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## EN+ GROUP ANNOUNCES 1Q 2019 OPERATIONAL RESULTS

**30 April 2019** — En+ GROUP PLC (the "**Company**", "**En+ Group**" or together with its subsidiaries "**the Group**") (LSE: ENPL; MOEX: ENPL), a leading international vertically integrated aluminium and power producer, today announces its operational results for the three months ended 31 March 2019.

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 "**Sanctions**"), including, among others, the Company and its subsidiaries, UC Rusal Plc and JSC EuroSibenergo (the "**Subsidiaries**"). The Company and its Subsidiaries were subject to the Sanctions for the majority of 2018. These circumstances, coupled with certain other factors stated below, led to certain changes to ordinary levels of operational performance. On 27 January 2019, OFAC announced the removal of the Sanctions. This had a significant impact on operational results of the Group in 1Q 2019 especially in export-oriented Metals segment of the Group.

### Key highlights<sup>1</sup>:

- In 1Q 2019, aluminum sales decreased by 7.2% y-o-y totalling 896 kt.
- In 1Q 2019, the average aluminium realised price<sup>2</sup> decreased by 16.2% y-o-y to USD 1,949 per tonne.
- In 1Q 2019, the share of value added products<sup>3</sup> (VAP) in total sales decreased from 48% in 1Q 2018 to 29% in 1Q 2019, with VAP sales decreasing by 44.1% y-o-y to 259 kt.
- Commodity and VAP sales were significantly affected by the Sanctions due to short extensions of the OFAC general licenses in 4Q 2018. The Sanctions were also one of the key drivers for the decline of VAP sales share in product mix in 1Q 2019 compared to the same period in 2018, which in its turn partially influenced the negative dynamic of average released premium component and average released prices in general.
- In 1Q 2019, aluminium production remained largely stable and totalled 928 kt (down 0.3% y-o-y)
- In 1Q 2019, the Group's electricity production increased by 9.1% y-o-y to 19.2 TWh.
- In 1Q 2019, the Group's hydro power output increased by 17.4% y-o-y to 14.2 TWh.

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<sup>1</sup> Operating results are based on preliminary data and may be updated in the 1Q2019 financial results. Please note, the text of this press release may contain inaccuracies in the calculation of proportions, percentages, and amounts when rounding estimated values.

<sup>2</sup> The realised price includes three components: LME component, commodity premium and VAP upcharge.

<sup>3</sup> VAP includes alloyed ingots, slabs, billets, wire rod, high and special purity aluminium.

		1Q'19	1Q'18	chg, %
<b>Energy segment</b>				
Electricity production <sup>4</sup>	TWh	19.2	17.6	9.1%
Heat production	mn Gcal	10.5	11.2	(6.2%)
<b>Metals segment</b>				
Aluminium production	kt	928	931	(0.3%)
Aluminium sales	kt	896	965	(7.2%)
Aluminium avg. realised price <sup>5</sup>	USD/t	1,949	2,326	(16.2%)

## ENERGY SEGMENT

		1Q'19	1Q'18	chg, %
<b>Production volumes<sup>6</sup></b>				
Total Electricity Production	TWh	19.2	17.6	9.1%
HPPs, incl.	TWh	14.2	12.1	17.4%
Angara cascade <sup>7</sup>	TWh	9.7	7.6	27.6%
Yenisei cascade <sup>8</sup>	TWh	4.5	4.5	-
CHPs	TWh	5.1	5.5	(7.3%)
Abakan SPP	GWh	1.3	1.1	18.2%
Heat	mn Gcal	10.5	11.2	(6.2%)
<b>Market prices</b>				
Average electricity spot prices <sup>9</sup> :				
1 <sup>st</sup> price zone	RUB/MWt	1,308	1,186	10.2%
2 <sup>nd</sup> price zone:	RUB/MWt	1,025	928	10.5%
Irkutsk region	RUB/MWt	1,000	962	4.0%
Krasnoyarsk region	RUB/MWt	983	892	10.1%

### Energy segment operations update

In 1Q 2019, En+ Group power plants generated 19.2 TWh of electric energy (up 9.1% y-o-y), with hydro power output of 14.2 TWh (up 17.4% y-o-y).

