EN+ GROUP 1Q 2019 FINANCIAL RESULTS

En+ robust business model provides resilience through major external headwinds in Q1

31 May 2019 — EN+ GROUP PLC (the **"Company", "En+ Group"** or together with its subsidiaries **"the Group"**) announces financial results for the three months ended 31 March 2019.

In the reporting period OFAC sanctions throughout January adversely impacted the Group's sales' volumes. The on-going U.S.-China trade dispute drove a decline in aluminium prices. The Group got through this challenging quarter, thanks to the strengths of its vertically integrated business model and a sound strategy focused on sustainability and innovation. Thus, the new Board is confident in the outlook for 2019.

Sanctions lifted in late January

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 "**Sanctions**"), including, among others, the Company and its subsidiaries, UC Rusal Plc and JSC Eurosibenergo (the "**Subsidiaries**"). The Company and its Subsidiaries were subject to the Sanctions for the majority of 2018. These circumstances, coupled with certain other factors stated below, led to certain changes to ordinary levels of operational performance. On 27 January 2019, OFAC announced the removal of the Sanctions. This had a significant impact on operational and financial results of the Group in 1Q 2019 especially in export-oriented Metals segment of the Group.

Highlights for the three months ended 31 March 2019 and recent developments:

- Aluminium production remained largely stable and totalled 928 kt (down 0.3% y-o-y)
- Electricity production increased by 9.1% y-o-y to 19.2 TWh; hydro power output increased by 17.4% y-o-y to 14.2 TWh (74% of total power output)
- Group revenue declined 19.1% to USD 2.8 billion primarily as a result of external factors including a 13.9% decrease in average LME aluminium prices and substantial FX fluctuations[1]. This was compounded by lower alumina and aluminium sales volumes. These top-line pressures translated into a 37.7% lower adjusted EBITDA[2], to USD 579 million, and net profit decreasing by 38.7% to USD 409 million
- Net debt[3] slightly increased (up 1.6%) to USD 11,276 million as at 31 March 2019 (USD 11,094 million as at 31 December 2018) mainly due to FX rate fluctuation

[1] In 1Q 2019, the average for the period RUB/USD exchange rate increased by 16.3% to 66.13 compared to 56.88 in 1Q 2018. As at 31 December 2018, the RUB/USD rate accounted for 69.47 compared to 64.73 as at 31 March 2019.

[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] 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.

Vladimir Kiriukhin, CEO of En+ Group, commented:

*“*The Group experienced considerable challenges during the reporting period. Our financial performance was severely affected as a result of the short OFAC general license extensions that existed until the removal of sanctions on January 27. Within the Metals segment, this resulted in commodity sales being impacted and value-added-product (“VAP”) sales weakening significantly. This was further compounded by aluminium prices that continued to fall as a result of geopolitical trade tensions, leading to a material decline in revenues and profitability. Despite this, both our segments continued to invest in key capacity expansion projects to ensure the Group maintains its vertically integrated competitive advantage.

Whilst the Power segment increased both its total electricity and hydropower output, rouble depreciation[4] negatively impacted revenues represented in dollar terms. However, the segment benefitted from improved electricity sales volumes, higher electricity prices and heat tariffs and delivered an increase in net profitability.

The aluminium market continues to experience pricing pressure with only modest growth in global demand expected in 2019. Thus, our key mid-term goal is further increasing the efficiency operational performance.*”*

Consolidated financial results

USD million (except %)	**1Q’19**	**1Q’18**	**chg,%**
Revenue	2,781	3,438	(19.1%)
Primary aluminium and alloys sales[5]	1,717	2,195	(21.8%)
Alumina sales	172	237	(27.4%)
Electricity sales	389	421	(7.6%)
Heat sales	163	181	(9.9%)
Other	340	404	(15.8%)
Adjusted EBITDA	579	929	(37.7%)
Adjusted EBITDA margin	*20.8%*	*27.0%*	*(6.2 pp)*
Net profit	409	667	(38.7%)
Net profit margin	*14.7%*	*19.4%*	*(4.7 pp)*

[4] In 1Q 2019, the average for the period RUB/USD exchange rate increased by 16.3% to 66.13 compared to 56.88 in 1Q 2018.

