
En+ Group announces 1Q 2018 financial and operational results

18 May 2018 — En+ Group plc (the “**Company**”, “**En+ Group**” or together with its subsidiaries “**the Group**”) announces its financial and operational results for the three months ended 31 March 2018.

The information presented in this announcement only reflects the position of the Company during the review period from 1 January to 31 March 2018 (the “**Review Period**”), unless otherwise specified.

After the Review Period, 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 “**OFAC Sanctions**”). These include, among others, the Company, UC RUSAL Plc (“**UC RUSAL**”), JSC EuroSibEnergO and Mr Oleg Deripaska, a non-executive director of the Company and its ultimate controlling shareholder, and two of the Company's direct major shareholders, Basic Element Limited and B-Finance Ltd. On the same day, OFAC issued two general licenses 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.

Whilst further evaluation is being carried out by the Company to assess the impact of the OFAC Sanctions on the Group, the Company's current assessment still remains the same, as stated in the Company's Announcement on 9 April 2018. The Company's primary focus remains on the maintenance of its operations and the protection of the interests of all of its investors, GDR holders and partners. The longer term effects of the OFAC Sanctions, as well as the threat of additional future sanctions, are difficult to determine.

Financial highlights:

- In 1Q 2018, the Group's revenue increased by 17% y-o-y to USD 3,438 million;
- Adjusted EBITDA¹ of the En+ Group grew by 23% y-o-y to USD 929 million in 1Q 2018;
- In 1Q 2018, the Group's net profit increased to USD 667 million;
- The Group's net debt² as of 31 March 2018 remained broadly unchanged at USD 12,308 million;
- In March 2018, the Company's Board of Directors approved an additional interim dividend of USD 68 million in respect of the year ended 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 and deferred liability for acquisition of PJSC Irkutskenergo (the Group's subsidiary) shares less total cash and cash equivalents as at the end of the relevant period.

Operational performance:

- In 1Q 2018, the Group's electricity production remained stable at 17.6³ TWh;
- The Group's hydro power output in 1Q 2018 decreased by 5.3% y-o-y to 12.1 TWh while power production generated by combined heat and power plants ("CHPs") increased by 19.6% to 5.5 TWh;
- Aluminium production in 1Q 2018 increased by 2.3% y-o-y and totalled 0.9 million tonnes;
- In 1Q 2018 the Group's total alumina production remained stable y-o-y, totalling 1.9 million tonnes.

Consolidated financial results

USD million (except %)	1Q'18	1Q'17	chg,%
Revenue	3,438	2,931	17%
Adjusted EBITDA	929	755	23%
Adjusted EBITDA margin	27%	26%	1 pp
Net profit	667	265	152%
Net profit margin	19%	9%	10 pp

Revenue

In 1Q 2018, revenue increased by 17% to USD 3,438 million compared to USD 2,931 million in 1Q 2017. The increase came primarily on the back of the increased aluminium price⁴ on the London Metals Exchange ("LME") (up 16.7% from USD 1,850 per tonne in 1Q 2017 to USD 2,159 per tonne in 1Q 2018).

EBITDA

In 1Q 2018, Adjusted EBITDA of En+ Group grew by 23% to USD 929 million driven by a solid operational performance. The Group's Adjusted EBITDA margin was almost unchanged y-o-y at 27% and 26% in 1Q 2018 and 1Q 2017 respectively.

Net profit

In 1Q 2018, the Group's net profit increased by 152% to USD 667 million as compared to USD 265 million in 1Q 2017. The growth was largely driven by improvement in operating results as well as significant decrease in net financial expenses primarily due to the net profit

³ Excluding Ondskaya HPP, which produced 0.1 TWh in 3M 2018.

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

from change in fair value of derivative financial instruments for the first three months of 2018 as compared to significant net loss on this item for the first three months of 2017.

Capital expenditures

In 1Q 2018, the Group's capital expenditures amounted to USD 245 million before intersegmental elimination.

The Energy segment's capital expenditures stood at USD 25 million in 1Q 2018 (down 26% y-o-y). A strategic priority of the CAPEX plan for the Group's Energy segment remains the hydro power plant ("HPP") modernisation programme.

The Metals segment's CAPEX amounted to USD 220 million in 1Q 2018 compared to USD 129 million in 1Q 2017.

