

En+ Group announces 1H and 2Q 2018 financial and operational results

15 August 2018 — EN+ GROUP PLC (the “**Company**”, “**En+ Group**” or together with its subsidiaries “**the Group**”) announces its financial and operational results for the six month and three month periods ended 30 June 2018.

The information presented in this announcement only reflects the position of the Company during the review period from 1 January to 30 June 2018 (the “**Review Period**”), unless otherwise specified.

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 “**OFAC Sanctions**”). Such persons include, among others, the Company, UC RUSAL Plc, JSC EuroSibEnergO and Mr Oleg Deripaska, the ultimate controlling shareholder of the Company, 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 (General Licenses 12 and 13) 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.

Since 6 April 2018, OFAC has, through the issuance of a new General License 16, extended the applicable deadline for activities earlier permitted by General License 12 to 23 October 2018. In addition, OFAC has extended the deadline for activities earlier permitted by General License 13 on several occasions; current General License 13C extends the applicable deadline to 23 October 2018. The Company continues to engage with OFAC with a view to achieving the delisting of the Company from the SDN List (see further discussion below), although no guarantees can be made that such efforts will be effective.

The Company's current assessment is that it is highly likely that the impact of the OFAC Sanctions may be materially adverse to the business. The Company's primary focus remains on the protection of the interests of all of its stakeholders; including investors, shareholders and partners.

Financial highlights:

- In 1H 2018, the Group's revenue increased by 5.1% y-o-y to USD 6,136 million, while in 2Q 2018 it reduced by 7.3% y-o-y to USD 2,698 million;
- The Group's Adjusted EBITDA¹ grew by 11.8% y-o-y to USD 1,692 million in 1H 2018, and by 0.7% y-o-y to USD 763 million in 2Q 2018;
- In 1H 2018, the Group's net profit increased to USD 1,037 million, from USD 548 million in 1H 2017;
- The Group's net debt² of USD 12,072 million as of 30 June 2018 remained broadly unchanged compared to the Group's net debt at 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 less total cash and cash equivalents as at the end of the relevant period.

Operational performance:

- The Group's electricity production grew by 3.6% y-o-y and accounted for 35.0³ TWh in 1H 2018, and increased by 6.1% y-o-y to 17.3 TWh in 2Q 2018;
- The Group's hydro power output decreased by 3.3% y-o-y to 26.3 TWh in 1H 2018, and by 1.4% to 14.1 TWh in 2Q 2018;
- Power production generated by combined heat and power plants ("CHPs") increased by 31.8% to 8.7 TWh in 1H 2018, and by 60.0% to 3.2 TWh in 2Q 2018;
- Aluminium production increased by 2.1% y-o-y to 1.9 million tonnes in 1H 2018, and by 2.0% to 0.9 million tonnes in 2Q 2018;
- In 1H 2018, the Group's total alumina production of 3.8 million tonnes remained stable y-o-y.

Consolidated financial results

| USD million (except %) | 1H'18 | 1H'17 | chg,% | 2Q'18 | 2Q'17 | chg,% |
|------------------------|-------|-------|-------|-------|-------|--------|
| Revenue | 6,136 | 5,841 | 5.1% | 2,698 | 2,910 | (7.3%) |
| Adjusted EBITDA | 1,692 | 1,513 | 11.8% | 763 | 758 | 0.7% |
| Adjusted EBITDA margin | 28% | 26% | 2pp | 28% | 26% | 2pp |
| Net profit | 1,037 | 548 | 89.2% | 370 | 283 | 30.7% |
| Net profit margin | 17% | 9% | 8pp | 14% | 10% | 4pp |

Revenue

In 1H 2018, revenue increased by 5.1% to USD 6,136 million, compared to USD 5,841 million in 1H 2017. The increase is primarily attributable to an increased aluminium price⁴ on the London Metals Exchange ("LME") (up 17.5% from USD 1,880 per tonne in 1H 2017 to USD 2,209 per tonne in 1H 2018), which was partially off-set by a decrease in aluminium sales volumes during the period.

In 2Q 2018, the Group's revenue decreased by 7.3% y-o-y to USD 2,698 million, mainly as a result of a decrease in sales volumes in the Metals segment on the back of a relatively stable performance in the Energy segment.

