

EN+ GROUP 1H FINANCIAL RESULTS

18 August 2020 — EN+ GROUP IPJSC (the “Company”, “En+ Group” or the “Group”) announces its financial results for the six-month period ended 30 June 2020.

The financial results for 1H 2020 demonstrated En+’s resilience during an unprecedented global downturn, with steady results from operations. The decrease in Group Adjusted EBITDA primarily reflects a challenging economic environment translating into price weakness across the markets where we operate. Further impact on Group’s consolidated Net Profit was caused by a decrease in the share of profit from associates and joint ventures.

During these trying times, the Group’s focus has continued to be safeguarding the health and wellbeing of our employees and the communities in which we operate, preserving the competitive advantages of our low-cost integrated business model and pursuing our longer-term vision of a low carbon world. We now see some positive signs across the commodities markets, yet we remain agile and ready for any challenges as the world continues to fight the COVID-19 virus.

USD million (except %)	1H’20	1H’19	chg,%
Revenue	4,948	5,803	(14.7%)
Primary aluminium and alloys sales ¹	3,268	3,817	(14.4%)
Alumina sales	242	340	(28.8%)
Electricity sales	595	684	(13.0%)
Heat sales	238	253	(5.9%)
Other	605	709	(14.7%)
Adjusted EBITDA	756	1,185	(36.2%)
Adjusted EBITDA margin	15.3%	20.4%	(5.1 pp)
Net profit	20 ²	863	(97.7%)
Net profit margin	0.4%	14.9%	(14.5 pp)
FCF ³	446	311	43.4%
LME aluminium price per tonne	1,592	1,826	(12.8%)

¹ After consolidation adjustments.

² Including the provision in the amount of assessment of potential damage by Rosprirodnadzor recognized by Norilsk Nickel in its financial statements for 6M 2020. Without this one-off item, the Group’s Net profit would have been USD 495 million in 1H 2020.

³ 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.

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

“This was an extremely challenging period. US GDP in Q2 fell an astonishing 32.9%⁴ year on year, the eurozone's economy recorded its deepest contraction on record, declining 12.1%⁵, Russia's GDP fell by 9.6%⁶. Adding to this was the enormous volatility in financial markets: take the dollar, which in July experienced its worst month since 2010.

“The battle against COVID is not yet won and cases in many countries are on the rise again. Therefore, we are not in any way relaxing the protective health and safety measures we have introduced right across the Group. This relates both to those members of the En+ team operating our facilities and our office workers supporting business processes remotely. Commitment to our safety principles has thus far prevented any virus outbreaks at our facilities and avoided any material disruption at our operations.

“Our focused response to this dreadful pandemic has not derailed our long-term strategy. In fact, if anything, we are now even more determined to double down on our commitment to a more sustainable economy.

“In practice this means that, from an operational perspective, we are investing in the modernization of our hydropower plants and environmental upgrades of our Metals segment's facilities. From a commercial perspective, it means we are actively engaging in the global discussion around the future of the aluminium industry and the growing demand for low carbon aluminium.

“In this context, the recent plans announced by the LME to introduce a new ‘low-carbon’ aluminium trading platform are very encouraging. Our balance sheet, margins and cash generation remain robust, reflecting our leading position on the aluminium cost curve.

“The uncertainty caused by the pandemic remains high, thus slowing the pace of global economic recovery. However, there are positive signs that China is already resuming its growth path; as a result we have tentatively reviewed our forecast for global aluminium surplus to 2.5-3 mln tonnes for 2020 against our previous estimate of more than 3 mln tonnes.

“The 1H 2020 showed our resilience in the face of a ‘perfect storm’. It has reinforced our belief in our green development strategy, with a focus on practical and innovative solutions for a rapidly changing global landscape.”

Consolidated financial results

Revenue

In 1H2020, revenue decreased by 14.7% y-o-y to USD 4,948 million (USD 5,803 million in 1H2019), due to a weaker macroeconomic environment for both the Metals and the Power segments, which in turn affected the operating performance of the Group. In the Metals segment, the LME aluminium price in 1H 2020 dropped 12.8% y-o-y to USD 1,592 per tonne and the Group's aluminium and alloys sales decreased by 14.4% y-o-y to USD 3,268 million. In the

⁴ <https://www.bea.gov/news/2020/gross-domestic-product-2nd-quarter-2020-advance-estimate-and-annual-update>

⁵ <https://ec.europa.eu/eurostat/documents/2995521/11156775/2-31072020-BP-EN.pdf/cbe7522c-ebfa-ef08-be60-b1c9d1bd385b>

⁶ https://www.economy.gov.ru/material/file/d80f613a522c1bb9b96d7769303f7ace/200717_1.pdf

Power segment, power production increased by 6.5% over the period and the decline in electricity sales of 13.0% reflected weaker electricity prices accompanied by rouble depreciation (the average RUB/USD exchange rate went up 6.2%).

