



2018 Interim Report

WARNING

The information presented in this Interim Report only reflects the Company's position during the review period from 1 January 2018 to 30 June 2018 (the "**Review Period**") pursuant to the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "**Listing Rules**") (unless otherwise specified). Accordingly, all forward-looking statements, analyzes, reviews, discussions, commentaries and risks presented in this Interim Report are based upon the financial information of the Company covering the Review Period only and not thereafter.

Shareholders and potential investors should be aware that on 6 April 2018, the Office of Foreign Assets Control of the Department of the Treasury of the United States of America (the "**U.S. Treasury**") designated, amongst others, the Company to be added to its Specially Designated Nationals List (the "**OFAC Sanctions**").

A press statement issued by the U.S. Treasury in respect of the OFAC Sanctions on 6 April 2018 states that: "All assets subject to U.S. jurisdiction of the designated individuals and entities, and of any other entities blocked by operation of law as a result of their ownership by a sanctioned party, are frozen, and U.S. persons are generally prohibited from dealings with them. Additionally, non-U.S. persons could face sanctions for knowingly facilitating significant transactions for or on behalf of the individuals or entities blocked today."

OFAC may authorize certain types or categories of activities and transactions that would otherwise be prohibited under the US sanctions program by issuing a general license. As of the date of the report being published, OFAC has issued a number of General Licenses (GL). Currently there are two GLs directly relating to the Company:

- GL 14, authorizing all transactions ordinarily incident and necessary for maintenance or wind down of operations, contracts or other agreements (including the importation of goods, services, or technology into the United States) – expires on 23 October 2018;
- GL 13C, authorizing all transactions and activities that are ordinarily incident and necessary (1) to divest or transfer debt, equity, or other holdings in the Company to a non-U.S. person, or (2) to facilitate the transfer of debt, equity, or other holdings in the Company by a non-U.S. person to another non-U.S. person – expires on 23 October 2018.

Shareholders and potential investors should be aware that the information presented in this Interim Report may not take into account all potential impact(s) which the OFAC Sanctions may have on the Company or the Group. Accordingly, the information presented in this Interim Report, including but not limited to all forward-looking statements, analyzes, reviews, discussions, commentaries and risks, does not reflect the latest position (financial or otherwise) of the Group. Given the global nature of the business of the Group, the international politico-economic dimension of the OFAC Sanctions, and the potential cross-jurisdictional implications of the OFAC Sanctions, the situation is continually evolving. Shareholders and potential investors are therefore strongly advised to make reference to the latest announcements (i.e. announcements issued by the Company on and after 9 April 2018) issued by the Company before dealing in the Shares.

Shareholders and potential investors should exercise extreme caution when dealing in the Shares. If in doubt, they are strongly advised to consult their stockbrokers, bank managers, solicitors and/or other professional advisers before dealing in the Shares.

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FINANCIAL AND OPERATING HIGHLIGHTS

	For the six months ended	
	30 June	
<i>USD million (unless otherwise specified)</i>	2018	2017
Revenue	4,997	4,764
Adjusted EBITDA	1,124	985
Adjusted EBITDA margin	22.5%	20.7%
Share of Profits of Associates and joint ventures	493	297
Pre-tax Profit	1,017	498
Net Profit	952	470
Net Profit margin	19.1%	9.9%
Adjusted Net Profit	535	465
Adjusted Net Profit margin	10.7%	9.8%
Recurring Net Profit	971	686
Recurring Net Profit margin	19.4%	14.4%
Profit per Share (USD)	0.0627	0.0309
	As at	As at
	30 June	31 December
	2018	2017
Total assets	16,162	15,774
Equity attributable to shareholders of the Company	4,928	4,444
Net Debt	7,875	7,648

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Trends in the Aluminium Industry and Business Environment

Supply disruption is real in aluminium and alumina in 1H 2018

During 1H 2018 aluminium among other base metals was affected by series of supply disruptions.

The lock-out of workers at the 450ktpa ABI smelter in Quebec has caused Canadian output fall over 8% year-on-year YTD. Meanwhile, Albras in Brazil continues to operate at half capacity following the Alunorte outage. At the same time, there is no significant rise of smelters' restarts both in China and in the World ex-China due to high raw material costs and power supply disruptions.

Trade wars and imposed import duties, together with the OFAC Sanctions, have caused significant growth of premiums and prices increasing total costs incurred by consumers of aluminium. RUSAL supplies significant volumes of alumina to EU smelters. Consequently OFAC Sanctions against RUSAL, coupled with Alunorte outage, have caused a surge in alumina prices in April, pushing price level close to USD600/t. This in turn led to significant cost pressure on non-integrated smelters, when alumina price has approached the point of 21% of LME aluminium price against historical average of 14-15%. Presently aluminium is the only major commodity trading close to the marginal producer cost level, while Chinese smelters are experiencing even further costs increase pressure due to high power and alumina prices.

Chinese aluminium production declined by 3.4% year-on-year YTD (1H 2018), and Chinese exports growth for the same period was insufficient to fill supply gap outside of China.

As a result ex-China visible inventories has continued to drift lower by 349,648 tonnes or 20.5% year-on-year, down to 1.359 Mt in 1H 2018. At the same time Chinese inventories started to decline in 2Q 2018 due to robust domestic demand.

Aluminium prices and premiums continue to be volatile as key supply and LME trading disruption issues, as well as lack of liquidity and LME suspension of RUSAL's brands are still in place and global aluminum deficit continue growing.

Our Business

The principal activities of the Group are alumina refining, aluminium smelting and refining, bauxite and nepheline ore mining and processing, as well as sales of bauxite, alumina and various primary aluminium and secondary products. There were no significant changes in the Group's principal activities for the six months ended 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and operating performance

The tables below provide key selected financial, production and other information for the Group.

	Three months ended		Three months ended	Six months ended	
	30 June		31 March	30 June	
	2018	2017	2018	2018	2017
Key operating data¹					
<i>(‘000 tonnes)</i>					
Primary aluminium	939	921	931	1,870	1,831
Alumina	1,924	1,928	1,892	3,816	3,817
Bauxite (wet)	3,320	3,090	2,960	6,280	5,959
Key pricing and performance data					
<i>(‘000 tonnes)</i>					
Sales of primary aluminium and alloys	783	1,002	965	1,748	1,987
<i>(USD per tonne)</i>					
Aluminium segment cost per tonne ²	1,672	1,497	1,686	1,679	1,456
Aluminium price per tonne quoted on the LME ³	2,259	1,911	2,159	2,209	1,880
Average premiums over LME price ⁴	156	174	173	165	163
Alumina price per tonne ⁵	522	296	382	452	318

¹ Figures based on total respective attributable output.

² For any period, “Aluminium segment cost per tonne” is calculated as aluminium segment revenue (excluding sales of third parties’ metal) less aluminium segment results less amortization and depreciation (excluding margin on sales of third parties’ metal and alumina intersegment margin) divided by sales volume of the aluminium segment (excluding volumes of third parties’ aluminium sold).

³ Aluminium price per tonne quoted on the LME represents the average of the daily closing official London Metals Exchange (“LME”) prices for each period.

⁴ Average premiums over LME realized by the company based on management accounts.

⁵ The average alumina price per tonne provided in this table is based on the daily closing spot prices of alumina according to Non-ferrous Metal Alumina Index FOB Australia USD per tonne.

MANAGEMENT DISCUSSION AND ANALYSIS

Key selected data from the consolidated interim condensed statement of income

	Three months ended		Three months ended	Six months ended	
	30 June		31 March	30 June	
	2018	2017	2018	2018	2017
<i>(USD million)</i>					
Revenue	2,253	2,467	2,744	4,997	4,764
Cost of sales	(1,582)	(1,790)	(2,022)	(3,604)	(3,478)
Gross profit	671	677	722	1,393	1,286
Adjusted EBITDA	552	510	572	1,124	985
<i>margin (% of revenue)</i>	<i>24.5%</i>	<i>20.7%</i>	<i>20.8%</i>	<i>22.5%</i>	<i>20.7%</i>
Profit for the period	408	283	544	952	470
<i>margin (% of revenue)</i>	<i>18.1%</i>	<i>11.5%</i>	<i>19.8%</i>	<i>19.1%</i>	<i>9.9%</i>
Adjusted Net Profit for the period	218	202	317	535	465
<i>margin (% of revenue)</i>	<i>9.7%</i>	<i>8.2%</i>	<i>11.6%</i>	<i>10.7%</i>	<i>9.8%</i>
Recurring Net Profit	440	252	531	971	686
<i>margin (% of revenue)</i>	<i>19.5%</i>	<i>10.2%</i>	<i>19.4%</i>	<i>19.4%</i>	<i>14.4%</i>

Aluminium production

UC RUSAL (**Aluminum Division excl. BOAZ**) produced 1.870 million tonnes of aluminum in the six months ended 30 June 2018, compared to 1.831 million tonnes in the same period of 2017. The output increased by 39 thousand tonnes (+2.1%) due to start of ramping up of VGAZ capacity in 2018.

The value-added products volumes for the six months ended 30 June 2018 declined to 869 thousand tonnes from 941 thousand tonnes in the same period of 2017 due to adjustment of sales mix performed by management following the OFAC Sanctions.

Alumina production

Alumina production was stable, amounting to 3.816 million tonnes in the six months ended 30 June 2018, comparing with 3.817 million tonnes for the six months ended 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

In May 2018 alumina production at Friguia refinery was restarted in Guinee at half the total capacity.

Bauxite and nepheline ore productions

Bauxite production increased by 5.4% to 6.280 million tonnes for the six months ended 30 June 2018 from 5.959 million tonnes for the six months ended 30 June 2017 due to: CBK (Compagne Bauxites de Kindia) restoring the production level to 1,731 kt following the upgrade of the carriage rolling stock; BCGI (Bauxite Company of Guyana Inc) increasing production by 96 kt; the restart of bauxite capacity at Friguia refinery complex in April 2018.

Nepheline production increased by 4.7% to 2.269 million tonnes for the six months ended 30 June 2018 from 2.166 million tonnes for the six months ended 30 June 2017. The growth was achieved due to the purchase of new mining equipment (excavators, dump trucks, drilling rigs) with the increase of stripping/mining ratio from 1.25 to 1.98.

Foil and packaging productions

Aluminium foil and packaging material production by the Group's plants totaled 48.73 thousand tonnes for the six months ended 30 June 2018. This constitutes 1% decrease from 49.18 thousand tonnes in the six months ended 30 June 2017 on the back of changed production schedule at Sayanal facilities to accommodate for modernisation works at the beginning of 2018.

Foil Mills (thousand tonnes)	Interest	Year ended 30 June		Change year-on-year (six months on six months) dev (%)	
		1H 2018	1H 2017		
Domestic market					
(RF and CIS)		23.94	22.61	1.33	6%
Sayanal	100%	13.64	11.82	1.82	15%
Ural Foil	100%	8.47	9.14	(0.67)	(7%)
Sayana Foil	100%	1.83	1.65	0.18	11%
Export		24.79	26.57	(1.78)	(7%)
Sayanal	100%	4.62	7.33	(2.71)	(37%)
Ural Foil	100%	3.73	3.01	0.72	24%
Armenal	100%	16.44	16.23	0.21	1%
Total production		48.73	49.18	(0.45)	(1%)

MANAGEMENT DISCUSSION AND ANALYSIS

Other business

UC RUSAL's output from its non-core business recorded the following results for the six months ended 30 June 2018 compared to the respective period in the previous year.