Dividends

In March 2018, En+ Group's Board of Directors approved an additional interim dividend in the total amount of USD 68 million (or USD 0.119 per share and Global Depository Receipt) in respect of the year ended 31 December 2017. The dividends were paid in full on 28 March 2018.

Total dividends payments for 2017 amounted to USD 394 million, the overall dividend payments since IPO amounted to USD 193 million. Dividends paid for 2017 from the Energy segment amounted to USD 250 million (including USD 68 million declared in March 2018), in full compliance with the announced dividend policy. Dividends from UC RUSAL for 2017 amounted USD 144 million. The Company does not plan to pay any further dividends in respect of 2017⁵.

Deleveraging

The Group's net debt⁶ as of 31 March 2018 remained almost flat and accounted for USD 12,308 million, including Metals segment at USD 7,878 million and Energy segment at USD 4,430 million.

In April 2018 Fitch Ratings Ltd has withdrew the Long-Term Foreign-Currency Issuer Default Rating of 'BB-' / Rating Watch Negative of the Company due to OFAC sanctions' restrictions.

⁵ Any future decision to declare and pay dividends will be subject to applicable law and commercial considerations.

⁶ Net debt – the sum of loans and borrowings and bonds outstanding, guarantee for a related party and deferred liability for acquisition of PJSC Irkutskenergo (the Group's subsidiary) shares less total cash and cash equivalents as at the end of the relevant period.

Energy segment 1Q 2018 results

- In 1Q 2018 revenue increased by 13.8% to USD 998 million;
- Adjusted EBITDA grew by 16.5% to USD 368 million in 1Q 2018;
- In 1Q 2018, Adjusted EBITDA margin gained 1 p.p. y-o-y to 37%;
- In 1Q 2018, net profit reached USD 133 million;
- In 1Q 2018, total power generation grew to 17.6⁷ TWh (up 1.3% y-o-y).

Energy segment financial results

USD million (except %)	1Q'18	1Q'17	chg,%
Revenue	998	877	13.8%
Adjusted EBITDA	368	316	16.5%
Adjusted EBITDA margin	37%	36%	1 pp
Net profit	133	112	18.8%
Net profit margin	13%	13%	-

Energy segment key operational highlights

	1Q'18	1Q'17	chg,%
Total Electricity Production, TWh	17.6	17.4	1.3%
HPPs, TWh	12.1	12.8	-5.3%
CHPs, TWh	5.5	4.6	19.6%
Abakan SPP, GWh	1.1	1.3	-17.6%
Heat, Gcal, mn	11.2	10.2	9.5%

In 1Q 2018, En+ Group's Energy segment revenue increased by 13.8% totalling USD 998 million compared to USD 877 million in 1Q 2017. This revenue growth was driven by change in sale structure (reduction of share of electricity sold under regulated prices), increase of weighted average electricity and capacity prices⁸ as well as growth of heat sales volumes and tariffs.

⁷ Excluding Ondskaya HPP, which produced 0.1 TWh in 1Q 2018.

⁸ Electricity sales and prices are referred to the spot market, Balancing market, Free bilateral market, regulated contracts, retails sales, capacity sales and heat sales.

In 1Q 2018, Adjusted EBITDA increased by 16.5% to USD 368 million as compared to USD 316 million in 1Q 2017. In 1Q 2018, the segment's net profit grew to USD 133 million compared to USD 112 million in 1Q 2017.

In 1Q 2018, En+ Group power plants generated 17.6 TWh of electric energy (up 1.3% y-o-y).

Green hydro power output decreased to 12.1 TWh in 1Q 2018 from 12.8 TWh in 1Q 2017 (down 5.3% y-o-y):

- In 1Q 2018, Krasnoyarsk HPP's total power generation decreased by 3.7% to 4.5 TWh from 4.7 TWh in 1Q 2017 on the back of less favorable hydrological conditions. At the beginning of 1Q 2018, water levels at the head race of the dam were 0.2 metres lower than at the start of 1Q 2017.
- Water inflows to Lake Baikal remained substantially below normal levels (71% of normal levels in 1Q 2018, compared to 68% of normal levels in 1Q 2017). However, due to the challenging hydrological situation, including severe ice conditions on the lake the Federal Water Resources Agency set the dam water flow levels for the Irkutsk HPP close to the minimal level during 1Q 2018. This resulted in the Group's Angara cascade HPPs (Irkutsk, Bratsk and Ust-Ilimsk HPPs) decreasing their power generation in 1Q 2018 by 0.5 TWh y-o-y to 7.6 TWh.

