

EN+ GROUP ANNOUNCES 4Q AND FY 2019 OPERATIONAL RESULTS

28 February 2020 — En+ GROUP IPJSC (the "Company", "En+ Group" or "the Group") (LSE: ENPL; MOEX: ENPL for GDRs and ENPG for ordinary shares), a leading international vertically integrated aluminium and power producer, today announces its operational results for the twelve month and three month periods ended 31 December 2019.

FY 2019 key highlights¹:

- Aluminium production remained largely stable and totalled 3,757 kt in 2019.
- Aluminium sales increased 13.8% y-o-y totalling 4,176 kt.
- The average aluminium realised price² decreased 15.0% y-o-y to USD 1,920 per tonne.
- The share of value added products³ (VAP) in total Metals segment's aluminium sales decreased to 37% in 2019 from 45% in 2018, with VAP sales decreasing 7.0% y-o-y to 1,547 kt.
- In 4Q 2019, the share of Metals segment's VAPs amounted to 40% or 443 kt, an improvement of 33.0% compared to 4Q 2018.
- The Group's Power segment electricity production⁴ increased 6.3% y-o-y to 77.8 TWh.
- The Group's Power segment hydro power⁴ output increased 10.1% y-o-y to 64.2 TWh.

		FY19	FY18	chg,%	4Q'19	4Q'18	chg,%
Power segment							
Electricity production ⁴	TWh	77.8	73.2	6.3%	21.9	20.0	9.5%
Heat production	mn Gcal	27.3	27.9	(2.2%)	9.5	9.5	-
Metals segment							
Aluminium production	kt	3,757	3,756	-	949	944	0.5%
Aluminium sales	kt	4,176	3,671	13.8%	1,107	877	26.2%
VAP sales ³	kt	1,547	1,664	(7.0%)	443	333	33.0%
Aluminium avg. realised price ²	USD/t	1,920	2,259	(15.0%)	1,873	2,115	(11.4%)

¹ Operating results are based on preliminary data and may be updated in the 4Q and FY 2019 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, wheels, high and special purity aluminium.

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

POWER SEGMENT

		FY19	FY18	chg, %	4Q'19	4Q'18	chg, %
Production volumes⁴							
Total Electricity Production	TWh	77.8	73.2	6.3%	21.9	20.0	9.5%
HPPs, incl.	TWh	64.2	58.3	10.1%	17.8	15.4	15.6%
Angara cascade ⁵	TWh	44.5	36.8	20.9%	12.3	9.4	30.9%
Yenisei cascade ⁶	TWh	19.7	21.5	(8.4%)	5.5	6.0	(8.3%)
CHPs	TWh	13.6	14.9	(8.7%)	4.1	4.6	(10.9%)
Abakan SPP	GWh	6.2	6.0	3.3%	0.7	0.8	(12.5%)
Heat	mn Gcal	27.3	27.9	(2.2%)	9.5	9.5	-
Market prices							
Average electricity spot prices ⁷ :							
1 st price zone	RUB/MWh	1,288	1,247	3.3%	1,231	1,310	(6.0%)
2 nd price zone:	RUB/MWh	890	888	0.2%	809	956	(15.4%)
Irkutsk region	RUB/MWh	789	842	(6.3%)	669	911	(26.6%)
Krasnoyarsk region	RUB/MWh	784	824	(4.9%)	668	874	(23.6%)

Power segment operations update

En+ Group power plants generated 77.8 TWh of electricity (up 6.3% y-o-y) in 2019 and 21.9 TWh (up 9.5% y-o-y) in 4Q 2019.

The Group's hydro power output increased to 64.2 TWh (up 10.1% y-o-y) in 2019 and to 17.8 TWh in 4Q 2019 (up 15.6% y-o-y).

The Group's Angara cascade HPPs (Irkutsk, Bratsk and Ust-Ilimsk HPPs) increased power generation to 44.5 TWh in 2019 (up 20.9% y-o-y) and to 12.3 TWh in 4Q 2019 (up 30.9% y-o-y) due to increased water reserves in the reservoirs of HPPs on Angara cascades as well as increased water levels in the Bratsk reservoir, which reached 399.00 meters as at the end of 2019 vs. 396.43 meters at the end of 2018.

