability in USD terms in 1H 2019. The Metals segment has seen strong recovery in volumes set against the ongoing challenge of a more than 17% decline in aluminium prices on the LME¹ in 1H 2019 year-on-year in the face of trade tension between the United States and China. The Board of directors is confident that progress will continue to be made over the remainder of 2019. The Board anticipates dividend payments will be resumed following publication of the Company’s full year 2019 financial results.

Financial highlights:

- In 1H 2019 the Group’s revenue declined 5.4% to USD 5.8 billion y-o-y, though in 2Q 2019, revenue increased 12.0% y-o-y to USD 3.0 billion as compared to USD 2.7 billion in 2Q 2018. The key driver for 2Q 2019 growth was an increase in aluminium sales volumes.
- Adjusted EBITDA² decreased 30.0% to USD 1.2 billion y-o-y, and net profit decreased 23.2% to USD 796 million y-o-y. In 2Q 2019, the level of EBITDA started to recover and increased by 4.7% to USD 606 million from USD 579 million in 1Q 2019.
- Net debt³ remained almost flat and accounted for USD 11.3 billion as at 30 June 2019 (up 2.2% compared to USD 11.1 billion as at 31 December 2018).

USD million (except %)	1H'19	1H'18	chg,%	2Q'19	2Q'18	chg,%
Revenue	5,803	6,136	(5.4%)	3,022	2,698	12.0%
Primary aluminium and alloys sales ⁴	3,817	3,974	(4.0%)	2,100	1,779	18.0%
Alumina sales	340	447	(23.9%)	168	210	(20.0%)
Electricity sales	684	710	(3.7%)	295	289	2.1%
Heat sales	253	268	(5.6%)	90	87	3.4%
Other	709	737	(3.8%)	369	333	10.8%
Adjusted EBITDA	1,185	1,692	(30.0%)	606	763	(20.6%)
Adjusted EBITDA margin	20.4%	27.6%	(7.2pp)	20.1%	28.3%	(8.2pp)
Net profit	796	1,037	(23.2%)	387	370	4.6%
Net profit margin	13.7%	16.9%	(3.2pp)	12.8%	13.7%	(0.9pp)

¹ The London Metals Exchange

² 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.

³ 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.

⁴ After consolidation adjustments.

Operational highlights and recent corporate developments:

- On 27 January 2019, OFAC⁵ announced the lifting of sanctions against the Company, following which the Group has been able to deliver sequential improvements in operating performance.
- Construction continues at the Group's key development projects, BEMO and Taishet, including approval in June 2019 of the construction of the 2nd phase of Taishet Anode Plant with approximately USD 90 million of funding in 2019.
- On 1 July 2019, the Group commenced the modernisation of the Irkutsk HPP as part of the Group's New Energy program.
- The Corporate Governance and Nominations Committee of the Board of directors is performing a review of the Company's disclosures policies as the Group strives to voluntarily bring its disclosure practices closer to the standards adopted by UK premium listed companies.
- The Power segment is focused on the creation of a hybrid photovoltaic module, combining the silicone and perovskite technology. In 1H 2019 the Group received a Russian Government grant of RUB 100 million for the continuation of the research. To date En+ created a lab prototype with increased efficiency rate.
- On 5 July 2019, the Group signed definitive agreements with Braidy Industries in line with previously announced terms, including a metal supply agreement for delivery of approximately 200 kt of aluminium annually over ten years once the rolling mill is constructed and launched into operation.
- On 9 July 2019, the Company was registered as an international public joint-stock company in the Unified State Register of Legal Entities of the Russian Federation.
- On 17 July 2019, Fitch Ratings Ltd assigned En+ Group a Long-Term Foreign-Currency Issuer Default Rating of 'BB-' with a Stable Outlook.
- On 23 July 2019, the Group joined the Energy Transitions Commission as part of its strategy to lead a global shift towards low carbon aluminium. The Company will support ETC research into decarbonization of heavy industry and will collaborate with other members to identify the most effective actions to reach this goal.
- On 1 August 2019, the Group joined the United Nations Global Compact, demonstrating its commitment to renewable energy and the production of low carbon aluminium.
- In line with Group's commitment to drive down its carbon footprint with greater urgency and ambition, the Board of directors has commissioned a full review of strategic options with respect to the Group's coal and coal-fired power assets.
- By the end of the year, under leadership of Joan MacNaughton, Chairwoman of the Health, Safety, and Environment Committee of the Board, the Group will develop and implement new standards and KPIs for the Company's HSE performance.

Lord Barker, Executive Chairman of En+ Group, said:

"The first half of 2019 was a test of our ability to regain a market-leading position after the lifting of the US sanctions and the completion of our wide ranging corporate reorganisation. However, ongoing geopolitical instability, namely the US-China trade dispute, has further increased the

⁵ The Office of Foreign Assets Control

challenge, by seriously affecting aluminium trading. However, despite the average quarterly aluminium price falling in both 1Q and 2Q, the Group delivered a robust performance with growth in key indicators – aluminium sales and Adjusted EBITDA on a quarter-on-quarter basis.

