

## EN+ GROUP ANNOUNCES 1Q 2020 TRADING UPDATE

*En+ Group achieved robust operational results in the first quarter of 2020, registering growth in production in both operational segments. The Company reacted promptly to the COVID-19 threat and was among the first of the major industrial companies in Russia to put in place a range of measures to combat the impact of the virus. The En+ leadership team has implemented a crisis mitigation strategy with a focus on efficiency and employee safety, and will closely monitor the situation to assess and address potential risks.*

**27 April 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 three month period ended 31 March 2020.

### 1Q 2020 key highlights<sup>1</sup>:

- Aluminium production increased 1.3% y-o-y to 940 kt.
- Aluminium sales increased 2.0% y-o-y to 914 kt.
- The average aluminium realised price<sup>2</sup> decreased 4.4% y-o-y to USD 1,864 per tonne.
- The share of value added products<sup>3</sup> (VAP) in the Metals segment's aluminium sales increased to 46% in 1Q 2020 from 29% in 1Q 2019, with VAP sales increasing 62.9% y-o-y to 421kt.
- The Group's Power segment electricity production<sup>4</sup> increased 10.9% y-o-y to 21.3 TWh.
- The Group's Power segment hydro power<sup>4</sup> output increased 15.5% y-o-y to 16.4 TWh.

		1Q'20	1Q'19	chg,%
<b>Power segment</b>				
Electricity production <sup>4</sup>	TWh	21.3	19.2	10.9%
Heat production	mn Gcal	10.1	10.5	(3.8%)
<b>Metals segment</b>				
Aluminium production	kt	940	928	1.3%
Aluminium sales	kt	914	896	2.0%
VAP sales <sup>3</sup>	kt	421	258	62.9%
Aluminium avg. realised price <sup>2</sup>	USD/t	1,864	1,949	(4.4%)

<sup>1</sup> Operating results are based on preliminary data. Please note, the text of this press release may contain inaccuracies in the calculation of proportions, percentages, and amounts when rounding estimated values.

<sup>2</sup> The realised price includes three components: LME component, commodity premium and VAP upcharge.

<sup>3</sup> VAP includes alloyed ingots, slabs, billets, wire rod, wheels, high and special purity aluminium.

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

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**Vladimir Kiriukhin, CEO of En+ Group, commented:**

*“Just a few months ago, COVID-19 was considered by many to be an issue with limited potential reach and implications. It was not until 11 March that the WHO declared a global pandemic. As a result, the global economy performed steadily in 1Q 2020 with only China seeing a major GDP contraction in the period. En+ Group’s operational results were robust for the first quarter: we saw an increase in both production and sales of aluminium and, thanks to a favorable hydrological situation, our HPPs increased their production of green energy.*

*However, from mid-March, the rapid lockdown of key economies, the closing of borders and the introduction of rigid, but necessary, new sanitary norms inevitably hit the manufacturing sector and, consequently, our end markets.*

*While we anticipate that the impact of COVID-19 will be more visible in our 2Q 2020 results, some indications of the current disruption can already be seen: in 1Q global primary aluminium demand dropped by 6.4%. Coupled with growing global production, this has led to a surplus of the metal, weighing on prices.*

*Irrespective of newly posed by COVID-19 economic challenges, our priority right now is the health and safety of our global workforce. To protect our employees from the virus we are committed to following all of the protocols recommended by the authorities of the countries in which we operate, as well as the World Health Organization (WHO). The Group has also taken proactive supplementary measures that reflect the severity of the crisis.*

*While the full extent of the pandemic’s impact is as yet unclear, we expect it to drive a major transformation of the global aluminium industry in the mid-term with expected production curtailments and greenfield projects’ overhaul. Amid this challenge, we continue to remain firm in our commitment to low-carbon production and development. We believe even more strongly now that the long-term sustainability of our industry is contingent on companies following a path that aligns firmly with the sustainability of our planet.”*

**Virus response key highlights:**

- In mid-March the Group introduced distance working. On-duty staff who need to work on site are being provided with a full range of virus protection tools.
- En+ Group purchased and supplied 800,000 medical masks to the Ministry of Health of the Irkutsk Region for distribution to medical institutions and social services organizations.
- The Group launched an initiative to deliver free food supplies to 16,000 of its retired former employees, many of whom are considered high-risk for infection and are therefore unable to leave their homes during the coronavirus pandemic.