The Group's Krasnoyarsk HPP's total power generation decreased to 19.7 TWh in 2019 (down 8.4% y-o-y). In 4Q 2019, power generation at the Krasnoyarsk HPP was 5.5 TWh (down 8.3% y-o-y). The decline in the generation levels comes from the decreased water reserves in Krasnoyarsk water reservoir due to reduced inflow volumes in 2Q 2019 compared to the same period last year. As at the end of 2019, the water level in the Krasnoyarsk reservoir was 236.03 meters compared to 236.74 meters at the end of 2018.

In 2019, the Abakan Solar Power Plant generated 6.2 GWh (up 3.3% y-o-y) due to more favourable weather conditions.

⁵ Includes Irkutsk, Bratsk, Ust-Ilimsk HPPs.

⁶ Krasnoyarsk HPP.

⁷ 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".

Power generation at the Group's CHPs decreased to 13.6 TWh in 2019 (down 8.7% y-o-y) and to 4.1 TWh in 4Q 2019 (down 10.9% y-o-y) mainly due to increased generation by the HPPs of the Angara cascade.

Heat generation at the Group's CHPs decreased to 27.3 mn Gcal in 2019 (down 2.2% y-o-y) affected by weather conditions. In early 2019, the average temperature during winter months was higher than during the same period last year. In 4Q 2019 heat generation remained stable and accounted for 9.5 mn Gcal.

"New Energy" HPP modernisation program

The upgraded equipment on Bratsk HPP (1 and 2 stages), Ust-Ilimsk and Krasnoyarsk HPPs delivered an increase in hydropower production of 1,683.3 GWh in 2019 against prior year comparative, helping to reduce greenhouse gas emissions by approximately 1,951 thousand tonnes of CO₂e due to partial replacement of prior CHP generation volumes.

Russian energy market update⁸

- In 2019, according to the System Operator of the United Power System, power production in the Russian United Power System accounted for 1,080.6 TWh (up 0.9% y-o-y). Consumption remained almost flat y-o-y at 1,059.4 TWh (up 0.4% y-o-y);
- Power production in the first price zone⁹ accounted for 828.1 TWh in 2019 and remained almost flat compared to 2018. Consumption in the first price zone slightly decreased (down 0.4% y-o-y) and amounted to 807.7 TWh;
- In 2019, the integrated energy system of Siberia (the Company's key region of operations) produced 208.7 TWh of electricity (up 1.7% y-o-y). In the same period, output from HPPs in Siberia increased by 5.8% y-o-y to 107.8 TWh, while thermal power plants and captive power stations decreased their electricity production by 2.4% y-o-y to 100.8 TWh;
- Electricity consumption in the Siberian integrated energy system accounted for 211.4 TWh (up 0.6% y-o-y);
- In 2019, the Group generated approximately 36.4% of the total electricity, produced in the Siberian integrated energy system. The Group's HPPs generated approximately 59.6% of the total electricity produced by hydropower stations in the Siberian integrated energy system;
- In 4Q 2019, the average electricity spot price on day-ahead market in second price zone accounted for 809 RUB/MWh (down 15.4% y-o-y). According to Association "NP Market Council" data, the decrease was resulted from increase in HPPs generation, change in consumption structure as well as supply outstripping demand with changes in flows between price zones. In 2019, the average electricity spot price on day-ahead market in second price zone accounted for 890 RUB/MWh (up 0.2% y-o-y).

⁸ According to the 2019 Report prepared by the System Operator of the Unified Power System of the Russian Federation (<https://so-ups.ru/>).

⁹ Comprises the Central, Central Volga, Urals, North-West and South energy systems.