Units - thousand
tonnes

Product	1H 2018	1H 2017	Change	Comments
<i>Silicon</i>	28.8	26.6	2.2	Scheduled repairs of production equipment in 2017
<i>Aluminium Powders</i>	8.7	9.7	(1.0)	Additional orders
<i>Secondary alloys</i>	9.3	13.8	(4.5)	Decrease of secondary alloys sales volume

Coal production results

Coal production attributable to the Group's 50% share in LLP Bogatyr Komir, increased by 19.1% to 10.936 million tonnes in the first half of 2018 from 9.182 million tonnes in the first half of 2017, largely due to an increased demand in Kazakhstan.

Transportation results

The volume of products transported by LLP Bogatyr Trans, in which the Company has a 50% share, decreased by 7.6% to 2.794 million tonnes in the first half of 2018 from 3.025 million tonnes in the first half of 2017 due to a decrease in demand in Russian Federation and in Kazakhstan and changes in transportation structure.

Climate Goals

One of the key Company's strategic climate goals is to achieve the specific direct GHG emissions reduction objective by 2025. In 2017 aluminium smelters reduced specific direct GHG emissions by 3.6% and alumina refineries by 5.5% compared to 2014 based on the actual figures obtained by 31 May 2018.

305-5/G4-EN19. Specific GHG emissions from aluminium smelters (in 2015–2017), tonnes in CO2 equivalent per tonne of Al.

2015	2016	2017
2.33	2.30	2.20

Figures has been corrected based on last Perfluorocarbon emissions measurements at RUSAL aluminium smelters obtained by 31 May 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue	Six months ended 30 June 2018			Six months ended 30 June 2017		
	USD million	'000 t	Average sales price (USD/t)	USD million	'000 t	Average sales price (USD/t)
Sales of primary aluminium and alloys	4,059	1,748	2,322	4,005	1,987	2,016
Sales of alumina	447	953	469	364	1,024	355
Sales of foil and other aluminium products	170			141		
Other revenue ⁶	321			254		
Total revenue	4,997			4,764		

Revenue	Three months ended 30 June 2018			Three months ended 31 March 2018		
	USD million	'000 t	Average sales price (USD/t)	USD million	'000 t	Average sales price (USD/t)
Sales of primary aluminium and alloys	1,814	783	2,317	2,245	965	2,326
Sales of alumina	210	400	525	237	553	429
Sales of foil and other aluminium products	80			90		
Other revenue	149			172		
Total revenue	2,253			2,744		

Total revenue increased by USD233 million, or 4.9% to USD4,997 million in the first six months of 2018 from USD4,764 million in the corresponding period of 2017.

⁶ Including energy and bauxite.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from sales of primary aluminium and alloys increased by USD54 million, or by 1.3%, to USD4,059 million for the first six months of 2018, as compared to USD4,005 million for the corresponding period in 2017, primarily due to 15.2% increase in the weighted-average realized aluminium price per tonne (to an average of USD2,322 per tonne in the first six months of 2018 from USD2,016 per tonne in the first six months of 2017) driven by an increase in the LME aluminium price (to an average of USD2,209 per tonne in the first six months of 2018 from USD1,880 per tonne in the first six months of 2017), which was partially offset by a 12.0% decrease in primary aluminium sales volume.

Revenue from sales of alumina increased by 22.8% to USD447 million in the first six months of 2018 from USD364 million in the corresponding period of 2017 primarily due to an increase in the average sales price by 32.1%, which was partially offset by a decrease in the sales volumes by 6.9%.

Revenue from sales of foil and other aluminium products increased by USD29 million, or by 20.6%, to USD170 million in the first six months of 2018, as compared to USD141 million for the corresponding period in 2017, primarily due to an increase in sales of other aluminium products by USD16 million between the comparable periods.

Revenue from other sales, including sales of bauxite and energy services increased by 26.4% to USD321 million for the first six months of 2018 from USD254 million in the same period of 2017 due to an increase in sales of other materials.

The table below shows the breakdown of the Group's revenues by geographic segment for the six months ended 30 June 2018 and 30 June 2017, showing the percentage of revenue attributable to each region:

	Six months ended 30 June			
	2018		2017	
	USD million	% of Revenue	USD million	% of Revenue
Europe	2,192	44%	1,989	42%
CIS	1,469	29%	1,128	24%
America	674	14%	833	17%
Asia	651	13%	797	17%
Other	11	—	17	—
Total	4,997	100%	4,764	100%

Note: Data based on location of customers, which may differ from the location of final consumers.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

The following table shows the breakdown of UC RUSAL's cost of sales for the six months ended 30 June 2018 and 30 June 2017 and for the three months ended 30 June 2018 and 31 March 2018:

	Six months ended		Change,	Share of	Three months		Change,	Share of
	30 June		year-on-	costs,%	ended		quarter-	costs,%
	2018	2017	year	(Six	30 June	31 March	on-quarter	(Three
				months	2018	2018		months
				ended				ended
				30 June				30 June
				2018)				2018)
<i>(USD million)</i>								
Cost of alumina	458	375	22.1%	12.7%	225	233	(3.4%)	14.2%
Cost of bauxite	238	217	9.7%	6.6%	119	119	0.0%	7.5%
Cost of other raw materials and other costs	1,490	1,199	24.3%	41.3%	691	799	(13.6%)	43.7%
Purchases of primary aluminium from JV	129	132	(2.3%)	3.6%	52	77	(32.5%)	3.3%
Energy costs	1,129	1,049	7.6%	31.3%	523	606	(13.7%)	33.1%
Depreciation and amortization	237	234	1.3%	6.6%	113	124	(8.9%)	7.1%
Personnel expenses	300	286	4.9%	8.3%	142	158	(10.1%)	9.0%
Repairs and maintenance	35	29	20.7%	1.0%	20	15	33.3%	1.3%
Net change in provisions for inventories	(12)	(3)	300.0%	(0.3%)	(14)	2	NA	(0.9%)
Change in finished goods	(400)	(40)	900.0%	(11.1%)	(289)	(111)	160.4%	(18.3%)
Total cost of sales	<u>3,604</u>	<u>3,478</u>	<u>3.6%</u>	<u>100.0%</u>	<u>1,582</u>	<u>2,022</u>	<u>(21.8%)</u>	<u>100.0%</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Total cost of sales increased by USD126 million, or 3.6%, to USD3,604 million for the first six months of 2018, as compared to USD3,478 million for the corresponding period of 2017. The increase was primarily driven by significant increase in electricity prices, railway transportation tariffs and other raw material costs in the first six months of 2018 that was partially compensated by the lower volumes of primary aluminium and alloys sold and depreciation of Russian Ruble against US dollar between the comparable periods.

Distribution, administrative and other expenses

Distribution expenses increased by 2.9% to USD216 million in the six months of 2018 from USD210 million for the same period of 2017, as the increase in transportation tariffs was mostly compensated by the decrease in the sales volumes and depreciation of the Russian Ruble against the US dollar between the comparable periods.

Administrative expenses, which include personnel costs, decreased by 2.1% to USD286 million in the first six months of 2018 from USD292 million for the corresponding period in 2017 primarily driven by depreciation of the Russian Ruble against the US dollar.

Gross profit

As a result of the foregoing factors, UC RUSAL reported a gross profit of USD1,393 million for the six months ended 30 June 2018 compared to USD1,286 million for the same period of 2017, representing an increase in gross profit margin up to 27.9% from 27.0% between the periods.

Results from operations and Adjusted EBITDA

	Six months ended 30 June		Change,
	2018	2017	year-on-year
<i>(USD million)</i>			
Reconciliation of Adjusted EBITDA			
Results from operating activities	754	660	14.2%
Add:			
Amortization and depreciation	244	243	0.4%
Impairment of non-current assets	123	81	51.9%
Loss on disposal of property, plant and equipment	3	1	200.0%
Adjusted EBITDA	1,124	985	14.1%

MANAGEMENT DISCUSSION AND ANALYSIS

Adjusted EBITDA, defined as results from operating activities adjusted for amortization and depreciation, impairment charges and loss on disposal of property, plant and equipment, increased to USD1,124 million during the first six months of 2018, as compared to USD985million for the corresponding period of 2017. The factors that contributed to the increase in Adjusted EBITDA margin were the same that influenced the operating results of the Company.

Results from operating activities increased in the six months of 2018 by 14.2% to USD754 million, as compared to USD660 million for the corresponding period of 2017, representing operating margins of 15.1% and 13.9%, respectively.

Finance income and expenses

	Six months ended 30 June 2018	2017	Change, year-on-year
<i>(USD million)</i>			
Finance income			
Interest income on third party loans and deposits	9	8	12.5%
Interest income on loans to related party — <i>companies under common control</i>	1	1	0.0%
Foreign exchange gain	—	23	(100.0%)
Change in fair value of derivative financial instruments, including:	106	—	100.0%
<i>Change in fair value of embedded derivatives</i>	9	—	100.0%
<i>Change in fair value and realized gains on other derivative instruments</i>	97	—	100.0%
	116	32	262.5%
Finance expenses			
Interest expense on bank and company loans, bonds and other bank charges, including:	(240)	(350)	(31.4%)
<i>Interest expense</i>	(224)	(256)	(12.5%)
<i>Bank charges</i>	(16)	(94)	(83.0%)
Interest expense on company loans from related parties — <i>companies exerting significant influence</i>	(1)	(1)	0.0%
Interest expense on provisions	(1)	(2)	(50.0%)
Net foreign exchange loss	(104)	—	100.0%
Change in fair value of derivative financial instruments, including:	—	(138)	(100.0%)
<i>Change in fair value of embedded derivatives</i>	—	(15)	(100.0%)
<i>Change in fair value of other derivative instruments</i>	—	(123)	(100.0%)
	(346)	(491)	(29.5%)

MANAGEMENT DISCUSSION AND ANALYSIS

Finance income increased by USD84 million, or 262.5% to USD116 million for the first six months of 2018 compared to USD32 million for the same period of 2017 due to the net gain on derivative financial instruments for the first six months of 2018 following the high volatility in LME aluminium price during the second quarter of 2018 as compared to the net loss from change in fair value of derivatives for the same period of 2017.

Finance expenses decreased by USD145 million or 29.5% to USD346 million for the first six months of 2018 from USD491 million for the same period of 2017 primarily due to the significant decrease in the interest expenses on bank and company loans (by USD110 million to USD240 million for the first half of 2018 from USD350 million for the same period of 2017) following the Company's successful efforts on improvement of the debt profile and interest rate margins.

Share of profits of associates and joint ventures

	Six months ended 30 June 2018	2017	Change, year-on-year
<i>(USD million)</i>			
Share of profits of Norilsk Nickel	458	244	87.7%
Effective shareholding	27.82%	27.82%	
Share of profits of other associates	—	—	
	458	244	87.7%
Share of profits of joint ventures	35	53	(34.0%)

Share of profits of associates increased to USD458 million in the first six months of 2018 from USD244 million in the corresponding period of 2017. Share of profits of associates in both periods resulted primarily from the Company's investment in Norilsk Nickel.

The market value of UC RUSAL's stake in Norilsk Nickel was USD7,998 million as at 30 June 2018, as compared to USD8,294 million as at 31 December 2017.

The share of profits of joint ventures was USD35 million in the first six months of 2018 as compared to USD53 million for the same period of 2017. The Company's joint ventures include investments in BEMO, LLP Bogatyr Komir, Mega Business and Alliance (transportation business in Kazakhstan).