<sup>4</sup> Excluding Onda HPP (installed capacity 0.08 GW), located in the European part of the Russian Federation, leased to RUSAL since October 2014.

<sup>5</sup> The realised price includes three components: LME component, commodity premium and VAP upcharge.

<sup>6</sup> Excluding Onda HPP (installed capacity 0.08 GW), located in the European part of the Russian Federation, leased to RUSAL since October 2014.

<sup>7</sup> Includes Irkutsk, Bratsk, Ust-Ilimsk HPPs.

<sup>8</sup> Krasnoyarsk HPP.

<sup>9</sup> Day ahead market prices, data from ATS and Association "NP Market Council". The prices average electricity spot prices are calculated as an average of the prices reported in the Monthly Day Ahead Prices Overview by Association "NP Market Council".

In 1Q 2019, Krasnoyarsk HPP's total power generation remained flat y-o-y and amounted to 4.5 TWh. The lateral inflow to Krasnoyarsk reservoir accounted for 260 cubic meters per second (103.2% of normal level) in 1Q 2019 compared to 278 cubic meters per second (110.3% of normal level) in 1Q 2018. At the beginning of 1Q 2019, water levels at the headrace of the dam were 236.7 meters, which is 0.2 meters higher than at the start of 1Q 2018.

The Group's Angara cascade HPPs (Irkutsk, Bratsk and Ust-Ilimsk HPPs) increased power generation by 27.6% y-o-y to 9.7 TWh in 1Q 2019 due to increased water reserves in Angara cascade reservoirs. Water inflows to Lake Baikal in 1Q 2019 accounted for 103% of normal levels (compared to 71% of normal levels in 1Q 2018). The water level of Lake Baikal reached 456.32 meters as at the end of 1Q 2019 (455.75 meters at the end of 1Q 2018)<sup>10</sup>.

In 1Q 2019, the Abakan Solar Power Plant generated 1.3 GWh (up 18.2% y-o-y) due to more favorable weather conditions.

In 1Q 2019, power generation at the Group's CHPs decreased by 7.3% y-o-y to 5.1 TWh. Heat generation at the Group's CHPs decreased by 6.2% to 10.5 million Gcal. The negative dynamics is primarily attributed to warmer winter season compared to previous year; the average air temperature was 2.8°C higher than during the same period in 2018.

### **Russian energy market update**

- According to the System Operator of the United Power System, in 1Q 2019 power production in Russia remained almost flat y-o-y and accounted for 294.9 TWh (up 0.7% y-o-y<sup>11</sup>). Consumption also remained flat y-o-y and amounted to 289.2 TWh<sup>12</sup> (down 0.4% y-o-y<sup>13</sup>);
- Power production in the first price zone<sup>14</sup> was at the same level y-o-y and accounted for 225.9 TWh in 1Q 2019 (up 0.1% y-o-y). Consumption in the first price zone slightly decreased (down 0.9% y-o-y) and amounted to 220 TWh;
- In 1Q 2019, the Siberian integrated energy system (the Company's key region of operations) produced 56.8 TWh of electricity (up 1.1% y-o-y). In the same period, output from HPPs in Siberia increased by 14.8% y-o-y to 23.6 TWh, while thermal power plants and captive power stations decreased their electricity production by 6.8% y-o-y to 33.2 TWh;
- Electricity consumption in the Siberian integrated energy system decreased by 1.0% in 1Q 2019 y-o-y to 57.5 TWh compared to 58.0 TWh in 1Q 2018.
- In 1Q 2019, the Group generated approximately 32.7% of the total electricity, produced in the Siberian integrated energy system. The Group's HPPs generated approximately

<sup>10</sup> 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.