Therefore, despite the global conditions remaining challenging for our sector, thanks to the progress made so far, the directors anticipate paying dividends for 2019. This should be consistent with the long-term deleveraging targets approved by the new Board, alongside the Board's intention to return to the existing long-term dividend policy as soon as market conditions allow.

I am pleased to report that the new independent Board and the Group's highly experienced senior management are working well together and the substantive improvement in corporate governance and the identity of our shareholder base have already yielded many benefits.

In July, the Metals segment signed definitive agreements with Braidy Industries on the construction of Braidy Atlas. It will be the first rolling mill to be built in the US for 37 years and developed as a joint project between our Metals segment and Braidy Industries. The facility will become the world's largest low-carbon rolled aluminium producer.

The new Board is committed to world-class ESG standards, and while we have more to do to raise standards even higher, this is now a top priority for the Group. Furthermore, as the world's largest producer of low carbon aluminium and the biggest hydropower operator in the private sector globally, we are determined to play a resemble leadership role in our sector in driving towards a low carbon economy. That is why in July and August 2019 En+ Group has joined both the Energy Transition Commission and the UN Global Compact. Leading the environmental discussion will allow us not only to help create a sustainable future for the planet, but will also provide the Group with long-term confidence in its business strategy. The Group will also be playing a key role as befits its private sector leadership at the UN Climate Summit in September 2019."

Vladimir Kiriukhin, CEO of En+ Group, commented:

"The second quarter of 2019 was the first full quarter the company operated free of the sanctions imposed by OFAC. I'm pleased to say that our Group is steadily recovering, this is demonstrated by encouraging set of results: we have increased the power generation for two consecutive quarters, and, thanks to an improved hydrological situation, the share of hydro in our energy mix is increasing. Moreover, we are maintaining our stable production of aluminium and gradually recovering sales of value added products⁶ ("VAP").

However, our performance still faces headwinds. Thus, the short-term priority is a focus on value added products and low-carbon aluminium, which will allow increased protection against ongoing price volatility. To that end, we proceeded with our New Energy modernization program: in July we initiated the upgrade of the Irkutsk HPP, which boosts its installed capacity. We also continued the construction of our key development projects: in March, RUSAL and RusHydro commissioned the first potline at the Boguchany aluminium smelter, a part of the Boguchany Energy and Metals Complex. We are also on track to launch the Taishet aluminium smelter in 2020.

These projects will position En+ Group for the long-term, allowing us to capture the opportunities of the growing low carbon economy, ultimately to the benefit of our employees, shareholders and all stakeholders".

⁶ VAP includes alloyed ingots, slabs, billets, wire rod, high and special purity aluminium

Consolidated financial results

Revenue

In 1H 2019, revenue decreased by 5.4% y-o-y to USD 5,803 million (USD 6,136 million in 1H 2018) while in 2Q 2019 revenue increased y-o-y to USD 3,022 million (up 12.0%). The decrease in 1H 2019 is primarily attributable to a lower aluminium price on the LME from USD 2,209 in 1H 2018 to USD 1,826 in 1H 2019 (down 17.3%), which was partially compensated for by an increase in primary aluminium sales volume in 1H 2019 (up 13.2% y-o-y).

EBITDA

In 1H 2019, the Group's Adjusted EBITDA decreased 30.0% y-o-y to USD 1,185 million, mainly due to lower LME prices. The Group's Adjusted EBITDA margin for 1H 2019 decreased 7.2 pp y-o-y to 20.4%.

In 2Q 2019, the Group's Adjusted EBITDA was USD 606 million, 4.7% higher compared to 1Q 2019. The recovery of financial results was largely attributable to an increase in aluminium sales volumes and improvement in sales mix, with an increase in the share of VAPs in total sales to 38% in 2Q 2019 compared to 29% in 1Q 2019.

Net profit

The Group's net profit dropped 23.2% to USD 796 million in 1H 2019 (USD 1,037 million in 1H 2018). The decrease was driven mainly by the same factors that influenced EBITDA, partially offset by an increase in the share of profit from associates and joint ventures.

Capital expenditures

The Group's capital expenditures amounted to USD 478 million in 1H 2019 (up 3.2% y-o-y).

The Power segment's capital expenditures accounted for USD 132 million in 1H 2019 compared to USD 57 million in 1H 2018. The Metals segment's capital expenditures decreased to USD 353 million in 1H 2019 from USD 417 million in 1H 2018.

