EN+ GROUP FY 2019 FINANCIAL RESULTS

RESILIENT PERFORMANCE IN A CHALLENGING MARKET

27 March 2020 — EN+ GROUP IPJSC (the **"Company", "En+ Group"** or the **"Group"**) announces its financial results for the year ended 31 December 2019.

Key highlights:

The Group delivered a resilient operational and financial performance in 2019, reporting strong operating cash flows of USD 2.6 billion despite challenging market conditions. The strong synergies between the power and the metals businesses continue to demonstrate the significant advantages of our integrated business model, despite depressed global demand for aluminium driven by macroeconomic pressures. Notwithstanding the decline in the London Metal Exchange ("LME") aluminium price during the period, which reached 3-year lows, the Group delivered free cash flows of USD 1.6 billion and maintained comparatively strong Adj. EBITDA margins. This cash generation was driven by sustainable EBITDA in our power segment, low cost of production in our metals segment and over USD 1.1 billion of cash dividends received from our associates and joint ventures.

En+ Group prioritises the health and safety of its employees. To prevent the spread of coronavirus (COVID-19) at its operational facilities the Company has recently introduced distance working, effective from March 17, 2020. Only employees engaged in maintaining necessary ongoing operations are permitted to work at the Group's operational facilities. The steps that the Group is taking aim at ensuring as much protection as possible for the Group's employees and staff while maintaining uninterrupted operations.

USD million (except %)	FY19	FY18	chg,%
Revenue	11,752	12,378	(5.1%)
Primary aluminium and alloys sales[1]	7,906	8,165	(3.2%)
Alumina sales	664	975	(31.9%)
Electricity sales	1,300	1,329	(2.2%)
Heat sales	462	461	0.2%
Other	1,420	1,448	(1.9%)
Adjusted EBITDA[2]	2,127	3,287	(35.3%)
Adjusted EBITDA margin	*18.1%*	*26.6%*	*(8.5pp)*
Net profit	1,304	1,862	(30.0%)
Net profit margin	*11.1%*	*15.0%*	*(3.9pp)*
Net debt[3]	10,204	11,094	(8.0%)
Free cash flow[4]	1,614	877	84.0%
LME aluminium price per tonne	1,792	2,110	(15.1%)

Lord Barker, Executive Chairman of En+ Group, said:

[1] After consolidation adjustments.

[2] 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.

[3] The sum of loans and borrowings and bonds outstanding less total cash and cash equivalents as at the end of the relevant period.

[4] Calculated as operating cash flow less net interest paid and less capital expenditure adjusted for payments from settlement of derivative instruments, less restructuring fees and other payments related to issuance of shares and plus dividends from associates and joint ventures.

“2019 was a challenging macro-economic environment for global manufacturing and the major industrial customers for aluminium. Nevertheless, EN+ Group drew on the strength of our asset base, integrated business model and the commitment of our people to increase both aluminium sales and electricity generation volumes.

However now we face a far greater challenge. The unfolding Covid-19 pandemic is a direct threat to our employees and stakeholders around the globe and a severe challenge to the markets we serve. As a leading employer and supplier in Russia and with important operations on five continents, we are playing our full part in responding to the crisis and are taking all steps necessary to protect our employees and safeguard the future of the group. The full consequences of this crisis are not yet known but our financial position remains strong, our resolve stronger still and we are determined to emerge from this period with a renewed commitment to playing our part, as a leading participant in the low carbon economy, to building a safer and more secure world.

A final Board decision will be made in April on a dividend recommendation for our AGM in June. Without an improvement before then in underlying market conditions, it is, with regret, unlikely to be prudent to recommend a dividend for the 2019 financial year. We nevertheless still look forward to resuming dividend payments as soon as market conditions allow.

In February 2020, we took advantage of the opportunity to simplify our ownership structure through the acquisition of VTB Group’s 21.37% stake in the En+ Group. This provides us with the strategic optionality and the opportunity over the longer term to expand our institutional shareholder base and improve trading liquidity.