MANAGEMENT DISCUSSION AND ANALYSIS

Profit before taxation and profit for the period

As a result of the foregoing factors, the Company's profit before taxation was USD1,017 million for the first six months of 2018, compared to USD498 million for the corresponding period of 2017.

Profit for the period comprised of USD952 million for the first half of 2018, compared to USD470 million for the same period of 2017.

Adjusted and Recurring Net Profit

	Six months ended 30 June 2018	2017	Change, year-on-year
<i>(USD million)</i>			
Reconciliation of Adjusted Net Profit			
Profit for the period	952	470	102.6%
Adjusted for:			
Share of profits and other gains and losses attributable to Norilsk Nickel, net of tax effect, with	(436)	(221)	97.3%
Change in the fair value of derivative financial liabilities, net of tax (20%)	(104)	135	NA
Impairment of non-current assets, net of tax	123	81	51.9%
Adjusted Net Profit	535	465	15.1%
Add back:			
Share of profits of Norilsk Nickel, net of tax	436	221	97.3%
Recurring Net Profit	971	686	41.5%

Adjusted Net Profit for any period is defined as the Net Profit adjusted for the net effect of the Company's investment in Norilsk Nickel, the net effect of derivative financial instruments and the net effect of impairment of non-current assets. Recurring Net Profit for any period is defined as Adjusted Net Profit plus the Company's net effective share in Norilsk Nickel's results.

MANAGEMENT DISCUSSION AND ANALYSIS

Segment reporting

The Group has four reportable segments, as described in the Annual Report, which are the Group's strategic business units: Aluminium, Alumina, Energy and Mining and Metals. These business units are managed separately and results of their operations are reviewed by the CEO on a regular basis.

The core segments are Aluminium and Alumina.

	Six months ended 30 June			
	2018		2017	
	Aluminium	Alumina	Aluminium	Alumina
<i>(USD million)</i>				
Segment revenue				
<i>kt</i>	1,697	3,714	1,879	3,795
<i>USD million</i>	3,920	1,324	3,783	1,102
Segment result	909	129	870	42
Segment EBITDA ⁷	1,070	183	1,048	90
Segment EBITDA margin	27.3%	13.8%	27.7%	8.2%
Capital expenditure	125	168	139	102

In the first half of 2018 and 2017, respectively, segment result margins (calculated as the percentage of segment result to total segment revenue) from continuing operations were 23.2% and 23.0% for the aluminium segment, and 9.7% and 3.8% for the alumina segment. Key drivers for the increase in margin in the aluminium segment are disclosed in "Cost of sales" and "Results from operations and Adjusted EBITDA" above. Detailed segment reporting can be found in the consolidated interim condensed financial information included in this Interim Report.

⁷ Segment EBITDA for any period is defined as segment result adjusted for amortization and depreciation for the segment.

MANAGEMENT DISCUSSION AND ANALYSIS

Working capital

The following table sets forth the Group's current assets, current liabilities and working capital as at the dates indicated:

	As at 30 June 2018	As at 31 December 2017
<i>(USD million)</i>		
Current Assets		
Inventories	2,880	2,414
Trade and other receivables	1,095	1,005
Dividends receivable	404	3
Derivative financial assets	9	29
Cash and cash equivalents	645	831
Total current assets	5,033	4,282
Current Liabilities		
Loans and borrowings	767	735
Trade and other payables	1,652	1,658
Derivative financial liabilities	29	52
Provisions	23	27
Total current liabilities	2,471	2,472
Net current assets	2,562	1,810
Working Capital	2,323	1,761

The Group had a working capital of USD2,323 million as at 30 June 2018, up by 31.9% from USD1,761 million as at 31 December 2017. Inventories increased by USD466 million, or 19.3%, to USD2,880 million as at 30 June 2018 from USD2,414 million as at 31 December 2017. This increase was primarily due to the lower sales volumes in the second quarter of 2018 due to the OFAC sanctions as well as significant increase in electricity prices, railway transportation tariffs and other raw material costs in Russian Ruble terms. Trade and other receivables increased by USD90 million, or 9.0%, to USD1,095 million at 30 June 2018 from USD1,005 million at 31 December 2017, due to an increase in trade receivables from related parties as a result of the higher realized prices following the growth in the LME aluminium price. Trade and other payables were almost flat between the reporting dates.

Capital expenditure

UC RUSAL recorded capital expenditures (which constitute payments for the acquisition of property, plant and equipment and intangible assets) of USD417 million in the first half of 2018 (including pot rebuilds for USD51 million). UC RUSAL's capital expenditure for the six months ended 30 June 2018 was primarily aimed at maintaining existing production facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below shows the breakdown of UC RUSAL's capital expenditure for the six months ended 30 June 2018 and 2017:

	Six months ended 30 June	
	2018	2017
<i>(USD million)</i>		
Development capital expenditure	201	113
Maintenance, including:		
Pot rebuilds costs	51	55
Re-equipment	165	153
	417	321
Total capital expenditure	417	321

Loans and borrowings

The nominal value of the Group's loans and borrowings was USD6,538 million as at 30 June 2018, not including bonds, which amounted to an additional USD2,003 million.

Set out below is an overview of certain key terms of the select facilities in the Group's loan portfolio as at 30 June 2018:

Facility/Lender	Principal amount outstanding as at 30 June 2018	Tenor/Repayment Schedule	Pricing
<i>Syndicated Facilities</i>			
PXF Facility	USD1.7 billion	up to USD1.7 billion syndicated aluminium pre-export finance term facility – until 31 May 2022 equal quarterly repayments starting from July 2019	3 month LIBOR plus 2.5% p.a.
<i>Bilateral loans</i>			
Nordea Bank AB (PUBL)	USD200 million	January 2021, bullet repayment at final maturity date	1 month LIBOR plus 2.4% p.a.
Sberbank loan	USD4.2 billion	December 2024, quarterly repayments starting from March 2021	3 month LIBOR plus 3.75% p.a.

MANAGEMENT DISCUSSION AND ANALYSIS

Facility/Lender	Principal amount outstanding as at 30 June 2018	Tenor/Repayment Schedule	Pricing
		<i>Bonds</i>	
Ruble bonds series 08	RUB6.9 billion	April 2021, bullet repayment at final redemption date, subject to a bondholders' put option exercisable in April 2019	9.0% p.a.
Ruble bonds series BO-01	RUB4.2 billion	April 2026, bullet repayment at final redemption date, subject to a bondholders' put option exercisable in April 2019	12.85% p.a.
Eurobond	USD600 million	February 2022, repayment at final redemption date	5.125% p.a.
Eurobond	USD500 million	May 2023, repayment at final redemption date	5.3% p.a.
Eurobond	USD500 million	February 2023, repayment at final redemption date	4.85% p.a.
Panda bond	CNY1.0 billion	March 2020, repayment at final redemption date, subject to a bondholders' put option exercisable in March 2019	5.5% p.a.
Panda bond	CNY500 million	September 2020, repayment at final redemption date, subject to a bondholders' put option exercisable in September 2019	5.5% p.a.

The average maturity of the Group's debt as at 30 June 2018 was 3.9 years.

MANAGEMENT DISCUSSION AND ANALYSIS

Security

As of the Date of this Interim Report, the Group's debt (save for several unsecured loans, and Bonds) is secured, among others, by assignment of receivables under specified contracts, pledges of shares in certain operating and non-operating companies, goods, designated accounts, shares in Norilsk Nickel (representing a 25% plus 1 share of Norilsk Nickel's total nominal issued share capital).

Key Events

In January 2018 the Company entered into a bilateral facility agreement with Nordea Bank AB (publ): USD200 million, 3 years, unsecured, with an interest rate - 1 month LIBOR plus 2.4% p.a., bullet repayment. The proceeds were applied for the partial prepayment of existing debt.

Debt capital markets

In the end of January – beginning of February 2018 the Company successfully executed placement of the third tranche of Eurobond: USD500 million, 5 years, unsecured with a coupon rate 4.85% p.a. The proceeds were used for partial refinancing of the existing debt.

Dividends

No dividends were recommended or approved by the Board during the first six months of 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

Cash flows

In the first half of 2018, the Company used net cash generated from operating activities of USD400 million to service its outstanding debt and capital expenditure requirements.

The following table summarizes the Company's cash flows for the six months ended 30 June 2018 and 2017:

<i>(USD million)</i>	Six months ended 30 June	
	2018	2017
Net cash generated from operating activities	400	569
Net cash used in/generated from investing activities	(469)	8
Net cash used in financing activities	(120)	(506)
Net (decrease)/increase in cash and cash equivalents	(189)	71
Cash and cash equivalents at beginning of period	814	531
Cash and cash equivalents at end of period	625	602

Net cash generated from operating activities decreased to USD400 million in the first six months of 2018 from USD569 million for the corresponding period in 2017.

Net cash used in investing activities for the first six months of 2018 totaled USD469 million as compared to net cash generated from investing activities USD8 million for the first six months of 2017, and was primarily represented by acquisition of property, plant and equipment in the amount of USD404 million.

Net cash used in the financing activities decreased by USD386 million to USD120 million in the first half of 2018 from USD506 million in the corresponding period in 2017 due to the net debt repayments in the first half of 2017 as compared as net debt proceeds for the reporting period, as well as net proceeds from settlements of derivatives in the first half of 2018 as compared to net payments on this item for the same period of the prior year.

Cash and cash equivalents

As at 30 June 2018 and 31 December 2017, cash and cash equivalents excluding restricted cash were USD625 million and USD814 million, respectively. Restricted cash amounted to USD20 million and USD17 million at 30 June 2018 and 31 December 2017, respectively. Restricted cash primarily consists of the short-term bank deposits pledged under the current bank loans.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial ratios

Gearing

The Group's gearing ratio, which is the ratio of Total Debt (including both long-term and short-term borrowings and bonds outstanding) to total assets was 52.7% and 53.8% as at 30 June 2018 and 31 December 2017, respectively.

Return on Equity

The Group's return on equity, which is the amount of Net Profit as a percentage of total equity, was 19.3% and 12.2% as at 30 June 2018 and 30 June 2017, respectively.

Interest Coverage Ratio

The Group's interest coverage ratio, which is the ratio of earnings before interest and taxes to net interest, was 5.4 and 3.0 for the six months ended 30 June 2018 and 30 June 2017, respectively.

Quantitative and Qualitative Disclosures about Market Risk

The Group is exposed in the ordinary course of its business to risks related to changes in interest rates and foreign exchange rates. The Group's policy is to monitor and measure interest rate and foreign currency risks and to undertake steps to limit their influence on the Group's performance.

Interest Rate and Foreign Currency Risk

A description of the Group's interest rate and foreign exchange risks is set out on page 314, 315 of the Annual Report. The information on interest rate and foreign currency rate risk disclosed in the consolidated financial statements for the year ended 31 December 2017 remains relevant as at 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees

The following table sets forth the aggregate average number of people (full time equivalents) employed by each division of the Group during the first half of 2017 and the first half of 2018, respectively.