EBITDA

In 1H 2020, the Group's Adjusted EBITDA decreased 36.2% y-o-y to USD 756 million, driven by lower LME and electricity prices, although this was partially offset by an improvement in production cost per tonne in the Metals segment due to simultaneous decreases in the costs of alumina, energy and other raw materials. The Group's Adjusted EBITDA margin for the reporting period decreased by 5.1 percentage points y-o-y to 15.3%,

Net profit

The Group's net profit fell to USD 20 million in 1H 2020 from USD 863 million in 1H 2019. The decrease was driven by the same factors that influenced the decrease in EBITDA as well as a decrease 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 492 million in 1H 2020 (up 2.9% y-o-y).

The Power segment's capital expenditure accounted for USD 101 million in 1H 2020, compared to USD 132 million in 1H 2019. The Metals segment's capital expenditure amounted to USD 401 million in 1H 2020 compared to USD 353 million in 1H 2019.⁷

Debt position

The Group's net debt⁸ as of 30 June 2020 increased by 3.1% compared to 31 December 2019, amounting to USD 10,523 million. As of 30 June 2020, the net debt attributable to the Metals segment decreased by 7.8% y-o-y to USD 5,964 million, while the net debt attributable to the Power segment increased 22.0% y-o-y to USD 4,559 million.

Power segment 1H 2020 financial results

USD million (except %)	1H'20	1H'19	chg,%
Revenue	1,415	1,597	(11.4%)
Sales of electricity	676	778	(13.1%)
Sales of capacity	228	241	(5.4%)
Sales of heat	220	233	(5.6%)
Other	291	345	(15.7%)
Adjusted EBITDA	542	660	(17.9%)
<i>Adjusted EBITDA margin</i>	38.3%	41.3%	(3 pp)
Net profit	148	241	(38.6%)
<i>Net profit margin</i>	10.5%	15.1%	(4.6 pp)
RUB/USD rates			
Rate as at the reporting date	69.95	63.08	10.9%
Average rate for the period	69.37	65.34	6.2%

In 1H 2020, the Power segment's revenue decreased by 11.4% y-o-y to USD 1,415 million.

In the same period, revenue from electricity sales decreased by 13.1% y-o-y to USD 676 million. This decrease was mainly driven by rouble depreciation in the period and lower electricity sales

⁷ Before consolidation adjustments

⁸ The sum of loans and borrowings and bonds outstanding less total cash and cash equivalents as at the end of the relevant period

prices compared to the same period in 2019. Such factors were partially offset by improved electricity generation volumes, which increased by 6.5% y-o-y to 39.3 TWh in 1H 2020.

In 1H 2020, the average electricity spot price on the day-ahead market in the second price zone was 904 RUB/MWh compared to 1,033 RUB/MWh in 1H 2019. In the Irkutsk region, the price went down 13.5% y-o-y to 856 RUB/MWh in 1H 2020, while in the Krasnoyarsk region the price declined 15.6% y-o-y to 834 RUB/MWh.

Capacity sales decreased by 5.4% y-o-y to USD 228 million in 1H 2020, mainly due to rouble depreciation in 1H 2020. Heat sales decreased by 5.6% to USD 220 million in 1H 2020, compared to USD 233 in 1H 2019, again mainly due to rouble depreciation. In rouble terms, the level of capacity and heat sales remained almost flat y-o-y.

In 1H 2020, the Power segment's Adjusted EBITDA decreased by 17.9% y-o-y to USD 542 million. This decline was driven by a decrease in average electricity spot prices and rouble depreciation, which was partially offset by 6.5% increase in power production.

Overall, in 1H 2020 the Power segment's net profit decreased to USD 148 million from USD 241 million in 1H 2019.

In 1H 2020, capital expenditure incurred by the Group's Power segment amounted to USD 101 million (down 23.5% y-o-y). Maintenance capex accounted for 45% of total capital expenditure. The decrease in capital expenditure is mainly attributable to the rescheduling of certain projects for future periods, with such decisions being taken due to the current macroeconomic environment as well as rouble depreciation.