EBITDA

In 1H 2018, the Group's Adjusted EBITDA grew by 11.8% to USD 1,692 million, primarily as a result of higher LME prices (which was partially offset by decreased sales volumes). The Group's Adjusted EBITDA margin improved by 2 pp y-o-y to 28% in 1H 2018. In 2Q 2018, the Group's Adjusted EBITDA remained almost flat y-o-y, accounting for USD 763 million, whereas the Group's Adjusted EBITDA margin improved by 2 pp y-o-y to 28%.

³ Excluding Ondskaya HPP, which produced 0.2 TWh in 1H 2018.

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

Net profit

In 1H 2018, the Group's net profit increased to USD 1,037 million as compared to USD 548 million in 1H 2017. The growth was largely driven by an improvement in operating results as well as a significant decrease in net financial expenses, which was primarily due to the net profit arising from a change in the fair value of derivative financial instruments for the first six months of 2018, as compared to a significant net loss on this item for the first six months of 2017 in the Metals segment, as well as an increase in the share of profits of associates and joint ventures.

Capital expenditures

In 1H 2018, the Group's capital expenditures amounted to USD 463 million.

The Energy segment's capital expenditures stood at USD 57 million in 1H 2018 (down 1.7% y-o-y). A strategic priority of the capital expenditure plan for the Group's Energy segment remains the hydro power plant ("HPP") modernisation programme.

The Metals segment's capital expenditures amounted to USD 417 million in 1H 2018 compared to USD 321 million in 1H 2017.

Corporate developments

On April 27 2018, the Company announced the "Barker Plan" in response to the OFAC Sanctions, which implies the reduction of Mr. Deripaska's shareholding in the Company to below 50%, and a further reduction of his influence over the board of directors of the Company (the "BoD") through a restructuring of the composition of the BoD. Following the "Barker plan" the Company's Chairman accepted resignations from two directors:

- Mr. Oleg Deripaska's resignation as a director of the Company, with immediate effect; and
- Mr. Maxim Sokov's resignation from the Group's BoD with effect from 1 June 2018, which saw Mr. Sokov relinquishing all roles and responsibilities relating to the Group.

Following the resignations of Mr. Oleg Deripaska and M. Sokov, G. Moldazhanova, I. Makarov, O. Mashkovskaya and A. Vishnevskiy each resigned from the BoD with effect from 27 June 2018.

As an interim measure, in order to preserve the effective functioning of the existing corporate governance structure ahead of the full implementation of the "Barker Plan", the BoD has approved the appointments of Timur Valiev, Alexander Krovushkin, Mikhail Likhonnikov, Konstantin Molodkin, Alexander Shistko, Yuri Dvoryanskiy and Denis Kholodilov as directors of the Company with effect from 27 June 2018.

The Group continues to engage with OFAC regarding the OFAC Sanctions and the Barker Plan, and the extension of the General Licenses (as mentioned above) is a reflection of the achievements of this communication to date.

On 26 July 2018, the Company held its annual general meeting, at which the shareholders made the following decisions:

- That the audited financial statements of the Company, the report of the directors of the Company and the auditor's report on the financial statements of the Company, each for the year ended 31 December 2017 be received and considered;
- That JSC KPMG be appointed as the auditor of the Company and that the directors be authorized to fix the remuneration of the auditor for the financial year ending 31 December 2018; and
- That each member of the BoD be re-appointed, such persons being: Rt Hon Lord Barker of Battle (Chairman, Independent director), Philippe Mailfait (Independent director), Timur Valiev, Alexander Krovushkin, Mikhail Likhonnikov, Konstantin Molodkin, Alexander Shistko, Yuri Dvoryanskiy and Denis Kholodilov.

Debt position

The Group's net debt⁵ as of 30 June 2018 remained almost flat compared to 31 December 2017, accounting for USD 12,072 million, with such figure including net debt attributable to the Metals segment of USD 7,875 million and net debt attributable to the Energy segment of USD 4,197 million.

Energy segment 1H 2018 results

Energy segment financial results

| USD million (except %) | 1H'18 | 1H'17 | chg,% | 2Q'18 | 2Q'17 | chg,% |
|------------------------|-------|-------|-------|-------|-------|---------|
| Revenue | 1,711 | 1,599 | 7.0% | 713 | 722 | (1.2%) |
| Adjusted EBITDA | 627 | 572 | 9.6% | 259 | 256 | 1.2% |
| Adjusted EBITDA margin | 37% | 36% | 1 pp | 36% | 35% | 1 pp |
| Net profit | 139 | 120 | 15.8% | 6 | 8 | (25.0%) |
| Net profit margin | 8% | 8% | - | 1% | 1% | - |