## POWER SEGMENT

		1Q'20	1Q'19	chg, %
<b>Production volumes<sup>4</sup></b>				
Total Electricity Production	TWh	21.3	19.2	10.9%
HPPs, incl.	TWh	16.4	14.2	15.5%
Angara cascade <sup>5</sup>	TWh	11.8	9.7	21.6%
Yenisei cascade <sup>6</sup>	TWh	4.7	4.5	4.4%
CHPs	TWh	4.9	5.1	(3.9%)
Abakan SPP	GWh	1.1	1.3	(15.4%)
Heat	mn Gcal	10.1	10.5	(3.8%)
<b>Market prices</b>				
Average electricity spot prices <sup>7</sup> :				
1 <sup>st</sup> price zone	RUB/MWh	1,222	1,308	(6.6%)
2 <sup>nd</sup> price zone:	RUB/MWh	906	1,025	(11.7%)
Irkutsk region	RUB/MWh	866	1,000	(13.4%)
Krasnoyarsk region	RUB/MWh	824	983	(16.1%)

### Power segment operations update

En+ Group power plants generated 21.3 TWh of electricity (up 10.9% y-o-y) in 1Q 2020. The Group's hydro power output increased to 16.4 TWh (up 15.5% y-o-y) in 1Q 2020.

The Group's Angara cascade HPPs (Irkutsk, Bratsk and Ust-Ilimsk HPPs) increased power generation to 11.8 TWh in 1Q 2020 (up 21.6% y-o-y) due to increased water reserves in the reservoirs of HPPs on Angara cascades (up 1.3 TWh compared to long-term average as at 1 April 2020) as well as increased water levels in the Bratsk reservoir, which reached 397.33 meters as at 1 April 2020 vs. 395.94 meters at 1 April 2019.

The Group's Krasnoyarsk HPP's total power generation increased to 4.7 TWh in 1Q 2020 (up 4.4% y-o-y). The increase in the generation levels was a result of higher water levels in the Krasnoyarsk reservoir and a forced drawdown. The latter was made on the instructions of the Russian authorities, as the hydrological forecast estimates a higher than normal inflow in the Krasnoyarsk reservoir in April 2020 of 1,000 – 1,800 cubic meters or 97-175% of norm and 2Q 2020 of 2,800 – 3,600 cubic meters or 95-123% of norm.

In 1Q 2020, the Abakan Solar Power Plant generated 1.1 GWh (down 15.4% y-o-y) due to more cloudy days during the reporting period.

Power generation at the Group's CHPs decreased to 4.9 TWh in 1Q 2020 (down 3.9% y-o-y). Heat generation at the Group's CHPs decreased to 10.1 mn Gcal in 1Q 2020 (down 3.8% y-o-y). The level of electricity and heat generation by the Group's CHPs was affected by weather

<sup>5</sup> Includes Irkutsk, Bratsk, Ust-Ilimsk HPPs.

<sup>6</sup> Krasnoyarsk HPP.

<sup>7</sup> 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".

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conditions. In 1Q 2020, the average temperature during winter months was higher than during the same period last year.

### **“New Energy” HPP modernisation program**

The upgraded equipment at the Group’s Bratsk, Ust-Ilimsk and Krasnoyarsk HPPs allowed for an increase in hydropower production of 425.8 GWh in 1Q 2020 against prior year comparative, helping to reduce greenhouse gas emissions by approximately 494 thousand tonnes of CO<sub>2e</sub> due to partial replacement of prior CHP generation volumes.

