

EN+ GROUP ANNOUNCES 1H AND 2Q 2019 OPERATIONAL RESULTS

26 July 2019 — En+ GROUP IPJSC (the "**Company**", "**En+ Group**" or "**the Group**") (LSE: ENPL; MOEX: ENPL), a leading international vertically integrated aluminium and power producer, today announces its operational results for the six month and three month periods ended 30 June 2019.

1H 2019 highlights¹:

- Sequential improvement as the Company is working through getting back to normal post sanctions lifting.
- Aluminium production remained largely stable and totalled 1,867 kt (down 0.2% y-o-y).
- Aluminium sales increased 13.2% y-o-y totalling 1,978 kt. In 2Q 2019, sales increased 38.2% y-o-y to 1,082 kt.
- The average aluminium realised price² decreased 15.6% y-o-y to USD 1,960 per tonne.
- The share of value added products³ (VAP) in total sales decreased to 34% from 48% in 1H 2018, with VAP sales decreasing 19.8% y-o-y to 673 kt. In 2Q 2019, the share of VAPs amounted to 38% or 414 kt, an improvement of 59.9% compared to 1Q 2019.
- The Group's electricity production⁴ increased 5.4% y-o-y to 36.9 TWh.
- The Group's hydro power⁴ output increased 9.1% y-o-y to 28.7 TWh.

		1H'19	1H'18	chg,%	2Q'19	2Q'18	chg,%
Power segment							
Electricity production ⁴	TWh	36.9	35.0	5.4%	17.7	17.3	2.3%
Heat production	mn Gcal	15.1	15.7	(3.8%)	4.6	4.5	2.2%
Metals segment							
Aluminium production	kt	1,867	1,870	(0.2%)	938	939	(0.1%)
Aluminium sales	kt	1,978	1,748	13.2%	1,082	783	38.2%
VAP sales ³	kt	673	839	(19.8%)	414	376	10.1%
Aluminium avg. realised price ²	USD/t	1,960	2,322	(15.6%)	1,970	2,317	(15.0%)

¹ Operating results are based on preliminary data and may be updated in the 1H 2019 and 2Q 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

		1H'19	1H'18	chg, %	2Q'19	2Q'18	chg, %
Production volumes⁵							
Total Electricity Production	TWh	36.9	35.0	5.4%	17.7	17.3	2.3%
HPPs, incl.	TWh	28.7	26.3	9.1%	14.6	14.1	3.5%
Angara cascade ⁶	TWh	19.6	16.3	20.2%	9.9	8.6	15.1%
Yenisei cascade ⁷	TWh	9.1	10.0	(9.0%)	4.7	5.5	(14.5%)
CHPs	TWh	8.2	8.7	(5.7%)	3.1	3.2	(3.1%)
Abakan SPP	GWh	3.5	3.2	9.4%	2.3	2.2	4.5%
Heat	mn Gcal	15.1	15.7	(3.8%)	4.6	4.5	2.2%
Market prices							
Average electricity spot prices ⁸ :							
1 st price zone	RUB/MWt	1,321	1,188	11.2%	1,333	1,190	12.1%
2 nd price zone:	RUB/MWt	1,033	883	17.0%	1,041	838	24.3%
Irkutsk region	RUB/MWt	989	872	13.4%	977	783	24.8%
Krasnoyarsk region	RUB/MWt	989	835	18.3%	994	778	27.8%

Power segment operations update

En+ Group power plants generated 36.9 TWh of electric energy (up 5.4% y-o-y) in 1H 2019 and 17.7 TWh (up 2.3% y-o-y) in 2Q 2019.

The Group's hydro power output increased to 28.7 TWh (up 9.1% y-o-y) in 1H 2019 and to 14.6 TWh in 2Q 2019 (up 3.5% y-o-y).

The Group's Krasnoyarsk HPP's total power generation decreased to 9.1 TWh in 1H 2019 (down 9.0% y-o-y). In 2Q 2019, power generation at the Krasnoyarsk HPP was 4.7 TWh (down 14.5% y-o-y). The lateral inflow to Krasnoyarsk reservoir was 2,572 cubic meters per second (86.3% of normal level) in 2Q 2019 compared to 3,104 cubic meters per second (104.2% of normal level) in 2Q 2018.

The Group's Angara cascade HPPs (Irkutsk, Bratsk and Ust-Ilimsk HPPs) increased power generation to 19.6 TWh in 1H 2019 (up 20.2% y-o-y) and to 9.9 TWh in 2Q 2019 (up 15.1% y-o-y) due to increased water reserves in Angara cascade reservoirs. The water level of Lake Baikal reached 456.56 meters as at the end of 2Q 2019 (456.17 meters at the end of 2Q 2018).

The Power segment's key project is the "New Energy" HPPs modernisation program. In 2Q 2019, upgraded equipment allowed for increased energy production from the HPPs of 325 GWh, amounting to 595 GWh in 1H 2019.

