
EN+ GROUP ANNOUNCES 4Q AND FY 2018 OPERATIONAL RESULTS

8 February 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 and full year ended 31 December 2018.

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.

Key highlights¹:

- In FY 2018, aluminum sales decreased by 7.2% y-o-y totalling 3,671 thousand tonnes, in 4Q 2018 the aluminum sales dropped by 12.3% y-o-y to 877 thousand tonnes.
- In FY 2018, the average aluminium realised price² increased by 7.3% y-o-y to USD 2,259 per tonne, while in 4Q 2018 the average aluminium realised price decreased by 6.5% y-o-y, representing USD 2,115 per tonne.
- In FY 2018, the share of value added products³ (VAP) in total sales decreased from 47% in FY 2017 to 45% in FY 2018, with VAP sales decreasing by 11.0% y-o-y to 1,664 thousand tonnes. In 4Q 2018, VAP sales decreased by 27.9% y-o-y and totalled 333 thousand tonnes.
- Commodity and VAP sales were significantly affected by Sanctions especially in 4Q 2018 due to short extensions of the OFAC general licenses. The sanctions were also one of the key drivers for the decline of VAP sales share in product mix in 4Q 2018, which in its turn partially influenced the negative dynamic of average released premium component and average released prices in general.
- In FY 2018, aluminium production increased by 1.3% y-o-y and totalled 3,753 thousand tonnes, while in 4Q 2018 aluminium output was stable y-o-y and totalled 943 thousand tonnes.
- In FY 2018, the Group's electricity production increased by 7.0% y-o-y to 73.2 TWh.
- In FY 2018, the Group's hydro power output increased by 6.2% y-o-y to 58.3 TWh.

¹ Operating results are based on preliminary data and may be updated in the 4Q18 and FY2018 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.

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

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

		4Q'18	4Q'17	chg,%	FY18	FY17	chg,%
Energy segment							
Electricity production ⁴	TWh	20.0	18.0	11.1%	73.2	68.4	7.0%
Heat production	mn Gcal	9.5	9.3	2.2%	27.9	26.7	4.5%
Metals segment							
Aluminium production	kt	943	944	(0.1%)	3,753	3,707	1.3%
Aluminium sales	kt	877	1,000	(12.3%)	3,671	3,955	(7.2%)
Aluminium avg. realised price ⁵	USD/t	2,115	2,263	(6.5%)	2,259	2,105	7.3%

ENERGY SEGMENT

		4Q'18	4Q'17	chg,%	FY18	FY17	chg,%
Production volumes⁶							
Total Electricity Production	TWh	20.0	18.0	11.1%	73.2	68.4	7.0%
HPPs, incl.	TWh	15.4	13.3	15.8%	58.3	54.9	6.2%
Angara cascade ⁷	TWh	9.4	7.9	19.0%	36.8	34.8	5.7%
Yenisei cascade ⁸	TWh	6.0	5.4	11.1%	21.5	20.1	7.0%
CHPs	TWh	4.6	4.7	(2.1%)	14.9	13.6	9.6%
Abakan SPP	GWh	0.8	0.6	33.3%	6.0	6.0	-
Heat	mn Gcal	9.5	9.3	2.2%	27.9	26.7	4.5%
Market prices⁹							
Average electricity spot prices ¹⁰ :							
1 st price zone	RUB/MWt	1,310	1,220	7.4%	1,247	1,204	3.6%
2 nd price zone:	RUB/MWt	956	888	7.7%	888	865	2.7%
Irkutsk region	RUB/MWt	911	911	-	842	833	1.1%
Krasnoyarsk region	RUB/MWt	874	841	3.9%	824	804	2.5%

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

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

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

⁷ Includes Irkutsk, Bratsk, Ust-Ilimsk HPPs.

⁸ Krasnoyarskaya HPP.

⁹ Capacity price for 1st price zone was 113 ths RUB/MWt/month in 2017 and 111 ths RUB/MWt/month in 2018, capacity price for 2nd price zone was 182 ths RUB/MWt/month and 186 ths RUB/MWt/month in 2017 and 2018 respectively. Capacity price is defined by supply-demand balances, set in real terms and linked to CPI-1% till 2017 and CPI-0.1% since 2018.