Division	First half of 2017 ended 30 June 2017	First half of 2018 ended 30 June 2018
Aluminium	18,400	18,787
Alumina	20,573	21,259
Engineering and Construction	14,038	14,329
Energy	28	28
Packaging	2,147	2,132
Management	794	832
Technology and Process Directorate	1,130	1,335
Others	4,028	5,371
Total	61,138	64,073

Remuneration and benefit policies

The remuneration paid by the Group to an employee is based on his/her qualification, experience and performance, as well as the complexity of his or her job. Wages for employees are generally reviewed annually and are revised taking into account the performance assessment and the local labor market conditions. Under the current collective agreement, remuneration of employees of the Company's smelters is subject to an annual increase offsetting inflation on a basis of the official data on the minimal living wage of working population and the consumer price index published by the State Statistics Committee of the Russian Federation.

UC RUSAL's Personnel Policy and the Corporate Code of Conduct govern the relationship between the Group and its staff. The Group's Corporate Code of Conduct strictly prohibits discrimination based on gender, race and/or religion and forbids any form of child, forced or indentured labor.

Labor relations

About 60% of the Group's employees are unionized and 95% of employees are covered by collective agreements.

MANAGEMENT DISCUSSION AND ANALYSIS

More than ten smelters of the Company took part in the Industrial Competition “The Most Socially Effective Smelter of the Russian Mining and Metallurgical Complex” and seven of them won. RUSAL Krasnoyarsk became the winner in the nomination of “The Most Socially and Economically Effective Collective Agreement”, RUSAL Sayanogorsk, RUSAL Ural (Volgograd) and Krasnoyarsk Branch of the Russian Engineering Company – in the nomination of “Personnel Development”, RUSAL Ural (Kandalaksha) and Shelekhov Branch of the Russian Engineering Company – in the nomination of “Health Protection and Safe Working Conditions” and RUSAL Bratsk – in the nomination of “Nature Protection Activity and Resource-Saving”.

Changes to the organizational structure of the Company

Relevant organizational structure was established during the first half of 2018 with an aim to put the Tayshet aluminium smelter in operation.

To improve operation and sales efficiency, the new “Division Downstream” has been set up by consolidating all the packaging (RUSAL Sayanal, RUSAL Armenal, Sayanskaya Foil, Ural Foil and other), powder (LLC “SUAL-PM”, PM Krasnoturyinsk and other) and downstream (SKAD) smelters.

In order to enhance innovation and to improve creativity of staff as well as to improve efficiency of operational costs and investments, the management has established and implemented relevant Directorate of the Theory of Innovative Problem Solving (TRIZ).

Training Programs

In the first half of 2018, the corporate University held training and staff development programs in the following areas:

- Functional Academies;
- Obligatory and professional trainings;
- Succession planning;
- BS-250 Program;
- E-learning.

Functional academies provided programs of major industries for the Group’s employees, which includes: technology; quality management; laboratory and metrology; energy, repair; health, environment; information technology and project management.

MANAGEMENT DISCUSSION AND ANALYSIS

In relation to succession planning, a framework of modular programs are developed to improve employee's management skills, which includes: internal and external communications; building strategic teams; corporate entrepreneurship; public appearances in the face of pressure and influence; focus on business results; persuasive communication; inspirational leadership; striving for improvement; ensuring results.

Obligatory and professional trainings included:

- Standard 09.8.3.1 "Manage internal inconsistencies";
- ISO/TS 16949;
- Organization of collection and reporting of consumer set RAR;
- Production technology for billets;
- Technology of production of small ingots of cast alloy on the BROCHOT line;
- Technical minimum for employees of primary production;
- Standard 09.8.3.1 "Manage internal inconsistencies. Requirements for process organization";
- Casting technology.

Simulators were widely used for personnel training:

- Interactive simulation of the technological process of production of small ingots at RUSAL Sayanogorsk;
- Interactive simulation of the electrolysis production at RUSAL Bratsk;
- Interactive simulator control Panel ore-smelting furnaces at SUAL-Silicon-Ural.

The Group has worked with universities on activities including the implementation of the training program for corporate students. As a result of planning and recruitment of graduates were widely improved.

In relation to international programs, in respect of 2017, 16 people from Guinea graduated from Russian universities with specialist qualification (all of them are employed at the enterprises of RUSAL in Guinea). Five graduates received honors degree and were awarded with special monetary prizes sponsored by the Group. 66 students continued training in magistracy.

MANAGEMENT DISCUSSION AND ANALYSIS

Audit Committee

The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of UC RUSAL's financial reporting process, internal control and risk management systems, to oversee the audit process and to perform other duties and responsibilities as are assigned to the Audit Committee by the Board.

The Audit Committee consists of independent non-executive Directors. The members are as follows: three independent non-executive Directors, Mr. Bernard Zonneveld (chairman), Dr. Elsie Leung Oi-sie and Mr. Dmitry Vasiliev.

The Audit Committee held four meetings in the first half of 2018. At the meeting on 22 February 2018 the Audit Committee reviewed the financial statements for the year ended 31 December 2017. At the meeting on 10 May 2018 the Audit Committee reviewed the financial results of the Company for the three months ended 31 March 2018.

On 3 August 2018 the Audit Committee held its fifth meeting of the year. The Audit Committee considered matters regarding auditing and financial reporting, including the consolidated interim condensed financial information for the three- and six-month periods ended 30 June 2018. The Audit Committee is of the opinion that the consolidated interim condensed financial information for the three- and six-month periods ended 30 June 2018 complies with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

Contingencies

The Board has reviewed and considered contingent liabilities of the Company and disclosed the detailed information concerning such contingent liabilities in note 16 to the consolidated interim condensed financial information. Details of the amounts of provisions are also disclosed in note 14 to the consolidated interim condensed financial information.

Business risks

In the Annual Report, the Company identified a number of business risks that affect its business.

The Company has identified additional risks for the first six months and the remaining six months of the year 2018, described below in the section "OFAC Sanctions".

MANAGEMENT DISCUSSION AND ANALYSIS

OFAC Sanctions

On 6 April 2018, the Office of Foreign Assets Control (“**OFAC**”) of the Department of the Treasury of the United States of America (“**US Treasury**”) designated, amongst others, the Company to be added to its Specially Designated Nationals List (the “**OFAC Sanctions**”).

The US Treasury’s press release of 6 April 2018 (the “**US Treasury Release**”) states that: “OFAC’s actions were carried out pursuant to authority provided under Executive Order (E.O.) 13661 and E.O. 13662, authorities codified by the Countering America’s Adversaries Through Sanctions Act (CAATSA), as well as E.O. 13582. These actions follow the Department of the Treasury’s issuance of the CAATSA Section 241 report in late January 2018.” The US Treasury Release further states that: “All assets subject to U.S. jurisdiction of the designated individuals and entities, and of any other entities blocked by operation of law as a result of their ownership by a sanctioned party, are frozen, and U.S. persons are generally prohibited from dealings with them. Additionally, non-U.S. persons could face sanctions for knowingly facilitating significant transactions for or on behalf of the individuals or entities blocked today.”

In addition, OFAC issued two general licenses in connection with these designations authorizing U.S. persons to engage in certain limited activities and transactions involving the Company or its subsidiaries (the “**Group**”). One of the licenses authorizes, with certain limitations and exclusions, U.S. persons to engage in transactions and activities ordinarily incident and necessary to the maintenance or wind down of operations, contracts, or other agreements (including the importation of goods, services, or technology onto the US) involving the Group (“**License 14**”). The other license authorizes, with certain limitations and exclusions, U.S. persons to engage in transactions and activities ordinarily incident and necessary to divest or transfer to a non-U.S. person, or to facilitate the transfer by a non-U.S. person to another non-U.S. person, of debt, equity, or other holdings in entities, including the Company (“**License 13C**”).

Shareholders and potential investors should be aware that the information presented in this Interim Report may not take into account all potential impact(s) which the OFAC Sanctions may have on the Company or the Group. Accordingly, the information presented in this Interim Report, including but not limited to all forward-looking statements, analyzes, reviews, discussions, commentaries and risks, does not reflect the latest position (financial or otherwise) of the Group. Given the global nature of the business of the Group, the international politico-economic dimension of the OFAC Sanctions, and the potential cross-jurisdictional implications of the OFAC Sanctions, the situation is continually evolving. Shareholders and potential investors are therefore strongly advised to make reference to the latest announcements (i.e. announcements issued by the Company on and after 9 April 2018) issued by the Company before dealing in the Shares.

MANAGEMENT DISCUSSION AND ANALYSIS

Shareholders and potential investors should exercise extreme caution when dealing in the Shares. If in doubt, they are strongly advised to consult their stockbrokers, bank managers, solicitors and/or other professional advisers before dealing in the Shares.

The Company has been in continuous communication with OFAC trying to find a solution aimed at its delisting from the list of SDNs. The Company is taking all available steps in order to seek to protect the interests of its shareholders, creditors, business partners and other stakeholders.

Investments in subsidiaries

There were no material acquisitions and disposals of subsidiaries for the six months ended 30 June 2018.

Details of the principal subsidiaries are set out in the financial statements for the year ended 31 December 2017 included in the Annual Report and save for the foregoing, there were no significant changes in the course of the half year ended 30 June 2018.

Interests in associates and joint ventures

The market value of UC RUSAL's stake in Norilsk Nickel was USD7,998 million as at 30 June 2018 compared to USD6,012 million as at 30 June 2017 and USD8,294 million as at 31 December 2017, due to volatility in market conditions.

For further information on interests in associates and joint ventures, please refer to note 10 to the consolidated interim condensed financial information.

Material events in the first half of 2018 and since the end of that period

16 January 2018	UC RUSAL and ENERGOPROM Group, a leading Russian company specialized in carbon and graphite production, informed about the signing of a 5-year Contract for supply of cathode blocks in the total volume of 21,500 tonnes per annum.
17 January 2018	UC RUSAL launched the pilot operation of eight new generation RA-550 pots at RUSAL Sayanogorsk. The total amount of investment in the project amounted to USD30 million.
23 January 2018	UC RUSAL informed that it will invest around USD250 million in the implementation of the Eco-Soderberg technology at the Company's production facilities between 2018 and 2022.
25 January 2018	UC RUSAL announced the pricing of a third Eurobond transaction with the following key terms: principal amount of USD500 million, tenor of 5 years and coupon rate 4.85% per annum.
05 February 2018	UC RUSAL announced its operating results for the fourth quarter 2017 and full year 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

- 19 February 2018 UC RUSAL announced that it received letter from Crispian Investments Limited with respect to 6,313,994 ordinary shares of Norilsk Nickel.
- 20 February 2018 UC RUSAL announced that it was notified by Zonoville Investments Limited, an associated company of SUAL Partners, which is one of the major shareholders of the Company, that it had reached an agreement with Onexim Group to purchase its 6% stake in the Company.
- 23 February 2018 UC RUSAL announced its full results for the year ended 31 December 2017.
- 23 February 2018 UC RUSAL announced executive changes. Mr. Vladislav Soloviev had been appointed as the President of RUSAL; Mrs. Alexandra Bouriko had been appointed as the Chief Executive Officer of the Company, with the changes coming into effect from 15 March 2018.
- 23 February 2018 UC RUSAL announced that it proposed to seek the approval of the Shareholders, at the EGM by way of poll, of a Mandate in relation to the potential acquisition or disposal of shares in Norilsk Nickel pursuant to a settlement agreement with Interros International Investments Limited which may constitute a very substantial acquisition or disposal of the Company.
- 14 March 2018 UC RUSAL updated the consolidated financial statements for the year ended 31 December 2017 following the publication of the Norilsk Nickel financial statements.
- 16 March 2018 UC RUSAL announced the delay in despatch of circular in relation to a potential shoot out transaction as detailed in the Company's announcement dated 23 February 2018. It is expected that the date of despatch of the circular, together with the notice of EGM, will be postponed to a date falling on or before 30 April 2018.
- 20 March 2018 UC RUSAL announced that on 19 March 2018 the holders of the certain U.S. dollar-denominated fixed rate notes and Rusal Capital D.A.C., a wholly-owned subsidiary of the Company, and the issuer of the notes agreed on certain amendments to the terms and conditions of the notes.
- 05 April 2018 UC RUSAL announced that it had applied for the delisting of its global depositary receipts from Euronext Paris.
- 06 April 2018 OFAC designated, amongst others, the Company to be added to its Specially Designated Nationals List (the "OFAC Sanctions").