Debt position

The Group's net debt⁷ as of 30 June 2019 remained broadly flat compared to 31 December 2018 at USD 11,338 million (up 2.2%). The net debt attributable to the Metals segment was also broadly unchanged at USD 7,520 million. The net debt attributable to the Power segment rose 4.5% to USD 3,818 million due to rouble appreciation. As at 30 June 2019, the RUB/USD rate accounted for 63.08 compared to 69.47 as at 31 December 2018.

⁷ 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.

Power segment 1H and 2Q 2019 financial results

USD million (except %)	1H'19	1H'18	chg,%	2Q'19	2Q'18	chg,%
Revenue	1,597	1,711	(6.7%)	723	713	1.4%
Sales of electricity	778	785	(0.9%)	358	321	11.5%
Sales of capacity	241	241	-	111	108	2.8%
Sales of heat	233	246	(5.3%)	83	79	5.1%
Other	345	439	(21.4%)	171	205	(16.6%)
Adjusted EBITDA	660	627	5.3%	291	259	12.4%
<i>Adjusted EBITDA margin</i>	<i>41.3%</i>	<i>36.6%</i>	<i>4.7pp</i>	<i>40.2%</i>	<i>36.3%</i>	<i>3.9pp</i>
Net profit	241	139	73.4%	90	6	>100%
<i>Net profit margin</i>	<i>15.1%</i>	<i>8.1%</i>	<i>7.0pp</i>	<i>12.4%</i>	<i>0.8%</i>	<i>11.6pp</i>

Power segment revenues decreased 6.7% y-o-y to USD 1,597 million in 1H 2019, reflecting rouble depreciation⁸ in 1H 2019 compared to 1H 2018. On a rouble basis, Power segment revenues increased by 2.8% primarily reflecting higher electricity sales prices and increased capacity sales.

Sales of electricity decreased 0.9% y-o-y to USD 778 million in 1H 2019 and increased 11.5% to USD 358 million in 2Q 2019. The effects of rouble depreciation during the reporting period, were hugely offset by higher electricity sales prices.

Capacity sales in USD terms remained flat y-o-y totalling USD 241 million in 1H 2019 and improved 2.8% to reach USD 111 million in 2Q 2019. In rouble terms, capacity sales improved by 10.0% in 1H 2019 and by 7.4% in 2Q 2019 reflecting increase in capacity sales prices and volumes.

Heat sales decreased y-o-y by 5.3% to USD 233 million in 1H 2019, although sales improved 5.1% to USD 83 million in 2Q 2019, reflecting increases in heating tariffs.

The Power segment's Adjusted EBITDA in 1H 2019 increased to USD 660 million (up 5.3% y- o- y) and in 2Q 2019 increased to USD 291 million (up 12.4% y-o-y). Adjusted EBITDA growth was driven by an increase in average electricity spot prices and growth in electricity generation volumes, but impacted by rouble depreciation.

The Power segment's net profit increased 73.4% y-o-y to USD 241 million (USD 139 million in 1H 2018) driven by the same factors that influenced EBITDA as well as a reduction in reported net finance expense.

In 1H 2019, capital expenditure by the Group's Power segment amounted to USD 132 million (up 131.6% y-o-y). Maintenance capex accounted for approximately 42% of total capital expenditure. The increase reflected investment in projects related to technical connections to power supply infrastructure and CHPs efficiency improvement, continuing HPPs' 'New Energy' modernisation program. The increase was also driven by the rescheduling of capital expenditure into 1H2019 from 2018.

⁸ In 1H 2019, the average for the period RUB/USD exchange rate increased by 10.1% to 65.34 compared to 59.35 in 1H 2018. As at 30 June 2019, the RUB/USD rate accounted for 63.08 compared to 62.76 as at 30 June 2018 (up 0.5% y-o-y).

'New Energy' is a key investment project for En+ Group's power generating assets. The project is focused on improving the reliability and safety of the Group's hydropower plants. As part of the program:

- Ust-Ilimsk: 4 runners replaced
- Krasnoyarsk: all 12 hydraulic units and 2 runners replaced
- Bratsk: 12 out of 18 runners replaced
- Irkutsk: upgrade began in July 2019

The program is due to be fully completed by 2046. Investment is expected to total RUB 21 bln in the period to 2026 (c. USD 333 million as of 30 June 2019), including funds already invested in the project, with a further RUB 34 bln of investment anticipated by 2046 based on current prices, (c. USD 539 million as of 30 June 2019).

The Power segment's net debt increased 4.5% to USD 3,818 million as at 30 June 2019 from USD 3,652 million as at 31 December 2018. The increase was driven by rouble appreciation, as the RUB/USD rate moved from 69.47 as at 31 December 2018 to 63.08 as at 30 June 2019. In 1H 2019, net repayment of the Power segment's debt amounted to USD 65 million.