¹⁰ Day ahead market prices, data from ATS and Association "NP Market Council". The prices for 1st and 2nd price zones are calculated as a volume weighted daily average price for the period. Prices for Irkutsk and Krasnoyarsk regions are calculated as an average of the prices reported in the Monthly Day Ahead Prices Overview by Association "NP Market Council".

Energy segment operations update

In FY 2018, En+ Group power plants generated 73.2 TWh of electric energy (up 7.0% y-o-y), with green hydro power output of 58.3 TWh (up 6.2% y-o-y).

In FY 2018, Krasnoyarsk HPP's total power generation grew 7.0% to 21.5 TWh from 20.1 TWh in 2017, mainly due to more favourable hydrological conditions. In 4Q 2018, Krasnoyarsk HPP's total power generation was 6.0 TWh (up 11.1% y-o-y). At the beginning of 4Q 2018, water levels at the headrace of the dam were 1.26 metres higher than at the start of 4Q 2017.

The Group's Angara cascade HPPs (Irkutsk, Bratsk and Ust-Ilimsk HPPs) increased power generation by 5.7% y-o-y to 36.8 TWh in 2018 and by 19.0% y-o-y to 9.4 TWh in 4Q 2018.

Water inflows to Lake Baikal have recovered in 2018, moving closer to normal levels (101.3% of normal levels in 2018, compared to 59.6% of normal levels in 2017). The water level of Lake Baikal reached 456.64 metres as at the end of 4Q 2018 (455.98 metres at the end of 4Q 2017)¹¹.

In FY 2018, the Abakan Solar Power Plant generated 6.0 GWh (flat y-o-y), while in 4Q 2018 the production level increased to 0.8 GWh from 0.6 GWh in 4Q 2017, due to a low base effect in 4Q 2017 vs. 4Q 2018.

In FY 2018, power generation at the Group's CHPs increased by 9.6% y-o-y to 14.9 TWh, primarily as a result of a lower monthly average air temperature and lower production at the Angara Cascade HPPs in the first half of the year compared to the same period of 2017. In 4Q 2018, the Group's CHPs power generation level decreased by 2.1% y-o-y accounting for 4.6 TWh (4.7 TWh in 4Q 2017).

In FY 2018, heat generation amounted to 27.9 million Gcal (up 4.5% y-o-y), including 9.5 million Gcal generated in 4Q 2018 (up 2.2% y-o-y).

Russian energy market update

- According to the System Operator of the United Power System, in FY 2018 power production in Russia improved by 1.6% y-o-y to 1,070.9 TWh (1,053.9 TWh in 2017¹²). Consumption increased 1.5% to 1,055.6 TWh¹³;
- Power production in the first price zone¹⁴ increased by 1.7% to 827.9 TWh in FY 2018. In the same period, consumption grew 1.3% to 811.1 TWh in the first price zone;
- In FY2018, the Siberian integrated energy system (the Company's key region of operations) produced 205.3 TWh of electricity (up 1.3% y-o-y). In the same period, output from HPPs in Siberia increased by 8.4% y-o-y to 101.9 TWh (thus, the Group's share of power generation in the Siberian integrated energy system in 2018 accounted

¹¹ 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.

¹² According to the 2018 annual report of the System Operator of the Unified Power System of the Russian Federation (<https://so-ups.ru/>)

¹³ According to the 2018 annual report of the System Operator of the Unified Power System of the Russian Federation (<https://so-ups.ru/>)

¹⁴ Comprises the Central, Central Volga, Urals, North-West and South energy systems.

for 57%), while thermal power plants and captive power stations decreased their electricity production by 4.9% y-o-y to 103.4 TWh;

- Electricity consumption in the Siberian integrated energy system increased by 2.1% in FY 2018 to 210.1 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), in March (the monthly average air temperature was 3.3C° lower and consumption increased by 3.7% y-o-y) and in December (the monthly average air temperature was 7.3C° lower and consumption increased by 3.3% y-o-y);
- In FY 2018, the Group generated approximately 34.7% of the total electricity, produced in the Siberian integrated energy system. The Group's HPPs generated approximately 28.4% of the total electricity, produced 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 1Q 2019 as follows:

- Angara cascade: water inflows into Lake Baikal are expected to be 280-480 cubic metres per second representing 75.9-130.1% of normal levels. In 1Q 2018, the useful water inflow was 263 cubic metres per second or 71.3% of normal levels. In 4Q 2018, the water inflow was measured at 767 cubic metres per second compared to 37.5 cubic metres per second in 4Q 2017. Lateral inflows into the Bratsk Reservoir are expected to be 190-220 cubic metres per second or 106.7-123.6% of normal level. In 1Q 2018 water inflow was measured at 188 cubic metres per second (down 4.6% y-o-y). In 4Q 2018, the average monthly lateral inflows into the Bratsk Reservoir were 1,004 cubic metres per second (up 37.5% y-o-y); and
- The Krasnoyarsk Reservoir: water inflows are expected to be 240-300 cubic metres per second or 96-120% of normal levels.

METALS SEGMENT

		4Q'18	4Q'17	chg,%	FY18	FY17	chg,%
Production volumes							
Aluminium	kt	943	944	(0.1%)	3,753	3,707	1.3%
Utilisation rate	%	96%	97%	(1 pp)	96%	96%	-
Alumina	kt	1,958	1,990	(1.6%)	7,774	7,773	-
Bauxite	kt	3,719	2,945	26.3%	13,847	11,645	18.9%
Nepheline	kt	817	1,041	(21.5%)	4,294	4,332	(0.9%)
Sales volumes							
Aluminium, incl.	kt	877	1,000	(12.3%)	3,671	3,955	(7.2%)
VAP sales ¹⁵	kt	333	462	(27.9%)	1,664	1,869	(11.0%)
Share of VAP sales	%	38%	46%	(8 pp)	45%	47%	(2 pp)
Average prices							
Aluminium average realised price	USD/t	2,115	2,263	(6.5%)	2,259	2,105	7.3%
LME QP component	USD/t	2,007	2,102	(4.5%)	2,107	1,942	8.5%
Realised premium	USD/t	108	161	(32.9%)	152	163	(6.7%)

Metals segment operations update¹⁶

Aluminium

In FY 2018, aluminium production¹⁷ accounted for 3,753 thousand tonnes. Total production dynamics remained largely stable with capacity utilisation reaching 96%. In 4Q 2018, aluminium production remained flat y-o-y and totaled 943 thousand tonnes.

In FY 2018, aluminium sales decreased by 7.2% y-o-y totaling 3,671 thousand tonnes; in 4Q 2018, aluminium sales reduced by 12.3% y-o-y accounting for 877 thousand tonnes.

In FY 2018, VAP¹⁸ sales decreased 11.0% y-o-y accounting for 1,664 thousand tonnes. VAPs share accounted for 45% of total sales, down from 47% in FY 2017. In 4Q 2018, VAP sales dropped by 27.9% y-o-y and accounted for 333 thousand tonnes with VAPs share accounting for 38% of total sales against 46% in 4Q 2017. Commodity and VAP sales in 4Q 2018 were significantly challenged by short OFAC General License extensions.

In FY 2018 the average realised aluminium price¹⁹ increased by 7.3% y-o-y to USD 2,259 per tonne. The increase was due to positive dynamics demonstrated mostly during first three quarters of 2018 by the London Metal Exchange ("LME") QP²⁰ component, up 8.5% y-o-y to

¹⁵ VAP includes alloyed ingots, slabs, billets, wire rod, high and special purity aluminium.

¹⁶ Operating data are based on preliminary data and may be updated in the 4Q17 financial results.

¹⁷ Aluminium production represented by salable products output (the number includes all facilities excluding Volgograd remelting).

¹⁸ VAP includes alloyed ingots, slabs, billets, wire rod, wheels, high and special purity aluminium.

¹⁹ The realised price includes three components: LME component, commodity premium and VAP upcharge.