On 1 July 2019, after the reporting date, the Group commenced the modernisation of the Irkutsk HPP, taking out of service a first hydropower unit. The new hydropower unit will be

⁵ Excluding Onda HPP (installed capacity 0.08 GW), located in the European part of the Russian Federation, leased to RUSAL since October 2014.

⁶ Includes Irkutsk, Bratsk, Ust-Ilimsk HPPs.

⁷ Krasnoyarsk HPP.

⁸ 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".

commissioned no later than 1 July 2020. Under the modernisation programme, 4 of the 8 hydropower units installed at the plant will be replaced by 2023, with the capacity of each unit expected to increase from 82.8 MW to 105.7 MW.

In 1H 2019, the Abakan Solar Power Plant generated 3.5 GWh (up 9.4% y-o-y) due to more favourable weather conditions.

Power generation at the Group's CHPs decreased to 8.2 TWh in 1H 2019 (down 5.7% y-o-y) and to 3.1 TWh in 2Q 2019 (down 3.1% y-o-y). Heat generation at the Group's CHPs decreased to 15.1 million Gcal in 1H 2019 (down 3.8% y-o-y), while it increased to 4.6 million Gcal in 2Q 2019 (up 2.2% y-o-y).

Russian energy market update

- In 1H 2019, according to the System Operator of the United Power System, power production in Russian United Power System accounted for 543.1 TWh (up 1.3% y-o-y⁹). Consumption remained almost flat y-o-y and amounted to 532.8 TWh¹⁰ (up 0.2% y-o-y¹⁰);
- Power production in the first price zone¹⁰ accounted for 416.6 TWh in 1H 2019 (up 0.7% y-o-y). Consumption in the first price zone slightly decreased (down 0.3% y-o-y) and amounted to 405.8 TWh;
- In 1H 2019, the Siberian integrated energy system (the Company's key region of operations) produced 108.6 TWh of electricity (up 0.9% y-o-y). In the same period, output from HPPs in Siberia increased by 3.2% y-o-y to 46.9 TWh, while thermal power plants and captive power stations decreased their electricity production by 3.2% y-o-y to 46.9 TWh;
- Electricity consumption remained broadly flat at 110.6 TWh (down 0.2% y-o-y); and
- In 1H 2019, the Group generated approximately 33.1% of the total electricity, produced in the Siberian integrated energy system. The Group's HPPs generated approximately 61.2% 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 3Q 2019 as follows:

- Angara cascade: water inflows into Lake Baikal are expected to be 3,200-4,200 cubic meters per second representing 79-104% of normal levels. In 3Q 2018, the useful water inflow was 3,933 cubic meters per second or 94% of normal levels. In 2Q 2019, the water inflow was measured at 2,733 cubic meters per second compared to 2,967 cubic meters per second in 2Q 2018;
- Lateral inflows into the Bratsk Reservoir are expected to be 1,700-2,100 cubic meters per second or 83-103% of normal level. In 3Q 2018 water inflow was measured at 1,843 cubic

⁹ According to the 1H 2019 press-release of the System Operator of the Unified Power System of the Russian Federation (<https://so-ups.ru/>).

¹⁰ Comprises the Central, Central Volga, Urals, North-West and South energy systems.

meters per second (down 39.3% y-o-y). In 2Q 2019, the average monthly lateral inflows into the Bratsk Reservoir were 1,370 cubic meters per second (up 6.8% y-o-y); and

- The Krasnoyarsk Reservoir: water inflows are expected to be 1,100-1,500 cubic meters per second or 63-95% of normal levels.

METALS SEGMENT

		1H'19	1H'18	chg,%	2Q'19	2Q'18	chg,%
Production volumes							
Aluminium	kt	1,867	1,870	(0.2%)	938	939	(0.1%)
Utilisation rate	%	97%	97%	-	97%	97%	-
Alumina	kt	3,850	3,816	0.9%	1,918	1,924	(0.3%)
Bauxite	kt	8,073	6,280	28.6%	4,242	3,320	27.8%
Nepheline	kt	2,153	2,269	(5.1%)	1,144	1,180	(3.1%)
Sales volumes							
Aluminium, incl.	kt	1,978	1,748	13.2%	1,082	783	38.2%
VAP sales ¹¹	kt	673	839	(19.8%)	414	376	10.1%
Share of VAP sales	%	34%	48%	(14pp)	38%	48%	(10pp)
Average prices							
Aluminium average realised price	USD/t	1,960	2,322	(15.6%)	1,970	2,317	(15.0%)
LME QP component	USD/t	1,835	2,157	(14.9%)	1,824	2,161	(15.6%)
Realised premium	USD/t	125	165	(24.1%)	146	156	(6.4%)

Metals segment operations update¹²

Aluminium

In 1H 2019, aluminium production¹³ totalled 1,867 kt (down 0.2% y-o-y) with Siberian smelters representing 93% of total aluminium output. In 2Q 2019, aluminium production remained broadly unchanged y-o-y and amounted to 938 kt (down 0.1%).