The Group's 'New Energy' modernisation program and participation in the state program for CHP modernisation remain key priorities for the Company.

As at 30 June 2020, the Power segment's net debt increased by 22.0% y-o-y to USD 4,559 million, from USD 3,738 million as at 31 December 2019. This was mainly due to a new credit facility from Sberbank, which was partially offset by scheduled repayment of existing credit facilities as well as rouble depreciation.

In February 2020, the Group entered into two loan agreements with Sberbank. The first loan agreement was a 3-year period, with total drawings of RUB 100.8 billion, and was entered into to finance the acquisition of a 21.37% stake in the En+ Group for USD 1.6 billion from VTB in February 2020. The second loan agreement allows an extension of the final maturity of the first agreement by another 4 years, exercisable during 2022.

Metals segment 1H 2020 financial results

USD million (except %)	1H'20	1H'19	chg,%
Revenue	4,015	4,736	(15.2%)
Sales of primary aluminium and alloys	3,318	3,877	(14.4%)
Sales of alumina	242	340	(28.8%)
Sales of foil and other aluminium products	178	205	(13.2%)
Other	277	314	(11.8%)
Adjusted EBITDA	219	528	(58.5%)
<i>Adjusted EBITDA margin</i>	5.5%	11.1%	(5.6 pp)
Net profit/(loss)	(124)	625	na
<i>Net profit margin</i>	na	13.2%	na

In 1H 2020, the Metal Segment's total revenue decreased by 15.2% y-o-y to USD 4,015 million, from USD 4,736 million in the corresponding period of 2019.

In the same period, revenue from sales of primary aluminium and alloys decreased by 14.4%, to USD 3,318 million. This primarily reflected an 10.4% decrease in realized aluminium prices to an average of USD 1,756 per tonne in 1H 2020 from USD 1,960 per tonne in 1H 2019. This decline was driven by a decrease in the LME aluminium price to an average of USD 1,592 per tonne in 1H 2020 from USD 1,826 per tonne in 1H 2019, as well as the 4.4% lower sales volumes y-o-y.

Revenue from sales of alumina decreased by 28.8% to USD 242 million in 1H 2020 from USD 340 million in the corresponding period of 2019 primarily due to a decrease in the average sales price of 27.4% together with 1.9% lower sales volumes y-o-y.

Revenue from sales of foil and other aluminium products decreased by 13.2% to USD 178 million in 1H 2020, as compared to USD 205 million for the corresponding period of 2019, primarily due to a decrease in sales of aluminium wheels as between the comparable periods.

Adjusted EBITDA for the Metals segment decreased to USD 219 million in 1H 2020, as compared to USD 528 million for the corresponding period of 2019. This was driven by the significant decline in LME aluminium price, partially offset by improvement of production costs.

In 1H 2020, Metals segment's cash cost per tonne of aluminium produced amounted to USD 1,564 per tonne (down 5.5% y-o-y). The decrease resulted from simultaneous y-o-y decline of all major items: 15.9% decrease in alumina cost, 11.5% - in energy cost and 12.7% - in other raw materials cost.

The net loss for the period was USD 124 million in 1H 2020, compared to a net profit of USD 625 million for the same period of 2019 and mainly attributable to a decrease in the share of profit obtained by the Group from its associates and joint ventures.

In 1H 2020, the Metals segment's capital expenditure amounted to USD 401 million (up 13.6% y-o-y), with maintenance capex amounting to 58% 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 7.8% y-o-y to USD 5,964 million as at 30 June 2020 (USD 6,466 million as at 31 December 2019).

On 20 March 2020, the Metals segment repaid Panda bonds issuance (the first tranche) with notional value CNY 320 million (USD 46 million).

On 9 June 2020, the placement of exchange-traded Rouble bonds of RUSAL Bratsk series BO-002P-01 in the amount of RUB 10 billion with a coupon rate of 6.5% was completed, and the exchange-traded Rouble bonds commenced trading on the Moscow Exchange. The bonds have a 10 year period until maturity, subject to a bondholder put option exercisable in June 2023.

In July 2020, the Group entered into a cross-currency interest rate swap, which resulted in the Group's exchange-traded Rouble bond exposure (RUB 5 billion) being translated into US-dollar exposure. The swap has a maturity of 3 years and an interest rate of 2.90%.

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