MANAGEMENT DISCUSSION AND ANALYSIS

- 09 April 2018 UC RUSAL announced that the Company's initial assessment is that it is highly likely that the OFAC Sanctions may have a materially adverse impact on the business and prospects of the Group, and assessed that the OFAC Sanctions may result in technical defaults in relation to certain credit obligations of the Group, and the Company announced that it is evaluating the impact (if any) of such technical defaults on the financial position of the Group.
- 10 April 2018 UC RUSAL announced that on 10 April 2018, Glencore, the holding company of Amokenga Holdings, announced, that it will not proceed with the possible share transfer at this time in light of inclusion of UC RUSAL and En+ into the Specifically Designated Nationals List of the OFAC.
- 10 April 2018 UC RUSAL announced that Mr. Ivan Glasenberg, a non-executive director of the Company, and Mr. Philip Lader, an independent non-executive director of the Company, have tendered their resignations as directors of UC RUSAL with effect from 10 April 2018.
- 11 April 2018 UC RUSAL announced that Mr. Maksim Goldman and Mr. Daniel Lesin Wolfe, non-executive directors of the Company, have tendered their resignations as directors of UC RUSAL with effect from 10 April 2018.
- 11 April 2018 UC RUSAL announced that on 10 April 2018, LME issued a notice to explain the decision, following OFAC Sanctions affecting UC RUSAL. According to the notice, effective from 17 April 2018, primary aluminum ingots from any of the Company's brands will not be allowed to be placed on warrant (delivered to LME-approved warehouses) unless the metal owner can demonstrate to the satisfaction of the LME that it will not constitute a breach of the OFAC Sanctions.
- 12 April 2018 UC RUSAL announced that Moody's Investors Service and Fitch Ratings have withdrawn all ratings of UC RUSAL and the notes issued by Rusal Capital D.A.C.

MANAGEMENT DISCUSSION AND ANALYSIS

- 13 April 2018 UC RUSAL announced that following the inclusion of the Company into the Specifically Designated Nationals List issued by the OFAC, the Company will not proceed with seeking the Shareholders' mandate for the Board in respect of a potential shoot out transaction as detailed in the Company's announcement dated 23 February 2018.
- 19 April 2018 UC RUSAL was informed by Euronext Paris SA that the initial decision of the board of Euronext Paris SA approving the GDS Delisting is no longer valid.
- 27 April 2018 UC RUSAL published its Annual Report.
- 4 May 2018 UC RUSAL was informed by Euronext Paris SA that it will proceed with delisting of GDSs representing the Company's shares. 7 May is an expected date of delisting.
- 11 May 2018 UC RUSAL announced its results for the three months ended 31 March 2018.
- 24 May 2018 UC RUSAL inform the market that unless sanctions are lifted or a new license is granted by OFAC to the Company, international financial institutions are likely to discontinue operations with the Group after 23 October 2018, the Company's production of metal and the sales would be severely impacted.

MANAGEMENT DISCUSSION AND ANALYSIS

- 24 May 2018 UC RUSAL announced that Mr. Vladislav Soloviev and Mr. Siegfried Wolf, both executive directors of the Company and Mr. Maxim Sokov, Mr. Dmitry Afanasiev, Ms. Gulzhan Moldazhanova, Ms. Olga Mashkovskaya and Ms. Ekaterina Nikitina, all being non-executive directors of the Company proposed for consideration and nomination by En+ at the previous annual general meetings, tendered their resignation as directors of the Company with effect from 28 June 2018.
- UC RUSAL further announced that Ms. Alexandra Bouriko, the CEO of the Company, has tendered her resignation as the CEO with effect from 23 May 2018. Mr. Evgenii Nikitin has been appointed by the Board as the acting CEO of the Company for a period from 23 May 2018 until the Board appoints a new CEO.
- 25 May 2018 UC RUSAL announced that Mr. Oleg Deripaska, non-executive director of the Company, has tendered his resignation as a director of the Company with effect from 25 May 2018.
- 19 June 2018 UC RUSAL informed about the completion of the first stage of development of the Dian-Dian bauxite deposit in Guinea and the commencement of ore export shipments.
- 21 June 2018 UC RUSAL informed about the restart of the FRIGUIA ALUMINA REFINERY in Guinea.
- 26 June 2018 UC RUSAL announced that Mr. Mark Garber has tendered his resignation as an independent non-executive director of the Company with effect from 28 June 2018.
- 27 June 2018 UC RUSAL announced that the High Court in London has issued its decision in relation to the Company's legal challenge pursuant to the dispute resolution mechanisms set out in the Framework Agreement, to the validity of the Letter received from Crispian Investments Limited with respect to 6,313,994 ordinary shares of Norilsk Nickel.
- 28 June 2018 UC RUSAL held Annual General Meeting in Hong Kong.

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Information

To the Board of Directors

United Company RUSAL Plc (*Incorporated in Jersey with limited liability*)

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of United Company RUSAL Plc (the "Company") and its subsidiaries (the "Group") as at 30 June 2018, and the related consolidated interim condensed statements of income and comprehensive income for the three- and six-month periods ended 30 June 2018, changes in equity and cash flows for the six-month period ended 30 June 2018 and notes to the consolidated interim condensed financial information (the "consolidated interim condensed financial information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of consolidated interim condensed financial information to be in compliance with the relevant provisions thereof and IAS 34 *Interim Financial Reporting*. The directors are responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of consolidated interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT AUDITORS' REPORT

Basis for Qualified Conclusion

We were unable to obtain and review consolidated interim condensed financial information of the Group's equity investee, PJSC MMC Norilsk Nickel ("Norilsk Nickel"), supporting the Group's estimate of the share of profit of USD244 million and USD458 million for the three- and six-month periods ended 30 June 2018, respectively, other comprehensive income of USD nil million for both the three- and six-month periods ended 30 June 2018, the foreign currency translation loss of USD381 million and USD356 million for the three- and six-month periods ended 30 June 2018, respectively, and the carrying value of the Group's investment in the investee stated at USD3,474 million as at 30 June 2018. Had we been able to complete our review procedures in respect of interests in associates, matters might have come to our attention indicating that adjustments might be necessary to this consolidated interim condensed financial information.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 June 2018 and for the three- and six-month periods then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Emphasis of Matter

We draw attention to Note 1(c) of the consolidated interim condensed financial information, which describes the effects of inclusion of the Company, its ultimate beneficial owner and certain companies under common control in the Specially Designated Nationals List issued by the Office of Foreign Assets Control of the Department of the Treasury of the United States of America. Our conclusion is not modified in respect of this matter.

Yerkozha Akylbek
JSC "KPMG"
Moscow, Russia
3 August 2018

CONSOLIDATED INTERIM CONDENSED STATEMENT OF INCOME

	Note	Three months ended 30 June		Six months ended 30 June	
		2018 (unaudited) USD million	2017 (unaudited) USD million	2018 (unaudited) USD million	2017 (unaudited) USD million
Revenue	5	2,253	2,467	4,997	4,764
Cost of sales	6(a)	(1,582)	(1,790)	(3,604)	(3,478)
Gross profit		671	677	1,393	1,286
Distribution expenses	6(b)	(101)	(114)	(216)	(210)
Administrative expenses	6(b)	(136)	(147)	(286)	(292)
Impairment of non-current assets	6(b)	(74)	(64)	(123)	(81)
Net other operating income/(expenses)	6(b)	1	(35)	(14)	(43)
Results from operating activities		361	317	754	660
Finance income	7	43	110	116	32
Finance expenses	7	(217)	(180)	(346)	(491)
Share of profits of associates and joint ventures	10	255	79	493	297
Profit before taxation		442	326	1,017	498
Income tax expense	8	(34)	(43)	(65)	(28)
Profit for the period		408	283	952	470
Attributable to Shareholders of the Company		408	283	952	470
Profit for the period		408	283	952	470
Earnings per share					
Basic and diluted earnings per share (USD)	9	0.0269	0.0186	0.0627	0.0309
Adjusted EBITDA	6(c)	552	510	1,124	985

CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended 30 June		Six months ended 30 June	
		2018	2017	2018	2017
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
	Note	USD million	USD million	USD million	USD million
Profit for the period		408	283	952	470
Other comprehensive income					
<i>Items that will never be reclassified subsequently to profit or loss:</i>					
Actuarial gain on post retirement benefit plans	14	<u>3</u>	—	<u>3</u>	—
		<u>3</u>	—	<u>3</u>	—
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Share of other comprehensive income of associate		—	(28)	—	(28)
Foreign currency translation differences on foreign operations		(56)	(72)	(67)	(11)
Foreign currency translation differences for equity-accounted investees	10	<u>(438)</u>	(170)	<u>(404)</u>	122
		<u>(494)</u>	(270)	<u>(471)</u>	83
Other comprehensive income or loss for the period, net of tax		<u>(491)</u>	(270)	<u>(468)</u>	83
Total comprehensive income or loss for the period		<u>(83)</u>	<u>13</u>	<u>484</u>	<u>553</u>
Attributable to:					
Shareholders of the Company		<u>(83)</u>	<u>13</u>	<u>484</u>	<u>553</u>

There was no significant tax effect relating to each component of other comprehensive income.

CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

		30 June	31 December
		2018	2017
		(unaudited)	
	Note	USD million	USD million
ASSETS			
Non-current assets			
Property, plant and equipment		4,353	4,323
Intangible assets		2,451	2,552
Interests in associates and joint ventures	10	4,112	4,448
Deferred tax assets		71	63
Derivative financial assets	15	23	34
Other non-current assets		119	72
Total non-current assets		11,129	11,492
Current assets			
Inventories		2,880	2,414
Trade and other receivables	11(a)	1,095	1,005
Dividends receivable		404	3
Derivative financial assets	15	9	29
Cash and cash equivalents		645	831
Total current assets		5,033	4,282
Total assets		16,162	15,774
EQUITY AND LIABILITIES			
Equity			
	12		
Share capital		152	152
Share premium		15,786	15,786
Other reserves		2,850	2,847
Currency translation reserve		(9,272)	(8,801)
Accumulated losses		(4,588)	(5,540)
Total equity		4,928	4,444

CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

		30 June	31 December
		2018	2017
		(unaudited)	
	Note	USD million	USD million
Non-current liabilities			
Loans and borrowings	13	7,753	7,744
Provisions	14	409	427
Deferred tax liabilities		509	522
Derivative financial liabilities	15	41	61
Other non-current liabilities		51	104
		<hr/>	<hr/>
Total non-current liabilities		8,763	8,858
		<hr/>	<hr/>
Current liabilities			
Loans and borrowings	13	767	735
Trade and other payables	11(b)	1,652	1,658
Derivative financial liabilities	15	29	52
Provisions	14	23	27
		<hr/>	<hr/>
Total current liabilities		2,471	2,472
		<hr/>	<hr/>
Total liabilities		11,234	11,330
		<hr/>	<hr/>
Total equity and liabilities		16,162	15,774
		<hr/>	<hr/>
Net current assets		2,562	1,810
		<hr/>	<hr/>
Total assets less current liabilities		13,691	13,302
		<hr/>	<hr/>

Approved and authorized for issue by the Board on 3 August 2018.