### **Russian energy market update<sup>8</sup>**

- In 1Q 2020, according to the System Operator of the United Power System, power production in the Russian United Power System decreased 1.8% and accounted for 293.9 TWh (down 2.9% y-o-y excluding 29 February 2020). Consumption decreased 1.1% y-o-y to 290.3 TWh (down 2.2% y-o-y excluding 29 February 2020);
- Power production in the first price zone<sup>9</sup> decreased by 3.1% and accounted for 219.0 TWh in 1Q 2020 (down 4.1% y-o-y excluding 29 February 2020). Consumption in the first price zone decreased 2.0% y-o-y to 215.5 TWh (down 3.0% y-o-y excluding 29 February 2020);
- In 1Q 2020, the integrated energy system of Siberia (the Company's key region of operations) produced 59.6 TWh of electricity (up 1.2% y-o-y or up 0.2% y-o-y excluding 29 February 2020). In the same period, output from HPPs in Siberia increased by 15.0%, while thermal power plants and captive power stations decreased their electricity production by 8.4% y-o-y;
- Electricity consumption in the Siberian integrated energy system increased 0.7% y-o-y and accounted for 59.9 TWh (up 0.5% y-o-y excluding 29 February 2020);
- In 1Q 2020, the Group generated approximately 35.9% of the total electricity, produced in the Siberian integrated energy system. The Group’s HPPs generated approximately 60.6% of the total electricity produced by hydropower stations in the Siberian integrated energy system;
- In 1Q 2020, the average electricity spot price on day-ahead market in second price zone accounted for 906 RUB/MWh (down 11.7% y-o-y). According to Association “NP Market Council” data, the decrease was resulted from increase in HPPs generation, a change in consumption structure as well as transmission constraints on the transit between East and West Siberia.
- According to the Ministry of Energy of Russian Federation<sup>10</sup>, power consumption in the Russian power system decreased 3.5% from the beginning of the period of self-isolation due to new coronavirus infection.

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

<sup>9</sup> Comprises the Central, Central Volga, Urals, North-West and South energy systems.

<sup>10</sup> <https://minenergo.gov.ru/node/17632>

## 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 2020 as follows:

- the useful water inflows into Lake Baikal are expected to be 2,400-3,000 cubic meters per second or 80-101% of normal level. In 1Q 2020, the water inflow was 307 cubic meters per second or 83% of normal levels compared to 383 cubic meters per second in 1Q 2019.
- The lateral inflows into the Bratsk Reservoir are expected to be 950-1,250 cubic meters per second or 66-87% of normal level. In 1Q 2020 water inflow was measured at 210 cubic meters per second or 117% of normal level (up 5% y-o-y).
- The lateral water inflows into the Krasnoyarsk Reservoir are expected to be 2,800-3,600 cubic meters per second or 95-123% of normal levels. In 1Q 2020 the lateral inflows were measured at 265 cubic meters per second or 99.3% of the normal level (up 1.9% y-o-y).

## **METALS SEGMENT**

		1Q'20	1Q'19	chg,%
<b>Production volumes</b>				
Aluminium	kt	940	928	1.3%
Utilisation rate	%	97%	97%	-
Alumina	kt	2,013	1,932	4.2%
Bauxite	kt	3,577	3,831	(6.6%)
Nepheline	kt	1,083	1,009	7.3%
<b>Sales volumes</b>				
Aluminium, incl.	kt	914	896	2.0%
VAP sales <sup>11</sup>	kt	421	258	62.9%
Share of VAP sales	%	46%	29%	17 pp.
<b>Average prices</b>				
Aluminium average realised price	USD/t	1,864	1,949	(4.4%)
LME QP component	USD/t	1,708	1,849	(7.6%)
Realised premium	USD/t	156	100	56.0%

## Metals segment operations update

### **Aluminium**

In 1Q 2020, aluminium production totaled 940 thousand tonnes (up 1.3% y-o-y), with the Group's Siberian smelters representing 93% of total aluminium output.

In 1Q 2020, aluminium sales increased by 2.0% y-o-y, totaling 914 thousand tonnes, and decreased by 17.4% q-o-q. The sales reduction against 4Q 2019 is attributable mostly to a

<sup>11</sup> VAP includes alloyed ingots, slabs, billets, wire rod, wheels, high and special purity aluminium.

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high comparative base of commodity sales from earlier accumulated stocks and a higher level of shipments to domestic customers<sup>12</sup> in 4Q 2019. These factors both increased volumes in 4Q 2019 and caused optimization of metal in pipeline in the beginning of 2020 that have impacted sales in January.

In 1Q 2020, VAP sales amounted to 421 thousand tonnes (up 62.9% y-o-y), the share of VAP sales in total sales was 46%, demonstrating recovery of VAP share in total sales mix, almost reaching the level registered in 2017 (47%), before the OFAC<sup>13</sup> Sanctions<sup>14</sup>.

In 1Q 2020, the average aluminium realized price<sup>15</sup> decreased by 4.4% y-o-y to USD 1,864/t. The London Metal Exchange (“LME”) QP<sup>16</sup> component decreased by 7.6% y-o-y to USD 1,708/t. This was offset by the realized premium, which went up 56.0% to USD 156/t amid higher share of VAP in the total sales mix (46% in 1Q20 vs 29% in 1Q 2019) and higher average commodity premium.