In 1Q 2018, the Abakan Solar Power Plant generated 1.1 million kWh or 0.2 million kWh less compared to production level in 1Q 2017.

In 1Q 2018, power generation at the Group's CHPs increased by 19.6% y-o-y to 5.5 TWh on the back of colder winter season compared to the previous year (the average monthly air temperature in 1Q 2018 was 6.0 °C lower in January, 3.5 °C lower in February, and 3.3 °C lower in March), and this partially compensated lower HPP output.

In 1Q 2018, heat generation increased by 9.5% y-o-y and amounted to 11.2 million Gcal.

Electricity production and consumption by the Siberian integrated energy system

According to the System Operator of the United Power System, in 1Q 2018, the Siberian integrated energy system (the Company's key region of operations) produced 58.3 TWh of electricity (up 0.3% y-o-y), while HPP output totalled 12.2 TWh (down 5.1% y-o-y). Electricity consumption at Siberian integrated energy system increased by 3.1% y-o-y and reached 60.1 TWh. The increase in consumption was driven by lower seasonal temperatures compared to 1Q 2017.

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 2018 as follows:

- Angara cascade: water inflows into Lake Baikal are expected to be 2,500–3,100 cubic metres per second or 83-103% of normal level. In 2Q 2017, the useful

water inflow was 2,283 cubic metres per second. In 1Q 2018 the water inflow accounted for 263 cubic metres per second (up 5.2% y-o-y). Lateral inflows into the Bratsk Reservoir are expected to be 1,550–1,850 cubic metres per second or 106-127% of normal level. In 2Q 2017, the average monthly lateral inflows into the Bratsk Reservoir were 940 cubic metres per second; in 1Q 2018 the water inflow accounted for 188 cubic metres per second (down 4.2% y-o-y);

- The Krasnoyarsk Reservoir: water inflows are expected to be 2,800-3,600 cubic metres per second or 94-120% of normal level.

Metals segment 1Q 2018 results

- Revenue in 1Q 2018 increased by 19.5% y-o-y to USD 2,744 million;
- Adjusted EBITDA in 1Q 2018 increased by 20.4% y-o-y to USD 572 million;
- Net profit in 1Q 2018 increased by 190.9% y-o-y to USD 544 million;
- In 1Q 2018 the average aluminium realised price⁹ increased by 19.3% y-o-y to USD 2,326 per tonne.

Metals segment financial results

USD million (except %)	1Q'18	1Q'17	chg,%
Revenue	2,744	2,297	19.5%
Adjusted EBITDA	572	475	20.4%
Adjusted EBITDA margin	20.8%	20.7%	0.1pp
Net profit	544	187	190.9%
Net profit margin	19.8%	8.1%	11.7 pp

Metals segment key operational highlights

	1Q'18	1Q'17	chg,%
Aluminium production, kt	931	910	2.3%
Aluminium sales, kt	965	985	(2.0%)
Aluminium avg. realized price, USD/t	2,326	1,949	19.3%

In 1Q 2018 the Metal's segment revenue increased by 19.5% to USD 2,744 compared to the corresponding period of 2017. The growth was mainly driven by increase in the LME aluminium price and growth in premiums above the LME prices in the different geographical segments, which resulted in 19.3% increase in the weighted average realized aluminium price

⁹ The realised price includes three components: LME component, commodity premium and VAP upcharge

per tonne (to an average of USD 2,326 per tonne in 1Q 2018 from USD 1,949 per tonne in 1Q 2017).

In 1Q 2018, the Metals segment's Adjusted EBITDA increased by 20.4% to USD 572 million y-o-y, compared to USD 475 million in the same period of 2017.

The Metals segment achieved a net profit of USD 544 million for 1Q 2018, as compared to USD 187 million for the same period of 2017, representing 190.9% growth, while adjusted net profit increased by 20.5% from USD 263 million in 1Q 2017 to USD 317 million in 1Q 2018.¹⁰

In 1Q 2018 aluminium production increased by 2.3% and totalled 931 thousand tonnes, with Siberian smelters representing 93% of total aluminium output. The smelters' average utilisation rate remained at 97%.

In 1Q 2018, alumina production remained almost flat y-o-y and totalled 1,892 thousand tonnes, with Russian operations accounted for 36% of total output. Bauxite output totalled 2,960 thousand tonnes (up 3.2% y-o-y).

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¹⁰ 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.