<sup>11</sup> According to the 1Q 2019 press-release of the System Operator of the Unified Power System of the Russian Federation (<https://so-ups.ru/>)

<sup>12</sup> According to the 1Q 2019 press-release of the System Operator of the Unified Power System of the Russian Federation (<https://so-ups.ru/>)

<sup>13</sup> According to the 1Q 2019 press-release of the System Operator of the Unified Power System of the Russian Federation (<https://so-ups.ru/>)

<sup>14</sup> Comprises the Central, Central Volga, Urals, North-West and South energy systems.

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60.2% of the total electricity, produced by hydropower stations in the Siberian integrated energy system.

### **Projected water inflows into reservoirs**

The Hydrometeorological Centre of Russia forecasts water inflows into the main reservoirs of En+ Group's generating assets in 2Q 2019 as follows:

- Angara cascade: water inflows into Lake Baikal are expected to be 2,300-2,900 cubic meters per second representing 77-97% of normal levels. In 2Q 2018, the useful water inflow was 2,967 cubic meters per second or 99% of normal levels. In 1Q 2019, the water inflow was measured at 380 cubic meters per second compared to 263 cubic meters per second in 1Q 2018.
- Lateral inflows into the Bratsk Reservoir are expected to be 850-1,150 cubic meters per second or 58-79% of normal level. In 2Q 2018 water inflow was measured at 1,470 cubic meters per second (down 56.4% y-o-y). In 1Q 2019, the average monthly lateral inflows into the Bratsk Reservoir were 200 cubic meters per second (up 6.2% y-o-y); and
- The Krasnoyarsk Reservoir: water inflows are expected to be 2,100-2,900 cubic meters per second or 71-99% of normal levels.

## METALS SEGMENT

		1Q'19	1Q'18	chg,%
<b>Production volumes</b>				
Aluminium	kt	928	931	(0.3%)
Utilisation rate	%	97%	97%	-
Alumina	kt	1,932	1,891	2.1%
Bauxite	kt	3,831	2,960	29.4%
Nepheline	kt	1,009	1,089	(7.4%)
<b>Sales volumes</b>				
Aluminium, incl.	kt	896	965	(7.2%)
VAP sales	kt	259	463	(44.1%)
Share of VAP sales	%	29%	48%	(19 pp)
<b>Average prices</b>				
Aluminium average realised price	USD/t	1,949	2,326	(16.2%)
LME QP component	USD/t	1,849	2,153	(14.1%)
Realised premium	USD/t	100	173	(42.1%)

### Metals segment operations update<sup>15</sup>

#### Aluminium

In 1Q 2019, aluminium production<sup>16</sup> accounted for 928 thousand tonnes (down 0.3% y-o-y) with Siberian smelters representing 93% of total aluminium output.

In 1Q 2019, aluminium sales decreased by 7.2% y-o-y totaling 896 thousand tonnes. VAP sales decreased 44.1% y-o-y accounting for 259 thousand tonnes. VAP's share accounted for 29% of total sales, down from 48% in 1Q 2018.

As a general rule, the volume of sales is recognized at the time of delivery to the customer. Due to VAP lead times from Russian smelters to the customer's plant, VAP sales recognized in 1Q19 represent contracts that were serviced towards the end of 4Q 2018 and at the beginning of 1Q19. This period was significantly challenged by short OFAC General License extensions, as the Sanctions were only lifted on 27 January 2019.

In 1Q 2019 the average realised aluminium price decreased by 16.2% y-o-y to USD 1,949 per tonne. The decrease was driven both by the London Metal Exchange ("LME") QP<sup>17</sup> component (-14.1% y-o-y to USD 1,849 per tonne) and average realized premium component (-42.1% y-o-y to USD 100 per tonne). The decline in premiums during 1Q 2019 is primarily attributed to the decrease of VAP share in product sales mix due to external market drivers related to the Sanctions.