### **Alumina**

In 1Q 2020, total alumina production increased by 4.2% y-o-y to 2,013 thousand tonnes. The Company’s Russian operations accounted for 35% of the total output.

### **Bauxite and nepheline ore**

In 1Q 2020, bauxite output totaled 3,577 thousand tonnes (down 6.6% y-o-y). The decline of output is primarily attributed to the suspension of operations of business in Guyana, as announced at the beginning of February 2020. Nepheline output increased 7.3% y-o-y to 1,083 thousand tonnes.

### **Aluminium market overview<sup>17</sup>**

- The COVID-19 outbreak has completely changed the market outlook for 2020. Issues related to the coronavirus are expected to influence business conditions significantly in all regions, with the virus spreading so rapidly throughout Europe, North America, India and Russia – leading to the deterioration of key aluminum market fundamentals in 2020.
- In 1Q20, global primary aluminium demand decreased by 6.4% to 14.43 million tonnes. In the rest of the world (“RoW”) demand dropped by 6.5% to 6.6 million tonnes, while Chinese demand decreased by 6.3% to 7.83 million tonnes. Among aluminium end-user industries, transport is the most affected sector with widespread suspensions of car factories of key automotive producers in China, Europe, the USA and elsewhere. The launch of new models, including EVs, have been delayed until the end of the virus outbreak. At the same time demand in the packaging segment is growing due to the ongoing process of replacing plastic bottles with aluminium cans and due to additional

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<sup>12</sup> Shipments to domestic customers ordinarily imply shorter lead time and therefore decrease time necessary for revenue recognition.

<sup>13</sup> “OFAC” - The Office of Foreign Assets Control of the Department of Treasury of the United States of America.

<sup>14</sup> “Sanctions” - on 6 April 2018, the OFAC added the Company to its Specially Designated Nationals List.

<sup>15</sup> The realised price includes three components: LME component, commodity premium and VAP upcharge.

<sup>16</sup> 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.

<sup>17</sup> Unless otherwise stated, data for the “Market overview” section is sourced from Bloomberg, CRU, CNIA, IAI and Antaike.

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demand in response to consumer behavior under quarantine and COVID-19 medical treatment.

- The current price environment is preferential for primary aluminium compared to scrap. It is therefore expected that primary aluminium will gain some market share from scrap this year.
- At the same time, the worldwide supply of primary aluminium continued to grow in 1Q20 increasing by 3.5% year-on-year to 16.12 million tonnes, mostly driven by Chinese growth of 4.1% to 9.2 million tonnes and in RoW by 2.7% to 7 million tonnes. This is in spite of around 24% of global capacity being loss making. Around 0.4 million tonnes of capacity in RoW and 0.5-0.7 million tonnes in China was terminated due to falling prices. At the same time, falling raw materials prices including alumina and carbon, depreciation of local currencies as well as high closure and restarting costs continue to keep many smelters operating.
- As a result the global market demonstrated a 1.7 million tonnes surplus during 1Q 2020 keeping aluminum prices and premiums under pressure.
- It is expected that COVID-19 will negatively affect the global aluminum market in 2020 with the expectation of a greater supply surplus and weaker consumer demand. Aluminium end-user demand from the transport, construction, packaging and consumer industries is expected to decrease because of the various government measures implemented to contain the coronavirus. Retail sales have significantly decreased, while high-value discretionary purchases, such as cars and real estate, have seen even steeper declines. Based on the Chinese experience, where the major negative economic impacts of the coronavirus lasted for three months, and information from RoW where early signs of economic recovery have just started to surface, it is expected that a full recovery will probably take several months.

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For further information, please visit <https://www.enplusgroup.com> or contact:

For media:

Tel: +7 495 642 79 37

Email: [press-center@enplus.ru](mailto:press-center@enplus.ru)

For investors:

Tel: +7 (495) 642 7937

Email: [ir@enplus.ru](mailto:ir@enplus.ru)

Andrew Leach

Tel: +44 (0) 20 7796 4133

Email: [ENplus@hudsonsandler.com](mailto:ENplus@hudsonsandler.com)

Hudson Sandler LLP

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