[5] After intercompany eliminations

Revenue

Revenue decreased by 19.1% to USD 2,781 million (USD 3,438 million in 1Q2018). The decrease resulted from several factors:

- 13.9% decrease in the average aluminium price[6] on the London Metals Exchange (**"LME"**) from USD 2,159 per tonne in 1Q2018 to USD 1,859 per tonne in 1Q 2019;
- The decline in premiums during 1Q 2019 is primarily due to the decrease of VAP share in product sales mix resulted from external market drivers related to the Sanctions. VAP's share accounted for 29% of total sales, down from 48% in 1Q 2018[7]
- 7.2% decrease y-o-y in primary aluminium and alloys sales volumes driven by imposed OFAC sanctions;
- 28.6% decrease y-o-y in alumina sales volumes;
- depreciation of the rouble, with the average RUB/USD exchange rate increasing by 16.3% y-o-y to 66.13 from 56.88 in 1Q 2018.

EBITDA

The Group's Adjusted EBITDA decreased by 37.7% y-o-y to USD 579 million, mainly due to a combination of lower LME prices and rouble depreciation. The Group's Adjusted EBITDA margin for 1Q2019 decreased by 6.2 pp y-o-y to 20.8%.

Net profit

The Group's net profit dropped by 38.7% to USD 409 million in 1Q2019 (USD 667 million in 1Q2018). The decrease was driven mainly by operating performance, negatively affected by external factors related to the Sanctions.

Capital expenditures

The Group's capital expenditures amounted to USD 178 million (down 23.3% y-o-y).

The Power segment's capital expenditures accounted for USD 42 million in 1Q 2019 compared to USD 25 million in 1Q 2018. The Metals segment's capital expenditures decreased to USD 136 million in 1Q 2019 from USD 220 million in 1Q 2018.

Debt position

The Group's net debt as of 31 March 2019 increased by 1.6% compared to 31 December 2018, accounting for USD 11,276 million. The net debt attributable to the Metals segment was up 1.5% to USD 7,555 million. The net debt attributable to the Power segment was up 1.9% to USD 3,721 million mainly attributable to rouble appreciation.[8]

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

[7] In Metals segment sales

[8] The RUB/USD rate accounted for 69.47 as at 31 December 2018 compared to 64.73 as at 31 March 2019

Power (former "Energy") segment 1Q 2019 financial results

USD million (except %)	1Q'19	1Q'18	chg,%
Revenue	874	998	(12.4%)
Sales of electricity	550	597	(7.9%)
Sales of heat	150	167	(10.2%)
Other	174	234	(25.6%)
Adjusted EBITDA	369	368	0.3%
Adjusted EBITDA margin	*42.2%*	*36.9%*	*5.3 pp*
Net profit	151	133	13.5%
Net profit margin	*17.3%*	*13.3%*	*4.0 pp*

The Power segment's revenue decreased by 12.4% y-o-y, totalling USD 874 million (USD 998 million in 1Q 2018).

Sales of electricity and heat decreased y-o-y by 7.9% to USD 550 million and by 10.2% to USD 150 million respectively due to depreciation of the rouble in 1Q 2019 compared to 1Q 2018[9]. In rouble terms sales increased y-o-y: electricity by 7.1% (RUB 36.4 billion in 1Q 2019 VS RUB 34.0 billion in 1Q 2018); heat by 4.4% (RUB 9.9 billion in 1Q 2019 VS RUB 9.5 billion in 1Q 2018). These dynamics were driven by an increase in electricity and capacity sales volumes, higher electricity and capacity prices, as well as growth in heat tariffs. Other revenue decreased by 25.6% to USD 174 million mainly due rouble depreciation.

The Power segment's Adjusted EBITDA remained almost flat y-o-y (up 0.3%) and accounted for USD 369 million, largely reflecting an increase in electricity and capacity sales volumes and price on the back of rouble depreciation.

The Power segment's net profit increased by 13.5% y-o-y to USD 151 million (USD 133 million in 1Q 2018) mainly due to decrease of finance expenses by 11.4%, while Adjusted EBITDA was almost flat y-o-y.

In 1Q 2019, capital expenditure by the Group's Power segment amounted to USD 42 million (up 68% y-o-y), the increase was mainly attributable to projects rescheduling in 1Q 2018 to later periods. In 1Q 2019, the investments were made into projects for technical connections to power supply infrastructure and on projects to improve CHP efficiency. Maintenance capex accounted for approximately 67% of the total capital expenditures.

The key project of the Power segment is the "New Energy' HPPs modernization program. In 1Q 2019 upgraded equipment allowed for an increased energy production of the HPPs of 271 GWh.

In 2019, the Group started the modernization of Irkutsk HPP, which includes the replacement of three hydropower-generating units, the Company expects to initiate the replacement in 3Q 2019. In 1Q 2019, a modernized runner commenced operations at the Krasnoyarsk HPP.