Metals segment 1H and 2Q 2019 financial results

USD million (except %)	1H'19	1H'18	chg,%	2Q'19	2Q'18	chg,%
Revenue	4,736	4,997	(5.2%)	2,566	2,253	13.9%
Sales of primary aluminium and alloys	3,877	4,059	(4.5%)	2,131	1,814	17.5%
Sales of alumina	340	447	(23.9%)	168	210	(20.0%)
Sales of foil and other aluminium products	205	170	20.6%	114	80	42.5%
Other	314	321	(2.2%)	153	149	2.7%
Adjusted EBITDA	528	1,124	(53.0%)	302	552	(45.3%)
<i>Adjusted EBITDA margin</i>	<i>11.1%</i>	<i>22.5%</i>	<i>(11.4pp)</i>	<i>11.8%</i>	<i>24.5%</i>	<i>(12.7pp)</i>
Net profit	558	952	(41.4%)	285	408	(30.1%)
<i>Net profit margin</i>	<i>11.8%</i>	<i>19.1%</i>	<i>(7.3pp)</i>	<i>11.1%</i>	<i>18.1%</i>	<i>(7.0pp)</i>

In 1H 2019, total revenue attributable to the Metals segment decreased 5.2% to USD 4,736 million compared to USD 4,997 million in 1H 2018. In 2Q 2019, revenue increased 13.9% y-o-y to USD 2,566 million as compared to USD 2,253 million in 2Q 2018. The key driver for 2Q 2019 growth was a 38.2% increase in primary aluminium sales volumes to 1,082 kt as compared to 783 kt in 2Q 2018, driving primary aluminium sales up 17.5% in the quarter, despite the challenging pricing environment.

Revenue from sales of primary aluminium and alloys decreased 4.5%, to USD 3,877 million in 1H 2019 compared to USD 4,059 million in 1H 2018, primarily due to a 15.6% decrease in the weighted-average realized aluminium price per tonne (to an average of USD 1,960 per tonne in 1H 2019 from USD 2,322 per tonne in 1H 2018) driven by an decrease in the LME aluminium price (to an average of USD 1,826 per tonne in 1H 2019 from USD 2,209 per tonne in 1H 2018). This decrease was partially offset by a 13.2% increase in primary aluminium sales volume.

Revenue from sales of alumina decreased by 23.9% to USD 340 million in 1H 2019 from USD 447 million in 1H 2018 primarily due to a decrease in sales volumes of 17.0% together with a decrease in the average sales price by 8.3%.

Revenue from sales of foil and other aluminium products increased 20.6% to USD 205 million in 1H 2019, as compared to USD 170 million in 1H 2018, primarily due to an increase in sales of aluminium wheels of USD 40 million between the comparable periods.

Revenues from other sales, including sales of bauxite and energy services were almost flat in 1H 2019 when compared to 1H 2018 (down 2.2%).

Adjusted EBITDA attributable to the Metals segment decreased 53.0% to USD 528 million y-o-y, (USD 1,124 million in 1H 2018). However, in 2Q 2019 the level of adjusted EBITDA started to recover, growing 33.6% when compared to 1Q 2019. This was driven by the increase in aluminium sales volumes and an improvement in the sales mix, with VAP share of total sales at 38% in 2Q 2019, compared to 29% in 1Q 2019.

The Metals segment's profit for 1H 2019 stood at USD 558 million (USD 952 million in 1H 2018), representing a 41.4% y-o-y decline. Overall profitability declined at a lower rate than the decline in EBITDA on the back of an increase in share of profit from associates and joint ventures.

Capital expenditure of the Metals segment in 1H 2019 amounted to USD 353 million, decreasing 15.3% y-o-y (USD 417 million in 1H 2018) and was primarily aimed at maintaining existing production facilities. Throughout 1H 2019, maintenance amounted to c. 58% of the aggregate CAPEX.

On 21 June 2019, RUSAL announced approval of the construction of the second phase of the Taishet Anode Plant (the Plant) with the capacity of approximately 400 thousand tonnes of baked anodes per annum. The launch of the second phase of the Plant is planned for 2023. In 2019, the financing required for the second phase of the plant is expected to be approximately USD 90 million.

The Metals segment's net debt increased 1.0% to USD 7,520 million as at 30 June 2019 (USD 7,442 million as at 31 December 2018).

Reflecting favourable conditions in the Russian debt capital markets, RUSAL, as at the date of the financial results publication, successfully placed two tranches of local RUB bonds totalling RUB 30 billion, which were subsequently swapped into USD.

In 1H 2019 RUSAL was assigned following credit ratings: Fitch – “BB-“ Stable outlook; Moody's- “Ba3” Stable outlook; China Chengxin Securities Rating – upgrade to “AAA” from “AA+”, Stable outlook.

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The information presented in this announcement only reflects the position of the Company during the review period from 1 January to 30 June 2019, unless otherwise specified.

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