Evgenii V. Nikitin
Acting Chief Executive Officer

Alexandra Y. Bouriko
Chief Financial Officer

CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share capital USD million	Share premium USD million	Other reserves USD million	Currency translation reserve USD million	Accumulated losses USD million	Total equity USD million
Balance at 1 January 2018	152	15,786	2,847	(8,801)	(5,540)	4,444
Profit for the period (unaudited)	—	—	—	—	952	952
Other comprehensive income or loss for the period (unaudited)	—	—	3	(471)	—	(468)
Total comprehensive income for the period (unaudited)	—	—	3	(471)	952	484
Balance at 30 June 2018 (unaudited)	<u>152</u>	<u>15,786</u>	<u>2,850</u>	<u>(9,272)</u>	<u>(4,588)</u>	<u>4,928</u>
Balance at 1 January 2017	152	15,786	2,882	(9,058)	(6,463)	3,299
Profit for the period (unaudited)	—	—	—	—	470	470
Other comprehensive income or loss for the period (unaudited)	—	—	(28)	111	—	83
Total comprehensive income for the period (unaudited)	—	—	(28)	111	470	553
Balance at 30 June 2017 (unaudited)	<u>152</u>	<u>15,786</u>	<u>2,854</u>	<u>(8,947)</u>	<u>(5,993)</u>	<u>3,852</u>

CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June	
		2018	2017
		(unaudited)	(unaudited)
		USD million	USD million
OPERATING ACTIVITIES			
Profit for the period		952	470
<i>Adjustments for:</i>			
Depreciation	6	238	239
Amortisation	6	6	4
Impairment of non-current assets	6(b)	123	81
Impairment of trade and other receivables	6(b)	—	1
Reversal of impairment of inventories		(12)	(3)
Provision for legal claims	6(b)	—	3
Pension provision		2	2
Change in fair value of			
derivative financial instruments	7	(106)	138
Net foreign exchange loss/(gain)	7	30	(23)
Loss on disposal of property, plant and equipment	6(b)	3	1
Interest expense	7	242	353
Interest income	7	(10)	(9)
Income tax expense	8	65	28
Share of profits of associates and joint ventures	10	(493)	(297)
		<hr/>	<hr/>
Cash from operating activities before changes			
in working capital and provisions		1,040	988
Increase in inventories		(424)	(179)
Increase in trade and other receivables		(103)	(47)
Decrease in prepaid expenses and other assets		7	—
Decrease in trade and other payables		(77)	(139)
Decrease in provisions		(2)	(10)
		<hr/>	<hr/>
Cash generated from operations			
before income tax paid		441	613
Income taxes paid		(41)	(44)
		<hr/>	<hr/>
Net cash generated from operating activities		400	569
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	USD million	USD million
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	8	14
Interest received	9	4
Acquisition of property, plant and equipment	(404)	(313)
Acquisition of intangible assets and other investments	(83)	(17)
Acquisition of a subsidiary	—	(1)
Dividends from associates and joint ventures	4	325
Changes in restricted cash	(3)	(4)
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(469)	8
FINANCING ACTIVITIES		
Proceeds from borrowings	1,799	4,310
Repayment of borrowings	(1,772)	(4,418)
Refinancing fees and other expenses	(6)	(36)
Interest paid	(237)	(261)
Settlement of derivative financial instruments	96	(101)
	<hr/>	<hr/>
Net cash used in financing activities	(120)	(506)
Net (decrease)/increase in cash and cash equivalents	(189)	71
Cash and cash equivalents at the beginning of the period	814	531
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	625	602
	<hr/> <hr/>	<hr/> <hr/>

Restricted cash amounted to USD20 million and USD17 million at 30 June 2018 and 31 December 2017, respectively. Net foreign exchange loss/(gain) for the six-months ended 30 June 2018 comprises only unrealised part of the total net foreign exchange loss/(gain) of USD104 million for the above period.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

1 Background

(a) Organisation

United Company RUSAL Plc (the “Company” or “UC RUSAL”) was established by the controlling shareholder of RUSAL Limited (“RUSAL”) as a limited liability company under the laws of Jersey on 26 October 2006. On 27 January 2010, the Company successfully completed a dual placing on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and the Professional Segment of NYSE Euronext Paris (“Euronext Paris”) (the “Global Offering”) and changed its legal form from a limited liability company to a public limited company.

On 23 March 2015, the shares of the Company were admitted to listing on PJSC Moscow Exchange MICEX-RTS (“Moscow Exchange”) in the First Level quotation list. The trading of shares on Moscow Exchange commenced on 30 March 2015. There was no issue of new shares.

The Company has filed the application for the delisting of its global depository receipts (GDSs) with the Euronext Paris. The GDSs were delisted on 7 May 2018.

The Company’s registered office is 44 Esplanade, St Helier, Jersey, JE4 9WG, Channel Islands.

The Company directly or through its wholly owned subsidiaries controls a number of production and trading entities engaged in the aluminium business and other entities, which together with the Company are referred to as “the Group”.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

The shareholding structure of the Company as at 30 June 2018 and 31 December 2017 was as follows:

	30 June 2018	31 December 2017
EN+ GROUP PLC (“EN+”)	48.13%	48.13%
SUAL Partners Limited and associates (“SUAL Partners”)	26.50%	20.50%
Amokenga Holdings Limited (“Amokenga Holdings”)	8.75%	8.75%
Onexim Holdings Limited (“Onexim”)	—	6.00%
Held by Directors	0.02%	0.02%
Publicly held	16.60%	16.60%
Total	<u>100.00%</u>	<u>100.00%</u>

Ultimate beneficiary of EN+ is Mr. Oleg Deripaska. Major ultimate beneficiaries of SUAL Partners are Mr. Victor Vekselberg and Mr. Len Blavatnik. Amokenga Holdings is a wholly owned subsidiary of Glencore International Plc (“Glencore”). At 30 June 2018 and 31 December 2017, the directors consider the immediate parent of the Group to be EN+, which is incorporated in Jersey with its registered office at 44 Esplanade, St Helier, Jersey, JE4 9WG, Channel Islands. EN+ is controlled by Fidelitas International Investments Corp. (a company incorporated in Panama) through its wholly-owned subsidiary. Mr. Oleg V. Deripaska is the founder, the trustee and a principal beneficiary of a discretionary trust, which controls Fidelitas International Investments Corp.

EN+ successfully completed an initial public offering of global depositary receipts on the London Stock Exchange and the Moscow Exchange in November 2017. From November 2017 financial statements of EN+ from 2014 are available for public use.

Related party transactions are disclosed in notes 5, 6, 7, 11 and 17.

The consolidated financial statements of the Group as at and for the year ended 31 December 2017 are available at the Company’s website www.rusal.com.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

(b) Seasonality

There are no material seasonal events in business activity of the Group.

(c) OFAC Sanctions

On 6 April 2018, the Office of Foreign Assets Control of the Department of the Treasury of the United States of America (the “U.S. Treasury”) designated, amongst others, the Company, to be added to its Specially Designated Nationals List (the “OFAC Sanctions”).

A press statement issued by the U.S. Treasury in respect of the OFAC Sanctions on 6 April 2018 states that: “All assets subject to U.S. jurisdiction of the designated individuals and entities, and of any other entities blocked by operation of law as a result of their ownership by a sanctioned party, are frozen, and U.S. persons are generally prohibited from dealings with them. Additionally, non-U.S. persons could face sanctions for knowingly facilitating significant transactions for or on behalf of the individuals or entities blocked today.”

OFAC may authorize certain types or categories of activities and transactions that would otherwise be prohibited under the US sanctions program by issuing a general license. As of the date of the report being published, OFAC has issued a number of General Licenses. Currently there are two General Licenses directly relating to the Company:

- General License 14, authorizing all transactions ordinarily incident and necessary for maintenance or wind down of operations, contracts or other agreements (including the importation of goods, services, or technology into the United States) – expires on 23 October 2018;
- General Licenses 13 C, authorizing all transactions and activities that are ordinarily incident and necessary (1) to divest or transfer debt, equity, or other holdings in the Company to a non-U.S. person, or (2) to facilitate the transfer of debt, equity, or other holdings in the Company by a non-U.S. person to another non-U.S. person – expires on 23 October 2018.

Whilst further evaluation is being carried out by the Company to assess the impact of the OFAC Sanctions on the Group, the Company’s current assessment still remains the same, that it is highly likely that the impact may be materially adverse to the business. The Company’s primary focus remains on the maintenance of its operations and the protection of the interests of all of its creditors, investors and shareholders.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

As part of financial information preparation the Group has performed impairment testing in respect of the goodwill and property, plant and equipment of certain alumina and aluminium cash generating units (“CGUs”) considering changes in the economic environment and developments in the aluminium industry and the Group’s operations since 31 December 2017. The list of key assumptions used was consistent with those used in impairment testing performed as at 31 December 2017 and included productions volumes, sales prices and costs forecasts, exchange rates, discount rates and terminal growth rate.

Production volumes, exchange rates and inflation estimation approach was consistent with that disclosed in the consolidated financial statements for the year ended 31 December 2017 and for the purpose of the above impairment testing the forecasts were updated as at 30 June 2018. Sales prices were based on the long-term aluminium price outlook derived from available industry and market sources. Operating costs were projected based on the historical performance up to reporting date adjusted for inflation.

Considering the current market conditions and significant level of uncertainty in respect of future market developments, including the impact of the sanctions, the Group has considered a number of possible scenarios within impairment testing of the goodwill and property, plant and equipment. They included considerations of sales price fluctuations, sales volumes reallocation between sales regions and/or their potential decrease as well as different consensus forecasts for aluminium prices and cost of alumina.

Based on results of impairment testing of goodwill and property, plant and equipment of aluminium CGUs management concluded that no impairment should be recorded in the interim financial information as at 30 June 2018. Based on results of impairment testing of property, plant and equipment of alumina CGUs management concluded that the final outcome significantly depends on the further sanctions and therefore market developments. In terms of current volatility of market prices on aluminium, alumina and bauxite together with uncertainty of their future fluctuations, the developments of the abovementioned sanctions may impact the assessment of recoverable amount of property, plant and equipment of alumina CGUs, but the exact estimate of the impact is difficult to determine.

The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine. The financial information reflect management’s assessment of the impact of the OFAC Sanctions and the Russian business environment on the operations and the financial position of the Company. The future business environment may differ from management’s assessment.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

2 Basis of preparation

(a) Statement of compliance

This consolidated interim condensed financial information has been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* and applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

This consolidated interim condensed financial information does not include all of the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards and therefore should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this consolidated interim condensed financial information, the Group has adopted these new and revised IFRSs where applicable:

IFRS 15: *Revenue from Contracts with Customers*

IFRS 9: *Financial instruments*

Amendments to IFRS 12: *Classification and Measurement of Share-based Payment Transactions*

Amendments to IFRS 4: *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

Amendments to IAS 40: *Transfers of Investment Property*

Annual Improvements to IFRSs, 2014-2016 cycle: Amendments to IFRS 1 and IAS 28

IFRIC 22: *Foreign Currency Transactions and Advance Consideration*

None of these developments have had a material effect on how the Group’s results and financial position for the current and the prior periods have been prepared and presented, including IFRS 15 and IFRS 9 (disclosed in Note 3). The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has also no updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Group’s consolidated financial statements.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

3 Significant accounting policies

Except as described below, the accounting policies applied in this consolidated interim condensed financial information are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The Group has initially adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* from 1 January 2018.