In 1H 2019, aluminum sales increased 13.2% y-o-y totalling 1,978 kt. In 2Q 2019, sales were 1,082 kt (up 38.2% y-o-y). This increase reflects the recovery of the business from the effect of OFAC¹⁴ Sanctions¹⁵, enabling the Company to partially sell down surplus inventories of primary aluminum that were accumulated by the end of 2018. Sales of VAP¹² accounted for 34% of total sales in 1H 2019, down from 48% in 1H 2018. In 2Q 2019, sales of VAP¹² increased to 414 kt (up 59.9% compared to 1Q 2019) as a result of the planned gradual recovery of VAP share in total sales mix to 38% in 2Q 2019, compared to 29% in 1Q 2019, that was affected by the impact of Sanctions on the market.

In 1H 2019, the average aluminium realised price¹⁶ decreased 15.6% y-o-y to USD 1,960 per tonne. In 2Q 2019, the average aluminium realised price decreased 15.0%

¹¹ VAP includes alloyed ingots, slabs, billets, wire rod, wheels, high and special purity aluminium

¹² Operating data are based on preliminary data and may be updated in the 1H 2019 and 2Q 2019 financial results.

¹³ Aluminium production represented by salable products output (the number includes all facilities excluding Volgograd remelting of third parties metal).

¹⁴ "OFAC" - The Office of Foreign Assets Control of the Department of Treasury of the United States of America.

¹⁵ "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.

¹⁶ The realised price includes three components: LME component, commodity premium and VAP upcharge.

y- o-y to USD 1,970 per tonne. The decrease of the London Metal Exchange (“LME”) QP¹⁷ component in 2Q 2019 compared to 1Q 2019 to USD 1,824 per tonne (down 1.4% q-o-q) was compensated by an increase of average realised premium component (up 46.2% q-o-q to USD 146 per tonne). The growth of premiums during 2Q 2019 is primarily attributed to the increase of VAP share in product sales mix.

Alumina

In 1H 2019 alumina production increased 0.9% y-o-y to 3,850 kt. In 2Q 2019, it marginally decreased 0.3% y-o-y, to 1,918 kt. The Company’s Russian operations accounted for 36% 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 1H 2019, bauxite output increased 28.6% y-o-y to 8,073 kt. In 2Q 2019, bauxite production increased 27.8% y-o-y to 4,242 kt.

In 1H 2019, nepheline production decreased 5.1% y-o-y to 2,153 kt. In 2Q 2019 it decreased 3.1% y-o-y to 1,144 kt.

Aluminium market overview¹⁸

- Total global aluminium production in 1H 2019 increased 1% to 31.9 million tonnes. The market ex-China achieved growth of 1.4% y-o-y to 13.9 million tonnes whilst growth in China totalled 18 million tonnes, up 0.4% y-o-y. Overall, the global market was in a 1.1 million tonnes deficit during 1H 2019.
- Trade tensions between China and the U.S. continued to cause uncertainty in the market and suppress economic growth. Whilst there was cautious optimism in the aluminium market in 1Q 2019 which helped drive modest growth in demand, this fell away in 2Q 2019 and led to a deterioration in aluminium demand. In 1H 2019, global primary aluminium demand increased 1% y-o-y to 33 million tonnes. Ex-China it was broadly flat at 15 million tonnes. In China demand was up 1.4% y-o-y to 18 million tonnes. Coupled with currently experienced global contraction of manufacturing activity (JP Morgan Global Manufacturing PMI fell from 49.8 in May to an 80-month low of 49.4 in June)¹⁹ we are concerned that overall macroeconomic situation may negatively affect aluminium demand in 2H 2019.
- Despite a decline in alumina and carbon materials costs, 12% of smelters outside China still operate at a loss with approximately 3.4 million tonnes of capacity operating with costs above current prices. This includes 1.5 million tonnes of independent non-integrated plants.

¹⁷ 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.

¹⁸ Unless otherwise stated, data for the “Market overview” section is sourced from Bloomberg, CRU, CNIA, IAI and Antaika.

¹⁹ JP Morgan Global Manufacturing PMI – score below 50 points indicate contraction.

- Operating capacity growth in China during 1H 2019 was largely flat y-o-y with overall capacity amounting to 36.6 million tonnes. Approximately 1.1 million tonnes of capacity remains closed due to low prices and slow progress in ramping up new capacity.
- Aluminium inventories at LME warehouses in 1H 2019 fell below 1 million tonnes, reflecting a decline of 284 thousand tonnes from the start of the year. LME live warrants remained at the 640 thousand tonne level. Chinese regional stocks continued to significantly decline in June, leading to a decline of 235 thousand tonnes in 1H 2019 to 1.05 million tonnes.

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