Despite the current elevated levels of economic disruption, En+ Group believes that the long-term outlook for the aluminium market remains strong. While the current conditions mean that we may need to review our Capex for this year, we will continue to invest in improvements to both our operational performance and technological innovation. Over the next five years, we still plan to invest over USD 715 million in environmentally focused capex programs at our aluminium smelters and alumina refineries.

There is a highly uncertain near term outlook for business but we believe the fight against man made climate change will not disappear with the Corona Virus. On the contrary, we firmly believe that in this decade the shift to a truly sustainable, lower risk, decarbonised economy will endure and grow.

Our group intends to be there to help lead that growth when the recovery comes.”

Vladimir Kiriukhin, CEO of En+ Group, commented:

“2019 was a transformational year for the Group. Our removal from the sanctions list saw us emerge radically changed for the better - a stronger, more sustainable and more investable business than ever. This was achieved against a challenging global market backdrop due to US-China trade tensions. The Group’s ability to mitigate some of the impact of those macro-economic issues was testament to the efficiency of our operations which helped shield our financial fundamentals. We remain one of the industry leaders in terms of Adjusted EBITDA margins, demonstrating the benefits of our integrated business model.

It is crucial to maintain and strengthen our resilience which underpins our investment strategy. During the year we continued to invest in our strategic development projects: Dian-Dian and Friguia, to support our self-sufficiency in raw material; the Boguchany aluminium smelter, to affirm our leadership in low-carbon aluminium production and our New Energy modernization program, to further increase our generation of clean hydro power.

2020 is already a year of unique global challenges and we have yet to fully understand the implications of COVID-19 on world trade. But we have set clear priorities: safeguarding the health and safety of all our employees and ensuring we do everything we can to supply low-carbon aluminium to our partners.

In these times of great uncertainty, all businesses, including our own, will be under stress. For us it is vital that our fundamentals remain strong. Supported by the passionate commitment of our people, I believe that En+ Group has the skills and resilience to overcome these challenges and emerge even stronger."

Consolidated financial results

Revenue

In 2019, revenue decreased by 5.1% y-o-y to USD 11,752 million (USD 12,378 million in 2018), mainly due to the continued decline in the LME aluminium price during the period, which was partially offset by an increase in the Group's aluminium and alloys sales volumes. In 2019, the average LME price decreased by 15.1% y-o-y to USD 1,792 per tonne (from USD 2,110 per tonne in 2018), while primary aluminium and alloys sales volumes increased by 13.8% y-o-y and reached 4,176 thousand tonnes.

EBITDA

In 2019, the Group's Adjusted EBITDA decreased 35.3% y-o-y to USD 2,127 million, mainly due to lower LME prices. The Group's Adjusted EBITDA margin for the reporting period decreased 8.5 percentage points y-o-y to 18.1%.

Net profit

The Group's net profit dropped 30.0% in 2019 to USD 1,304 million (USD 1,862 million in 2018). The decrease was driven mainly by the same factors that influenced the decrease in EBITDA, partially offset by an increase in the share of profit obtained by the Group from its associates and joint ventures.

Capital expenditure

The Group's capital expenditure amounted to USD 1,061 million in 2019 (up 5.7% y-o-y).

The Power segment's capital expenditures accounted for USD 236 million in 2019, compared to USD 181 million in 2018. The Metals segment's capital expenditures amounted to USD 848 million in 2019 compared to USD 834 million in 2018.[5]

Debt position

The Group's net debt as of 31 December 2019 decreased by 8.0% compared to 31 December 2018 and amounted to USD 10,204 million. The net debt attributable to the Metals segment decreased by 13.1% y-o-y to USD 6,466 million as of 31 December 2019. The net debt attributable to the Power segment slightly increased (up 2.4% y-o-y) and accounted for USD 3,738 million as of 31 December 2019 largely due to rouble appreciation. As at 31 December 2019, the RUB/USD rate was 61.91 compared to 69.47 as at 31 December 2018.