The effect of initially applying these standards is mainly attributed to the following:

- timing of recognition of revenue for the transportation services after the control for the related goods has been transferred to customer (revenue is to be recognized over time from goods control transfer till completion of the transportation);
- classification of revenue earned from the contracts which bear price finalisation options as other revenue instead of revenue from contracts with customers;
- an increase in impairment losses recognized on financial assets;
- disclosures to be presented as required by the new standards.

(a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below.

	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Sales of goods	<p>Comprise sale of primary aluminium, alloys, alumina, bauxite and other products. Customers obtain control of the goods supplied when the goods are delivered to the point when risks are transferred based on Incoterms terms stated in the contract. Invoices are generated and revenue is recognized at that point in time. Invoices are usually payable within 60 days or in advance. Under certain Group sale contracts the final price for the goods shipped is determined a few months later than the delivery took place. Under current requirements the Group determines the amount of revenue at the moment of recognition based on estimated selling price at the date of the invoice issued. At price finalisation the difference between estimated price and actual one is recognized as other revenue.</p>	<p>Under IAS 18 revenue was recognized when related risks and rewards of ownership were transferred under delivery terms of the contracts. Revenue was recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.</p> <p>Under IFRS 15, revenue is recognized when a customer obtains control of the goods. It has not significantly impacted the Group's revenue recognition approach and the timing of revenue recognition.</p> <p>For the contract with revenue finalisation feature IFRS 15 also has not resulted in a significant change in the amount of revenue recognized and the moment of recognition. But IFRS 15 effected the classification of the revenue recognized: revenue initially recognized at the moment of control transfer to the customer is recognized as revenue from contract with customers. The amount of price adjustment on finalisation is recognized as other revenue.</p>

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,
All financial information as at and for the three- and six-month periods
ended 30 June 2018 and 30 June 2017 is unaudited

	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Rendering of transportation services	As part of sales of goods the Group also performs transportation to the customer under contract terms. In certain cases the control for goods delivered is transferred to customer at earlier point than the transportation is completed. The fee for the transportation services is included in the amount invoiced for the goods supplied (refer to the above caption).	Under IAS 18 revenue was recognized both for goods and transportation services at the point in time when the risks and rewards of goods ownership transfer to customer. Under IFRS 15 the transportation revenue is recognized over time from goods control transfer till completion of the transportation. This has resulted in certain deferral of revenue recognition, but did not have a significant impact.
Rendering of electricity supply services	The Group is involved in sales of energy to 3rd and related parties. Invoices are issued once a month at the end of month and paid within 30 days.	Under current accounting policies revenue was recognized at point in time (on the last day of the month). Under IFRS 15 revenue is recognized over time during the period when the energy is transferred to the customer. Effectively it has not impacted either total amount of revenue recognized, or its classification.

The impact of transition to IFRS 15 on retained earnings is not significant. Thus no transitional adjustments were made by the Group.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

(b) IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

The details of new significant accounting policies and the nature and effects of the changes to previous accounting policies are set out below.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognized in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

The Group's financial assets most fall within category of financial assets measured at amortized cost both under IAS 39 and IFRS 9 requirements. The only exception is derivative financial assets measured at fair value through profit or loss. The same applies to the Group's financial liabilities. Thus the adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to classification and measurement of financial assets and financial liabilities as well as derivative financial instruments. The impact of IFRS 9 on the impairment of financial assets is set out below.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies inter alia to financial assets measured at amortized cost. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The Group's financial assets at amortized cost consist of trade and other receivables and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

- *12-month ECLs*: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *lifetime ECLs*: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition. The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due, but additional analysis is conducted for each such receivable and assessment is updated accordingly.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset in case of long-term assets.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables are presented as part of net other operating expenses.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 does not result in significant additional impairment allowance and thus has not recognized any additional allowance as part of transition to the new standards.

The following analysis provides further detail about the calculation of ECLs related to trade receivables on the adoption of IFRS 9. The Group considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

The ECLs were calculated based on actual credit loss experience over the past two years. The Group performed the calculation of ECL rates separately for the customers of each key trading company of the Group. Exposures within each trading company were not further segmented. Actual credit loss experience was not further adjusted as at 1 January 2018 as the Group has not expected significant adverse changes in economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Potential impact of the sanctions described in Note 1(c) on further expected credit losses assessment cannot be reliably estimated at the moment.

The following table provides information about determined ECLs rates for trade receivables as at 1 January 2018.

	Weighted- average loss rate	Credit- impaired
Current (not past due)	1%	No
1–30 days past due	11%	No
31–60 days past due	28%	No
61–90 days past due	64%	No
More than 90 days past due	90%	Yes

There were no changes during the period to the Group's exposure to credit risk that may impact the above loss rates calculation.

Hedge accounting

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Group has chosen to apply the hedge accounting requirements of IAS 39.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.

4 Segment reporting

(a) Reportable segments

The Group has four reportable segments, as described below, which are the Group's strategic business units. These business units are managed separately and the results of their operations are reviewed by the CEO on a regular basis.

Aluminium. The Aluminium segment is involved in the production and sale of primary aluminium and related products.

Alumina. The Alumina segment is involved in the mining and refining of bauxite into alumina and the sale of alumina.

Energy. The Energy segment includes the Group companies and projects engaged in the mining and sale of coal and the generation and transmission of electricity produced from various sources. Where the generating facility is solely a part of an alumina or aluminium production facility it is included in the respective reportable segment.

Mining and Metals. The Mining and Metals segment includes the equity investment in PJSC MMC Norilsk Nickel ("Norilsk Nickel").

Other operations include manufacturing of semi-finished products from primary aluminium for the transportation, packaging, building and construction, consumer goods and technology industries; and the activities of the Group's administrative centres. None of these segments meet any of the quantitative thresholds for determining reportable segments.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

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The Aluminium and Alumina segments are vertically integrated whereby the Alumina segment supplies alumina to the Aluminium segment for further refining and smelting with limited sales of alumina outside the Group. Integration between the Aluminium, Alumina and Energy segments also includes shared servicing and distribution.

(b) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of income tax assets and corporate assets. Segment liabilities include trade and other payables attributable to the production and sales activities of the individual segments. Loans and borrowings are not allocated to individual segments as they are centrally managed by the head office.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments excluding impairment.

The measure used for reporting segment results is the statement of income before income tax adjusted for items not specifically attributed to individual segments, such as finance income, costs of loans and borrowings and other head office or corporate administration costs. The segment profit or loss is included in the internal management reports that are reviewed by the Group's CEO. Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

In addition to receiving segment information concerning segment results, management is provided with segment information concerning revenue (including inter-segment revenue), the carrying value of investments and share of profits/(losses) of associates and joint ventures, depreciation, amortisation, impairment and additions of non-current segment assets used by the segments in their operations. Inter-segment pricing is determined on a consistent basis using market benchmarks.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

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Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets other than goodwill.

(i) Reportable segments

Three months ended 30 June 2018

	Aluminium	Alumina	Energy	Mining and Metals	Total segment result
	USD million	USD million	USD million	USD million	USD million
Revenue from external customers	1,823	292	—	—	2,115
Inter-segment revenue	58	853	—	—	911
Total segment revenue	1,881	1,145	—	—	3,026
Segment profit	162	343	—	—	505
Impairment of non-current assets	1	(38)	—	—	(37)
Share of profits of associates and joint ventures	—	—	11	244	255
Depreciation/amortisation	(79)	(32)	—	—	(111)
Non-cash income	—	14	—	—	14
Additions to non-current segment assets during the period	58	81	—	—	139
Non-cash additions to non-current segment assets related to site restoration	(2)	4	—	—	2

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

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Three months ended 30 June 2017

	Aluminium USD million	Alumina USD million	Energy USD million	Mining and Metals USD million	Total segment result USD million
Revenue from external customers	2,099	250	—	—	2,349
Inter-segment revenue	51	592	—	—	643
Total segment revenue	<u>2,150</u>	<u>842</u>	<u>—</u>	<u>—</u>	<u>2,992</u>
Segment profit	<u>351</u>	<u>109</u>	<u>—</u>	<u>—</u>	<u>460</u>
Impairment of non-current assets	(19)	(38)	—	—	(57)
Share of profits of associates and joint ventures	—	—	12	67	79
Depreciation/amortisation	(92)	(30)	—	—	(122)
Non-cash income/expense	2	(1)	—	—	1
Additions to non-current segment assets during the period	82	57	—	—	139
Non-cash additions to non-current segment assets related to site restoration	(1)	(1)	—	—	(2)

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

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Six months ended 30 June 2018

	Aluminium USD million	Alumina USD million	Energy USD million	Mining and Metals USD million	Total USD million
Revenue from external customers	4,079	626	—	—	4,705
Inter-segment revenue	124	1,523	—	—	1,647
Total segment revenue	4,203	2,149	—	—	6,352
Segment profit	562	469	—	—	1,031
Impairment of non-current assets	1	(82)	—	—	(81)
Share of profits of associates and joint ventures	—	—	35	458	493
Depreciation/amortisation	(166)	(65)	—	—	(231)
Non-cash (expense)/income	(1)	13	—	—	12
Additions to non-current segment assets during the period	125	168	—	—	293
Non-cash movements in non-current segment assets related to site restoration	(1)	2	—	—	1

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

Six months ended 30 June 2017

	Aluminium USD million	Alumina USD million	Energy USD million	Mining and Metals USD million	Total USD million
Revenue from external customers	4,030	519	—	—	4,549
Inter-segment revenue	101	1,164	—	—	1,265
Total segment revenue	<u>4,131</u>	<u>1,683</u>	<u>—</u>	<u>—</u>	<u>5,814</u>
Segment profit	<u>667</u>	<u>237</u>	<u>—</u>	<u>—</u>	<u>904</u>
Impairment of non-current assets	(38)	(31)	—	—	(69)
Share of profits of associates and joint ventures	—	—	53	244	297
Depreciation/amortisation	(172)	(56)	—	—	(228)
Non-cash income	2	—	—	—	2
Additions to non-current segment assets during the period	139	102	—	—	241
Non-cash movements in non-current segment assets related to site restoration	1	(1)	—	—	—

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

At 30 June 2018

	Aluminium USD million	Alumina USD million	Energy USD million	Mining and Metals USD million	Total segment result USD million
Segment assets	6,957	2,382	—	—	9,339
Interests in associates and joint ventures	—	—	634	3,474	4,108
Total segment assets					13,447
Segment liabilities	(1,073)	(645)	(10)	—	(1,728)
Total segment liabilities					(1,728)

31 December 2017

	Aluminium USD million	Alumina USD million	Energy USD million	Mining and Metals USD million	Total segment result USD million
Segment assets	6,751	2,281	—	—	9,032
Interests in associates and joint ventures	—	—	646	3,796	4,442
Total segment assets					13,474
Segment liabilities	(1,137)	(671)	(9)	(1)	(1,818)
Total segment liabilities					(1,818)