<sup>15</sup> Operating data are based on preliminary data and may be updated in the 1Q 2019 financial results.

<sup>16</sup> Aluminium production represented by salable products output (the number includes all facilities excluding Volgograd remelting).

<sup>17</sup> QP (quotation period) prices differs from the real time LME quotes due to a time lag between LME quotes and sales recognition and due to contract formula speciality.

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## Alumina

In 1Q19, total alumina production increased by 2.1% y-o-y to 1,932 thousand tonnes. The Company's Russian operations accounted for 35% of the total output.

## Bauxite and nepheline ore

In June 2018, the Company announced the completion of the first stage of development of the Dian-Dian bauxite deposit and the reopening of operations at the Friguia bauxite and alumina complex. As a result, in 1Q 2019 bauxite output increased by 29.4%, to 3,831 thousand tonnes. Nepheline production decreased by 7.4% y-o-y, to 1,009 thousand tonnes.

## Aluminium market overview<sup>18</sup>

- During 1Q 2019, the aluminum price came under continued pressure. This was due mainly to a seasonally weak period and the negative impact resulting from trade wars and US-China tensions, which significantly influenced the growth prospects in key aluminum consuming regions and sectors, particularly the automotive industry. We believe these trends will continue to negatively impact the aluminum price in 2Q 2019, despite the appearance of some positive factors, including the prospect of a potential agreement between China and the US and certain positive economic indicators demonstrated by both the US and Chinese economies in March.
- 1Q 2019 aluminium consumption outside of China was up 1.5% year-on-year to 7.38 million tonnes. At the same time, demand in Europe remained weak and grew by only 0.9% y-o-y to 2.36 million tonnes. Consumption in North America grew by 1.5% to 1.73 million tonnes. In China, demand is slowly recovering and grew by 1.5% to 8.48 million tonnes. We expect total demand growth in 2019 to be around 3% y-o-y.
- Aluminium production in 1Q 2019 outside of China decreased by 1.3% q-o-q to 6.86 million tonnes. Based on the current aluminum price and premiums, approximately 50% of the aluminum production facilities outside of China and 20% in China are estimated to be lossmaking. Despite these circumstances, capacity restarts in the US continue and, coupled with an increase of aluminium capacity in the Middle East and Russia, it is possible that production volumes outside of China may grow in 2Q 2019.
- Production of primary aluminium in China in 1Q 2019 amounted to 8.63 million tonnes, down 1.2% y-o-y. Capacity cuts exceeded 800 thousand tonnes per year during 1Q 2019 and a sluggish market slowed the commissioning of new capacity as well as the recovery of idle capacity. At the same time there is still approximately 2.5 million tonnes of new capacity ready to enter the market and up to 1 million tonnes of idled capacity that can be restarted. Coupled with a decline in overall costs specifically in terms of alumina and carbon materials prices, this indicates that the recent price spike in China is unsustainable and that there exists a certain level of downside risk.
- In the first quarter of 2019 aluminum inventories at LME warehouses dropped by 200 thousand tonnes to 1,074 thousand tonnes. LME live warrants remain at the level of 723

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<sup>18</sup> Unless otherwise stated data for the "Market overview" section is sourced from Bloomberg, CRU, CNIA, IAI and Antaike.

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thousand tonnes. Following a spike in mid 1Q 2019, Chinese regional stocks renewed their decline in March 2019 and fell 3.8% by the end of the month, to 1.69 million tonnes.

- Chinese unwrought aluminum and semis exports grew by 14% y-o-y in 1Q 2019 and remain unusually strong as a result of weak Chinese domestic consumption. This trend may continue in 2Q 2019 as domestic demand remains subdued and the aluminum deficit outside of China continues.
- The alumina price in most regions is set to continue on its downward trend although there remains the potential for a correction owing to the persisting high cost of alumina production, particularly in China.

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