[5] Before consolidation adjustments

Power segment FY 2019 financial results

USD million (except %)	FY19	FY18	chg,%
Revenue	2,989	3,147	(5.0%)
Sales of electricity	1,376	1,472	(6.5%)
Sales of capacity	487	462	5.4%
Sales of heat	425	424	0.2%
Other	701	789	(11.2%)
Adjusted EBITDA	1,127	1,174	(4.0%)
Adjusted EBITDA margin	*37.7%*	*37.3%*	*0.4pp*
Net profit	311	211	47.4%
Net profit margin	*10.4%*	*6.7%*	*3.7pp*
Net debt	3,738	3,652	2.4%
RUB/USD rates			
Rate as at the reporting date	61.91	69.47	(10.9%)
Average rate for the period	64.74	62.71	3.2%

Power segment revenues decreased by 5.0% y-o-y to USD 2,989 million in 2019, mainly reflecting rouble depreciation in 2019 compared to 2018 (the average RUB/USD exchange rate went up 3.2%)

Revenue from electricity sales decreased by 6.5% y-o-y to USD 1,376 million in 2019. The decrease was mainly driven by rouble depreciation in 2019 and lower electricity sales prices compared to 2018. This was partially offset by improved electricity generation volumes, which increased by 6.3% y-o-y to 77.8 TWh in 2019.

In 2019, the average electricity spot price on the day-ahead market in the second price zone was 890 RUB/MWh compared to 888 RUB/MWh in 2018, while in the Irkutsk region the price went down 6.3% y-o-y to 789 RUB/MWh and in the Krasnoyarsk region the price declined 4.9% y-o-y to 784 RUB/MWh.

Capacity sales improved by 5.4% y-o-y to USD 487 million in 2019 due to an increase in capacity sales prices and volumes. Heat sales were flat in 2019 compared to 2018.

The Power segment's Adjusted EBITDA in 2019 decreased to USD 1,127 million (down 4.0% y-o-y). The decline was driven by a decrease in average electricity spot prices and rouble depreciation, which was partially offset by the increase in electricity generation volumes.

Net finance expenses decreased primarily as a result of forex fluctuations (forex gain in 2019 of USD 10 million compared to forex loss of USD 70 million in 2018).

Overall in 2019, the Power segment's net profit increased to USD 311 million from USD 211 million in 2018.

In 2019, capital expenditure by the Group's Power segment amounted to USD 236 million (up 30.4% y-o-y). Maintenance capex accounted for 58% of total capital expenditure. The Group's Power segment continued investment in technical connections to power supply infrastructure (including a new substation for the Taishet aluminium smelter) and improving the efficiency of the Group's CHPs, continuing the HPP 'New Energy' modernisation program.

In 2019 and the beginning of 2020, the Group participated in the state program for CHP modernisation, providing a guaranteed return on investment, through which the Group will be able to improve the reliability and safety of 1,295 MW of its CHP capacity (29.5% of total CHP capacity) in total. The total expected capex on the modernisation program in the period from 2019 until 2025 is USD 245 million[6] (RUB 15.2 billion).

[6] Calculated based on USD/RUB exchange rate 61.91 as of 31.12.2019

The Power segment's net debt increased by 2.4% y-oy to USD 3,738 million as at 31 December 2019, from USD 3,652 million as at 31 December 2018. The increase was driven by rouble appreciation, as the RUB/USD rate moved from 69.47 as at 31 December 2018 to 61.91 as at 31 December 2019. In 2019, net repayment of the Power segment's debt amounted to USD 157 million. In rouble terms the Power segment's net debt as at 31 December 2019 declined 8.8% compared to 31 December 2018.

In December 2019, EuroSibEnergo, the Group's subsidiary, entered into a 7-year RUB 99.5 billion (USD 1.6 billion) loan agreement with Sberbank to fully refinance its existing obligations on more favorable commercial terms.

In February 2020, the Group entered into 2 loan agreements with Sberbank:

Loan 1 – 3-year RUB 100.8 billion loan agreement to finance the acquisition of a 21.37% stake in the En+ Group for USD 1.6 billion from VTB.
Loan 2 – loan agreement allowing an extension of final maturity of Loan 1 by another 4 years during 2022.