²⁰ 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.

USD 2,107 per tonne. The average realised premium component decreased by 6.7% to USD 152 per tonne.

In 4Q 2018, the average realised aluminium price decreased by 6.5% y-o-y to USD 2,115 per tonne, with the LME QP component down 4.5% y-o-y to USD 2,007 per tonne. In the same period, the average realised premium component dropped by 32.9% to USD 108 per tonne.

The decline in premiums during 4Q 2018 is attributed to a number of factors, including market backwardation that contributed to a liquidation of traders stocks and decline of VAP share in product sales mix due to external market drivers related to the Sanctions.

Alumina

In June 2018, the Company restarted operations in the Friguia alumina refinery in Guinea. As a result, despite various negative factors, including abnormal weather conditions that affected the operational performance of Windalco capacities, overall alumina production in FY 2018 remained flat y-o-y, at 7,774 thousand tonnes.

In 4Q 2018, total alumina production decreased by 1.6% y-o-y, totalling 1,958 thousand tonnes.

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 FY 2018 bauxite output increased by 18.9%, to 13,847 thousand tonnes. In 4Q 2018, total bauxite production improved by 26.3% y-o-y, totalling 3,719 thousand tonnes.

Despite a y-o-y decrease in Nepheline ore output in 4Q 2018, overall Nepheline ore output remained stable in FY 2018 and accounted for 4,294 thousand tonnes (down 0.9% y-o-y), as a result of increased output during first three quarters of 2018 compared to the same period in 2017.

Aluminium market overview²¹

- During 4Q 2018, the aluminum price, along with the whole LME metals basket, was impacted by an investor sell-offs on the back of rising trade tensions between the US and China (which many market participants perceived to be potentially negative for future economic growth and industrial activity). Chinese Caixin manufacturing PMI dropped to 49.7 points for the first time in 19 months further evidencing negative investor sentiment towards commodities.
- Aluminum stocks at the LME warehouses dropped by 175 thousand tonnes to 926 thousand tonnes during January – mid-October 2018, the lowest since December 2007, but by the end of 2018 stocks rebounded to 1.273 million tonnes. January has seen a significant increase in LME cancelled warrants to 755 thousand tonnes, a multi-year low.

²¹ Unless otherwise stated data for the “Market overview” section is sourced from Bloomberg, CRU, CNIA, IAI and Antaika.

- Aluminium scrap availability may also become an issue in 2019 due to the expected increase in scrap prices and strong demand compared to 2018 levels.
- Aluminium continues to be challenged by supply disruptions and soaring production costs. Based on the current LME price and data on average market premiums around 50% of aluminium production facilities outside of China and 60% in China are lossmaking.
- Chinese aluminium production declined for the first time in history by 0.6% y-o-y in 2018 to 36.4 million tonnes. More than 3 million tonnes of Chinese smelting capacity was cut between August and December 2018.
- Chinese regional stocks declined by 0.5 mt y-o-y to 1.33 mt at the end of 2018 and returned to an average monthly level of 2018.
- Aluminium production outside China was flat in 2018 at 27.6 mt, but demand rose by 2.8% to 30 mt thus retaining 2.4 mt of deficit. Given that, most smelters outside China are lossmaking, potential restarts are likely to be limited, which in turn will further increase the risk of supply disruptions.
- After a continuous rise in 2018, Chinese exports may be set to decline due to lower arbitrage, a fall in inventories/production and new stimulation programmes expected to be introduced by the Chinese Government in 2019 to significantly improve domestic aluminum balance.
- In general, the aluminium market is in a state of heavy deficit and, as demand is set to improve, the aluminium price has upside potential.
- The alumina market may be expected to be more balanced due to Alunorte continuing production recovery and capacity growth in China.

For further information, please visit <http://enplus.ru> or contact:

For media:

Tel: +7 495 642 79 37

Email: press-center@enplus.ru

For investors:

Tel: +7 (495) 642 7937

Email: ir@enplus.ru

Andrew Leach

Tel: +44 (0) 20 7796 4133

Email: ENplus@hudsonsandler.com

Hudson Sandler LLP

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