Energy segment key operational highlights

| | 1H'18 | 1H'17 | chg,% | 2Q'18 | 2Q'17 | chg,% |
|-------------------------------------------------|-------|-------|---------|-------|-------|--------|
| Total Electricity Production ⁶ , TWh | 35.0 | 33.8 | 3.6% | 17.3 | 16.3 | 6.1% |
| HPPs, TWh | 26.3 | 27.2 | (3.3%) | 14.1 | 14.3 | (1.4%) |
| CHPs, TWh | 8.7 | 6.6 | 31.8% | 3.2 | 2.0 | 60.0% |
| Abakan SPP, GWh | 3.2 | 3.6 | (11.1%) | 2.2 | 2.3 | (4.3%) |
| Heat, Gcal, mn | 15.7 | 14.6 | 7.5% | 4.5 | 4.4 | 2.3% |

⁵ 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.

⁶ Excluding Ondskaya HPP

In 1H 2018, the Energy segment's revenue increased by 7.0%, totalling USD 1,711 million in 1H 2018 compared to USD 1,599 million in 1H 2017. This revenue growth was driven by an increase in electricity sales volumes and weighted average electricity and capacity prices⁷, as well as growth in heat sales volumes and tariffs.

In 1H 2018, the Energy segment's Adjusted EBITDA increased by 9.6% to USD 627 million, as compared to USD 572 million in 1H 2017. In 1H 2018, the Energy segment's net profit grew to USD 139 million, compared to USD 120 million in 1H 2017.

In 2Q 2018, the Energy segment's revenue decreased by 1.2% to USD 713 million. The Energy segment's EBITDA remained almost flat and accounted for USD 259 million, whilst the Energy segment's EBITDA margin stood at 36%.

The Group's power plants⁸ generated 35.0 TWh of electric energy (up 3.6% y-o-y) in 1H 2018, and 17.3 TWh in 2Q 2018 (up 6.1% y-o-y).

The Group's hydro power output decreased to 26.3 TWh in 1H 2018 from 27.2 TWh in 1H 2017 (down 3.3% y-o-y) and 14.1 TWh in 2Q 2018 (down 1.4% y-o-y):

- In 1H 2018, Krasnoyarsk HPP's total power generation increased by 4.2% to 10.0 TWh (from 9.6 TWh in 1H 2017) on the back of more favorable hydrological conditions. In 2Q 2018, power generation at Krasnoyarsk HPP accounted for 5.5 TWh (up 12.2% y-o-y). At the beginning of 2Q 2018, water levels at the headrace of the dam were 0.3 metres higher than at the start of 2Q 2017; and
- Water inflows to Lake Baikal have been recovering in 2Q 2018, moving closer to normal levels (98.9% of normal levels in 2Q 2018 compared to 76.2% of normal levels in 2Q 2017). However, the water level of Lake Baikal remained low at 456.16 metres as at the end of 2Q 2018 (as compared to 455.74 metres at the end of 2Q 2017) and close to the minimal allowed levels⁹. Thus, the Federal Water Resources Agency set the dam water flow levels for the Irkutsk HPP close to the minimal level. This resulted in the Group's Angara cascade HPPs (Irkutsk, Bratsk and Ust-Ilimsk HPPs) decreasing their power generation by 1.3 TWh y-o-y to 16.3 TWh in 1H 2018 and by 0.8 TWh y-o-y to 8.6 TWh in 2Q 2018.

In 1H 2018, the Abakan Solar Power Plant generated 3.2 million kWh, being 0.4 million kWh less compared to production level in 1H 2017, mainly due to less favorable weather conditions.

In 1H 2018, power generation at the Group's CHPs increased by 31.8% y-o-y to 8.7 TWh, primarily as a result of a lower monthly average air temperature from January-May 2018 and lower production at the Angara Cascade HPPs (due to the challenging hydrological situation).

⁷ Electricity sales and prices are referred to the spot market, Balancing market, Free bilateral market, regulated contracts, retails sales; capacity sales and prices referred to the free bilateral contracts, regulated contracts and KOM.

⁸ Excluding Ondskaya HPP

⁹ 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) in 2018-2020.

In 2Q 2018, the growth accounted for 60.0% and electricity generation at the Group's CHPs reached 3.2 TWh.

In 1H 2018, heat generation increased by 7.5% y-o-y, amounting to 15.7 million Gcal for the period, including 4.5 million Gcal generated in 2Q 2018 (up 2.3% y-o-y).