[9] In 1Q 2019, the average for the period RUB/USD exchange rate increased by 16.3% to 66.13 compared to 56.88 in 1Q 2018.

The Power segment's net debt increased 1.9% to USD 3,721 million as at 31 March 2019 from USD 3,652 million as at 31 December 2018, with total debt increased by 6.9% to USD 4,267 million. The growth was mainly attributable to rouble appreciation. Net debt in rouble terms remained largely stable.

Metals segment 1Q 2019 financial results

USD million (except %)	1Q'19	1Q'18	chg,%
Revenue	2,170	2,744	(20.9%)
Sales of primary aluminium and alloys	1,746	2,245	(22.2%)
Sales of alumina	172	237	(27.4%)
Sales of foil and other aluminium products	91	90	1.1%
Other	161	172	(6.4%)
Adjusted EBITDA	226	572	(60.5%)
Adjusted EBITDA margin	*10.4%*	*20.8%*	*(10.4 pp)*
Net profit	273	544	(49.8%)
Net profit margin	*12.6%*	*19.8%*	*(7.2 pp)*

In 1Q 2019, revenue attributable to the Metals segment dropped by 20.9% to USD 2,170 million compared to USD 2,744 million in 1Q 2018 following the decrease in the LME aluminium price by 13.9%.

Revenue from sales of primary aluminium and alloys decreased by 22.2%, to USD 1,746 million in 1Q 2019 compared to USD 2,245 million in 1Q 2018, primarily due to 16.2% decrease in the weighted-average realized aluminium price per tonne (to an average of USD1,949 per tonne in 1Q 2019 from USD2,326 per tonne in 1Q 2018) driven by a decrease in the LME aluminium price (to an average of USD 1,859 per tonne in 1Q 2019 from USD 2,159 per tonne in 1Q 2018), as well as a decrease in premiums above the LME prices in the different geographical segments (to an average of USD 100 per tonne from USD 173 per tonne in 1Q 2019 and 1Q 2018, respectively) and by a 7.2% decrease in primary aluminium sales volume.

Revenue from sales of alumina decreased by 27.4% to USD 172 million in 1Q 2019 from USD 237 million in 1Q 2018. The decrease in revenue over the comparable periods was driven by a significant decrease in the sales volume by 28.6%, which was partially offset by a slight increase in the average sales price of alumina by 1.4%.

Revenue from sales of foil and other aluminium products was almost flat in 1Q 2019 and 1Q 2018.

Revenue from other sales, including sales of other products, bauxite and energy services decreased by 6.4% to USD 161 million in 1Q 2019 compared to USD 172 million for the same period of the previous year, due to a 5.3% decrease in sales of other materials (such as bauxite by 99.3%, corundum by 17.2%).

Adjusted EBITDA attributable to the Metals segment decreased by 60.5% to USD 226 million y-o-y, (USD 572 million in 1Q 2018).

The Metals segment's profit for the period accounted for USD 273 million, (USD 544 million in 1Q 2018), representing 49.8% y-o-y decline. The decrease was driven by the decline in LME prices and sales volumes on the back of increase in share of profit from associates and joint ventures.

Capital expenditure at the Metals segment amounted to USD 136 million, decreasing by 38.2% y-o-y (USD 220 million in 1Q 2018). Throughout the quarter, maintenance amounted to c. 50% of the aggregate capex.

The Metals segment continued its investment into key development projects as per its strategic priorities of preserving its competitive advantages of vertical integration into raw materials and product mix enhancements.

In 1Q 2019, the Group together with RusHydro commissioned the first potline at the Boguchansky aluminium smelter (part of the BEMO project), the design capacity of which is 298 kt of aluminium per annum.

During the reporting period the Company continued financing the construction of the Taishet aluminium smelter and it is expected that the smelter will produce first metal in 4Q 2020.

The Metals segment's net debt increased by 1.5% and accounted for USD 7,555 million as at 31 March 2019 (USD 7,442 million as at 31 December 2018).

In 1Q 2019, the RUSAL repaid USD 267 million of public debt in March-April 2019, including the first tranche of Panda bonds (RMB 680 million) and RUB-denominated bonds(RUB 10.8 billion).

On 29 April 2019, the RUSAL successfully re-entered debt capital markets with RUB bonds placement of RUB 15 billion, 10 years, subject to bondholders' put option exercisable in April 2022, unsecured with a coupon rate of 9.0% per annum. RUSAL entered into the cross-currency interest rate swap, which resulted in the exchange-traded RUB bonds exposure being fully translated in the USD exposure: 3 years, with an interest rate of 4.69%.

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