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 2020 as follows:

- Angara cascade: the useful water inflows into Lake Baikal are expected to be 150-350 cubic meters per second or 41-95% of normal level. In 1Q 2019, the water inflow was 383 cubic meters per second or 104% of normal levels. In 4Q 2019, the water inflow was measured at 50 cubic meters per second compared to 767 cubic meters per second in 4Q 2018. In 2019, the water inflows accounted for 1,600 cubic meters, which is 19.3% lower compared to 2018;
- The lateral inflows into the Bratsk Reservoir are expected to be 205-235 cubic meters per second or 115-131% of normal level. In 1Q 2019 water inflow was measured at 200 cubic meters per second or 112% of normal level. In 4Q 2019, the lateral inflows into the Bratsk Reservoir were 608 cubic meters per second (up 18.0% y-o-y). In 2019, the water inflows accounted for 1,216 cubic meters (up 21.1% y-o-y); and
- The Krasnoyarsk Reservoir: lateral water inflows are expected to be 230-290 cubic meters per second or 89-113% of normal levels. In 1Q 2019 the lateral inflows were measured at 260 cubic meters per second or 103% of the normal level. In 4Q 2019, the lateral inflows were measured at 778 cubic meters per second (down 1.6% y-o-y). In 2019, the water inflows accounted for 1,381 cubic meters (down 3.8% y-o-y).

METALS SEGMENT

		FY19	FY18	chg,%	4Q'19	4Q'18	chg,%
Production volumes							
Aluminium	kt	3,757	3,756	-	949	944	0.5%
Utilisation rate	%	96%	96%	-	97%	96%	1 pp
Alumina	kt	7,858	7,774	1.1%	2,050	1,958	4.7%
Bauxite	kt	16,047	13,847	15.9%	4,026	3,719	8.3%
Nepheline	kt	4,244	4,294	(1.1%)	1,074	817	31.5%
Sales volumes							
Aluminium, incl.	kt	4,176	3,671	13.8%	1,107	877	26.2%
VAP sales ¹⁰	kt	1,547	1,664	(7.0%)	443	333	33.0%
Share of VAP sales	%	37%	45%	(8 pp)	40%	38%	2pp
Average prices							
Aluminium average realised price	USD/t	1,920	2,259	(15.0%)	1,873	2,115	(11.4%)
LME QP component	USD/t	1,785	2,107	(15.3%)	1,730	2,007	(13.8%)
Realised premium	USD/t	135	152	(11.0%)	143	108	32.4%

Metals segment operations update

Aluminium

In 2019, aluminium production totaled 3,757 thousand tonnes, unchanged y-o-y, in 4Q2019 aluminium production accounted for 949 thousand tonnes (up 0.5% y-o-y).

In 2019, aluminium sales increased by 13.8% y-o-y, totaling 4,176 thousand tonnes. This growth was primarily due to partial sell down of surplus inventories of primary aluminum that were accumulated by the end of 2018 as a result of OFAC¹¹ Sanctions¹² and launch of the second part of the first potline of Boguchansky aluminium smelter in March 2019. In 4Q 2019, aluminium sales volumes increased 26.2% y-o-y and accounted for 1,107 thousand tonnes.

In 2019, VAP sales amounted to 1,547 thousand tonnes (down 7.0% y-o-y), the share of VAP sales in total sales was 37%. In 4Q 2019, the VAP sales accounted for 443 thousand tonnes (up 33.0% y-o-y), the share of VAP sales improved by 2pp and accounted for 40%.

In 2019, the average aluminium realized price¹³ decreased by 15.0% y-o-y to USD1,920/t following negative dynamics demonstrated by the LME QP¹⁴ component (down 15.3% y-o-y to USD 1,785/t) and average realized premium (down 11.0% y-o-y to USD 135/t) that primarily declined as a result of lower VAP share in the total sales mix. In 4Q 2019, the average aluminium realised price decreased by 11.4% y-o-y to USD 1,873/t.

¹⁰ VAP includes alloyed ingots, slabs, billets, wire rod, wheels, high and special purity aluminium.

¹¹ "OFAC" - The Office of Foreign Assets Control of the Department of Treasury of the United States of America.

¹² "Sanctions" - on 6 April 2018, the OFAC added the Company to its Specially Designated Nationals List. OFAC removed the Company from the List with effect from 27 January 2019.