Electricity production and consumption by the Siberian integrated energy system

According to the System Operator of the United Power System, in 1H 2018, the Siberian integrated energy system (which is located in the Company's key region of operations) produced 103.5 TWh of electricity (up 1.0% y-o-y), while HPP output totalled 45.4 TWh (down 2.0% y-o-y). Electricity consumption in the Siberian integrated energy system increased by 3.2% y-o-y, reaching 106.8 TWh. This increase in consumption was primarily driven by lower seasonal temperatures from January-May 2018 compared to the same period in 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 3Q 2018 as follows:

- Angara cascade: water inflows into Lake Baikal are expected to be 3,100–4,100 cubic metres per second or 73.8-97.6% of normal level. In 3Q 2017, the useful water inflow was 2,100 cubic metres per second. In 2Q 2018 the water inflow accounted for 2,967 cubic metres per second (up 29.9% y-o-y). Lateral inflows into the Bratsk Reservoir are expected to be 1,450–1,850 cubic metres per second or 80% of normal level. In 3Q 2017, the average monthly lateral inflows into the Bratsk Reservoir were 1,323 cubic metres per second; in 2Q 2018 the water inflow accounted for 1,470 cubic metres per second (up 56.4% y-o-y); and
- The Krasnoyarsk Reservoir: water inflows are expected to be 1,000-1,600 cubic metres per second or 70.4-112.7% of normal level.

Metals segment 1H 2018 results

Metals segment financial results

| USD million (except %) | 1H'18 | 1H'17 | chg,% | 2Q'18 | 2Q'17 | chg,% |
|------------------------|-------|-------|--------|-------|-------|--------|
| Revenue | 4,997 | 4,764 | 4.9% | 2,253 | 2,467 | (8.7%) |
| Adjusted EBITDA | 1,124 | 985 | 14.1% | 552 | 510 | 8.2% |
| Adjusted EBITDA margin | 22% | 21% | 1 pp | 25% | 21% | 4 pp |
| Net profit | 952 | 470 | 102.6% | 408 | 283 | 44.2% |
| Net profit margin | 19% | 10% | 9 pp | 18% | 11% | 7pp |

Metals segment key operational highlights

| | 1H'18 | 1H'17 | chg, % | 2Q'18 | 2Q'17 | chg, % |
|------------------------------------------------------|-------|-------|---------|-------|-------|---------|
| Aluminium production, kt | 1,870 | 1,831 | 2.1% | 939 | 921 | 2.0% |
| Primary aluminium and alloys sales, kt | 1,748 | 1,987 | (12.0%) | 783 | 1,002 | (21.9%) |
| Primary aluminium and alloys avg. sales price, USD/t | 2,322 | 2,016 | 15.2% | 2,317 | 2,326 | (0.4%) |

In 1H 2018, the revenue attributable to the Metals segment increased by 4.9% y-o-y to USD 4,997 million. The growth was mainly driven by an increase in the LME aluminium price (to an average of USD 2,209 per tonne in 1H 2018 from USD 1,880 per tonne in 1H 2017). This resulted in a 15.2% increase in the weighted average realized aluminium price per tonne (to an average of USD 2,322 per tonne in 1H 2018 from USD 2,016 per tonne in 1H 2017). The Adjusted EBITDA attributable to the Metals segment increased by 14.1% to USD 1,124 million y-o-y, compared to USD 985 million in the same period of 2017.

In 2Q 2018, revenue attributable to the Metals segment decreased by 8.7% y-o-y to USD 2,253 million, on the back of lower sales volumes. EBITDA improved by 8.2% y-o-y to USD 552 million. The EBITDA margin improved by 4 pp y-o-y, reaching 25%.

The Metals segment achieved a net profit of USD 952 million for 1H 2018, as compared to USD 470 million for the same period of 2017, representing 102.6% y-o-y growth, while adjusted net profit increased by 15.0% y-o-y, from USD 465 million in 1H 2017 to USD 535 million in 1H 2018.¹⁰

In 1H 2018, the Group's aluminium production increased by 2.1% and totalled 1,870 thousand tonnes, due to the commencement of a project to ramp up the Volgograd aluminium smelter capacity in 2018. In 1H 2018, alumina production remained stable y-o-y and totalled 3,816 thousand tonnes. Bauxite output increased by 5.4% to 6,280 thousand tonnes.

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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.

This announcement may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements reflect the Company's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's business, results of operations, financial position, liquidity, prospects, growth or strategies. Forward-looking statements speak only as of the date they are made.