Metals segment FY 2019 financial results

USD million (except %)	FY19	FY18	chg,%
Revenue	9,711	10,280	(5.5%)
Sales of primary aluminium and alloys	8,019	8,293	(3.3%)
Sales of alumina	664	975	(31.9%)
Sales of foil and other aluminium products	410	346	18.5%
Other	618	666	(7.2%)
Adjusted EBITDA	966	2,163	(55.3%)
Adjusted EBITDA margin	*9.9%*	*21.0%*	*(11.1pp)*
Net profit	960	1,698	(43.5%)
Net profit margin	*9.9%*	*16.5%*	*(6.6pp)*
Net debt	6,466	7,442	(13.1%)

In 2019, the Metal's segment's revenue for the year ended 31 December 2019 decreased by 5.5% y-o-y to USD 9,711 million (as compared to USD 10,280 million for 2018) following a 15.1% y-o-y decrease in the average LME aluminium price from USD 2,110 per tonne in 2018 to USD 1,792 per tonne in 2019 and a 11.2% drop in the average realized premiums to the LME price.

Revenue from sales of primary aluminium and alloys decreased by USD 274 million (down 3.3%) y-o-y, to USD 8,019 million in 2019, as compared to USD 8,293 million in 2018. This was primarily due to a 15.0% y-o-y decrease in the weighted-average realized aluminium price per tonne (to an average of USD 1,920 per tonne in 2019 from USD 2,259 per tonne in 2018), which in turn was driven by a decrease in the LME aluminium price, which was partially offset by a 13.8% y-o-y increase in primary aluminium and alloys sales volumes.

Revenue from sales of alumina decreased by 31.9% y-o-y to USD 664 million for the year ended 31 December 2019 from USD 975 million for the year ended 31 December 2018 due a decrease in the average sales price of 25.0% together with a decrease in sales volumes of 9.2% y-o-y.

Revenue from sales of foil and other aluminium products increased by USD 64 million, or by 18.5% y-o-y, to USD 410 million in 2019, as compared to USD 346 million in 2018, due to an increase in revenue from sales of aluminium wheels of USD 62 million between the comparable periods.

Revenue from other sales, including sales of other products, bauxite and energy services decreased by 7.2% y-o-y to USD 618 million for the year ended 31 December 2019 as compared to USD 666 million for the previous year, due to a 3.5% y-o-y decrease in sales of other materials (including a y-o-y decrease in sales of silicon by 23.0%, aluminium powder by 10.6% and potassium sulphate by 15.5%).

Adjusted EBITDA for the Metals segment decreased to USD 966 million in 2019, as compared to USD 2,163 million in 2018. The factors that contributed to the decrease in Adjusted EBITDA margin were the same that influenced the operating results of the segment. The Metals segment's profit in 2019 decreased to USD 960 million from USD 1,698 million in 2018.

In 2019, the Metals segment's capital expenditures amounted to USD 848 million (up 1.7% y-o-y), with maintenance capex amounting to 59% of this total. The Metals segment continued its investment in key development projects as per its strategic priority of preserving its competitive advantages of vertical integration into raw materials and product mix enhancements.

The Metals segment's net debt decreased 13.1% y-o-y to USD 6,466 million as at 31 December 2019 (USD 7,442 million as at 31 December 2018) reflecting ongoing improvements in the segment's cash and cash equivalents.

On 25 October 2019, the Group's Metals segment entered into a new five-year sustainability-linked pre-export finance facility for USD 1,085 million. The interest rate is subject to a sustainability discount or premium depending on fulfilment of certain sustainability key performance indicators. The proceeds were partly used to refinance the principal outstanding under the existing pre-export finance facility.

In November 2019, PJSC RUSAL Bratsk successfully placed its 4th tranche of local bonds for RUB 15 billion, thus bringing the total volume of issuance on Russian market throughout 2019 to RUB 60 billion (c. USD 930 million). The rate set for the new tranche was 7.45% p.a., with an investor put-option after 3 years - a record low rate in the history of the Metals segment's presence on the Russian debt capital market. The deal was subsequently hedged into USD, resulting in a USD interest rate of 3.65%.

In November 2019, the Group's Metals segment made an early voluntary principal repayment of Sberbank debt in the amount of $500 million and fully repaid $1.3 billion of PXF2017.

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The information presented in this announcement only reflects the position of the Company during the review period from 1 January to 31 December 2019, unless otherwise specified.

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