¹³ The realised price includes three components: LME component, commodity premium and VAP upcharge.

¹⁴ QP (quotation period) prices differ from the real time LME quotes due to a time lag between LME quotes and sales recognition and due to contract formula speciality.

Alumina

In 2019, alumina output totaled 7,858 thousand tonnes (up 1.1% y-o-y). The Friguia bauxite and alumina complex increased output by 102% y-o-y as a result of the gradual ramp-up of production, which has reached 77% of the nameplate capacity as of 4Q 2019.

In 4Q 2019, total alumina production increased by 4.7% y-o-y to 2,050 thousand tonnes. The Company's Russian operations accounted for 35% of the total output.

Bauxite and nepheline ore

In 2019, bauxite output totaled 16,047 thousand tons (up 15.9% y-o-y). The growth is largely attributed to reaching the full capacity of Dian-Dian (up 231% y-o-y to 2,780 thousand tonnes) and Friguia bauxite and alumina complex (up 81% y-o-y to 1,304 thousand tonnes of bauxite). Nepheline output decreased 1.1% y-o-y to 4,244 thousand tons.

In 4Q19, bauxite production increased by 8.3% y-o-y, to 4,026 thousand tonnes. Nepheline production increased by 31.5% y-o-y, to 1,074 thousand tonnes.

Aluminium market overview¹⁵

- In January 2020, the global manufacturing PMI rose from 50.1 to 50.4, which is the highest level since April last year, demonstrating rebound in global economy. But issues related to COVID-19 might seriously affect this recovery and lead to deterioration of aluminum market fundamentals in 1H 2020.
- In 2019 global aluminium demand rose by 0.1% to 65.3 million tonnes. In the world excluding China ("ex-China"), demand dropped by 2.6% to 28.5 million tonnes, while Chinese demand increased by 2.4% to 36.8 million tonnes. While uncertainty remains in place, the Transportation sector should contribute to aluminium demand growth in 2020 on the back of launching new models, including EVs, and the continued increase of aluminium content in cars. Given the above and possibility of fast recovery from COVID-19 issues, worldwide demand for primary aluminium is expected to show a 1.3% year-on-year growth to 66.1 million tonnes in 2020, driven by ex-China growth of 1.1% to 28.8 million tonnes and China growth of 1.5% to 37.3 million tonnes.
- The rest of the world ("RoW") aluminium production grew during 2019 by 1.7% to 28.2 million tonnes.
- Overall, the RoW aluminum market was in a deficit of around 0.3 million tonnes during 2019.
- Looking at the cash cost curve in the RoW today, around 10% of smelters or 3 million tonnes operate at a loss despite the decline in cost of raw materials; more than half of RoW alumina producers suffer from losses.
- In 2019, China's primary aluminum production fell by 1.8% y-o-y to 35.7 million tonnes and today most producers only generate slim margins. Some producers have decided to transfer closed capacity to other provinces due to environmental and bauxite feed issues.

¹⁵ Unless otherwise stated, data for the "Market overview" section is sourced from Bloomberg, CRU, CNIA, IAI and Antaika.

In December 2019 operating capacity rose by 575 thousand tonnes p.a. MoM, to 36,645 thousand tonnes p.a. This was due to restarts of 420 thousand tonnes and commissioning of new 185 thousand tonnes p.a., while 30 thousand tonnes cuts somewhat trimmed the growth.

- As highlighted, the coronavirus will negatively affect aluminum market in China in 1H 2020 with expectation of bigger supply surplus and weak demand. Alumina refining, in certain areas in particular, is suffering from logistics issues for both bauxite arrivals and shipping out of alumina. Lower aluminum demand in China and excessive inventories may affect prices and ultimately delay new aluminium smelting capacity ramp up.
- During 2019, China's exports of unwrought aluminum and aluminum semis declined 1.2% y-o-y to 5,733 thousand tonnes. As previously addressed, Chinese exports are expected to decline in January-February 2020 amid slowed trading activity due to the weeklong Chinese New Year holiday and coronavirus effects.

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