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

(ii) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	Three months ended 30 June		Six months ended 30 June	
	2018 USD million	2017 USD million	2018 USD million	2017 USD million
Revenue				
Reportable segment revenue	3,026	2,992	6,352	5,814
Elimination of inter-segment revenue	(911)	(637)	(1,647)	(1,259)
Unallocated revenue	138	112	292	209
Consolidated revenue	<u>2,253</u>	<u>2,467</u>	<u>4,997</u>	<u>4,764</u>
Profit				
Reportable segment profit	505	460	1,031	904
Impairment of non-current assets	(74)	(64)	(123)	(81)
Share of profits of associates and joint ventures	255	79	493	297
Finance income	43	110	116	32
Finance expenses	(217)	(180)	(346)	(491)
Unallocated expense	(70)	(79)	(154)	(163)
Consolidated profit before taxation	<u>442</u>	<u>326</u>	<u>1,017</u>	<u>498</u>

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods
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	30 June 2018	31 December 2017
	USD million	USD million
Assets		
Reportable segment assets	13,447	13,474
Unallocated assets	2,715	2,300
	<hr/>	<hr/>
Consolidated total assets	16,162	15,774
	<hr/> <hr/>	<hr/> <hr/>
	30 June 2018	31 December 2017
	USD million	USD million
Liabilities		
Reportable segment liabilities	(1,728)	(1,818)
Unallocated liabilities	(9,506)	(9,512)
	<hr/>	<hr/>
Consolidated total liabilities	(11,234)	(11,330)
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods

ended 30 June 2018 and 30 June 2017 is unaudited

5 Revenue

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	USD million	USD million	USD million	USD million
Revenue from contracts with customers	2,253	2,467	4,997	4,764
Sales of products	2,207	2,431	4,893	4,683
Sales of primary aluminium and alloys	1,814	2,085	4,059	4,005
Sales of alumina and bauxite	210	179	452	371
Sales of foil and other				
aluminium products	80	82	170	141
Sales of other products	103	85	212	166
Provision of services	46	36	104	81
Supply of energy	30	26	73	63
Provision of transportation services	2	1	4	2
Provision of other services	14	9	27	16
Total revenue by types of customers	2,253	2,467	4,997	4,764
Third parties	1,443	1,699	3,228	3,227
Related parties – companies capable of				
exerting significant influence	696	673	1,526	1,366
Related parties – companies				
under common control	47	55	103	95
Related parties – associates and				
joint ventures	67	40	140	76
Total revenue by primary regions	2,253	2,467	4,997	4,764
Europe	1,062	1,026	2,192	1,989
CIS	743	607	1,469	1,128
America	219	430	674	833
Asia	225	394	651	797
Other	4	10	11	17

Revenue from sale of primary aluminium and alloys relates to aluminium segment (Note 4). Revenue from sales of alumina and bauxite relates to alumina segment. Revenue from sale of foil and other aluminium products and other products and services relates mostly to the revenue of non-reportable segments.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

6 Cost of sales and operating expenses

(a) Cost of sales

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	USD million	USD million	USD million	USD million
Cost of alumina, bauxite and other materials	(935)	(733)	(1,889)	(1,455)
<i>Third parties</i>	<i>(900)</i>	<i>(685)</i>	<i>(1,820)</i>	<i>(1,343)</i>
<i>Related parties – companies capable of exerting significant influence</i>	<i>(20)</i>	<i>(33)</i>	<i>(38)</i>	<i>(82)</i>
<i>Related parties – companies under common control</i>	<i>(15)</i>	<i>(15)</i>	<i>(31)</i>	<i>(30)</i>
Purchases of primary aluminium	(72)	(167)	(265)	(329)
<i>Third parties</i>	<i>(16)</i>	<i>(91)</i>	<i>(129)</i>	<i>(186)</i>
<i>Related parties – companies capable of exerting significant influence</i>	<i>—</i>	<i>(3)</i>	<i>—</i>	<i>(5)</i>
<i>Related parties – companies under common control</i>	<i>(4)</i>	<i>(4)</i>	<i>(7)</i>	<i>(6)</i>
<i>Related parties – associates and joint ventures</i>	<i>(52)</i>	<i>(69)</i>	<i>(129)</i>	<i>(132)</i>
Energy costs	(523)	(514)	(1,129)	(1,049)

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

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ended 30 June 2018 and 30 June 2017 is unaudited

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	USD million	USD million	USD million	USD million
<i>Third parties</i>	(310)	(276)	(662)	(621)
<i>Related parties – companies capable of exerting significant influence</i>	(1)	(3)	(2)	(6)
<i>Related parties – companies under common control</i>	(204)	(230)	(446)	(414)
<i>Related parties – associates and joint ventures</i>	(8)	(5)	(19)	(8)
Personnel costs	(142)	(146)	(300)	(286)
Depreciation and amortisation	(113)	(125)	(237)	(234)
Change in finished goods	289	(26)	400	40
Other costs	(86)	(79)	(184)	(165)
<i>Third parties</i>	(40)	(42)	(92)	(90)
<i>Related parties – companies under common control</i>	(9)	(9)	(18)	(17)
<i>Related parties – associates and joint ventures</i>	(37)	(28)	(74)	(58)
	(1,582)	(1,790)	(3,604)	(3,478)

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

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(b) Distribution, administrative and other operating expenses, and impairment of non-current assets

	Three months ended 30 June		Six months ended 30 June	
	2018 USD million	2017 USD million	2018 USD million	2017 USD million
Personnel costs	(70)	(68)	(146)	(154)
Transportation expenses	(81)	(96)	(175)	(172)
Impairment of non-current assets	(74)	(64)	(123)	(81)
Lease and security	(11)	(14)	(25)	(27)
Taxes other than on income	(10)	(10)	(21)	(21)
Consulting and legal expenses	(17)	(20)	(34)	(30)
Packaging materials	(8)	(8)	(17)	(16)
Repair and other services	(5)	(10)	(9)	(14)
Depreciation and amortisation	(3)	(4)	(7)	(9)
Charitable donations	(2)	(7)	(9)	(9)
Auditors' remuneration	(1)	(1)	(3)	(3)
Loss on disposal of property, plant and equipment	(1)	—	(3)	(1)
Impairment of trade and other receivables	—	(1)	—	(1)
Provision for legal claims	—	(3)	—	(3)
Other expenses	(27)	(54)	(67)	(85)
	<u>(310)</u>	<u>(360)</u>	<u>(639)</u>	<u>(626)</u>

Other expenses in amount USD54 million during six-months period ended 30 June 2017 include penalties of USD22 million that relate to the amount paid by the Group in relation to the legal claim from Swedish electricity supplier.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

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(c) EBITDA and operating effectiveness measures

Adjusted EBITDA is the key non-IFRS financial measure used by the Group as reference for assessing operating effectiveness.

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	USD million	USD million	USD million	USD million
Results from operating activities	361	317	754	660
<i>Add:</i>				
Amortisation and depreciation	116	129	244	243
Impairment of non-current assets	74	64	123	81
Loss on disposal of property, plant and equipment	1	—	3	1
Adjusted EBITDA	<u>552</u>	<u>510</u>	<u>1,124</u>	<u>985</u>

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

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7 Finance income and expenses

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	USD million	USD million	USD million	USD million
Finance income				
Interest income on third party				
loans and deposits	6	6	9	8
Interest income on loans to related parties – <i>companies under common control</i>	—	—	1	1
Net foreign exchange gain	—	—	—	23
Change in fair value of derivative financial instruments (refer to note 15)	37	104	106	—
	<u>43</u>	<u>110</u>	<u>116</u>	<u>32</u>
Finance expenses				
Interest expense on bank loans and bonds wholly repayable within 5 years and other bank charges	(57)	(170)	(114)	(346)
Interest expense on bank loans and bonds wholly repayable after 5 years	(63)	(4)	(126)	(4)
Interest expense on company loans from related parties – <i>companies exerting significant influence</i>	—	—	(1)	(1)
Interest expense on provisions	—	(2)	(1)	(2)
Net foreign exchange loss	(97)	(4)	(104)	—
Change in fair value of derivative financial instruments (refer to note 15)	—	—	—	(138)
	<u>(217)</u>	<u>(180)</u>	<u>(346)</u>	<u>(491)</u>

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,
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8 Income tax

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	USD million	USD million	USD million	USD million
<i>Current tax</i>				
Current tax for the period	48	30	85	71
<i>Deferred tax</i>				
Origination and reversal of temporary differences	<u>(14)</u>	<u>13</u>	<u>(20)</u>	<u>(43)</u>
Actual tax expense	<u>34</u>	<u>43</u>	<u>65</u>	<u>28</u>

The Company is a tax resident of Cyprus with an applicable corporate tax rate of 12.5%. Subsidiaries pay income taxes in accordance with the legislative requirements of their respective tax jurisdictions. For subsidiaries domiciled in Russia, the applicable tax rate is 20%; in Ukraine of 18%; Guinea of 0%; China of 25%; Kazakhstan of 20%; Australia of 30%; Jamaica of 25%; Ireland of 12.5%; Sweden of 22% and Italy of 27.9%. For the Group's subsidiaries domiciled in Switzerland the applicable tax rate for the period is the corporate income tax rate in the Canton of Zug, Switzerland, which may vary depending on the subsidiary's tax status. The rate consists of a federal income tax and cantonal/communal income and capital taxes. The latter includes a base rate and a multiplier, which may change from year to year. Applicable income tax rates for 2017 are 9.27% and 14.60% for different subsidiaries. For the Group's significant trading companies, the applicable tax rate is 0%. The applicable tax rates for the period ended 30 June 2018 were the same as for the period ended 30 June 2017 and the year ended 31 December 2017, except for tax rates for subsidiaries domiciled in Switzerland which amounted to 9.6% and 14.51% accordingly.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

9 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders for the three- and six-months periods ended 30 June 2018 and 30 June 2017.

Weighted average number of shares:

	Three months ended 30 June	
	2018	2017
Issued ordinary shares at beginning of the period	<u>15,193,014,862</u>	<u>15,193,014,862</u>
Effect of treasury shares	<u>—</u>	<u>—</u>
Weighted average number of shares at end of the period	<u><u>15,193,014,862</u></u>	<u><u>15,193,014,862</u></u>
Profit for the period, USD million	<u>408</u>	<u>283</u>
Basic and diluted earnings per share, USD	<u>0.0269</u>	<u>0.0186</u>
	Six months ended 30 June	
	2018	2017
Issued ordinary shares at beginning of the period	<u>15,193,014,862</u>	<u>15,193,014,862</u>
Effect of treasury shares	<u>—</u>	<u>—</u>
Weighted average number of shares at end of the period	<u><u>15,193,014,862</u></u>	<u><u>15,193,014,862</u></u>
Profit for the period, USD million	<u>952</u>	<u>470</u>
Basic and diluted earnings per share, USD	<u>0.0627</u>	<u>0.0309</u>

There were no outstanding dilutive instruments during the periods ended 30 June 2018 and 30 June 2017.

No dividends were declared and paid during the periods presented.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,
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10 Interests in associates and joint ventures

	Three months ended 30 June	
	2018	2017
	USD million	USD million
Balance at the beginning of the period	4,720	4,657
Group's share of profits	255	79
Dividends	(425)	(355)
Group's share of other comprehensive income of associate	—	(28)
Foreign currency translation	(438)	(170)
	<u>4,112</u>	<u>4,183</u>
Balance at the end of the period	4,112	4,183
Goodwill included in interests in associates	2,395	2,543
	<u>2,395</u>	<u>2,543</u>
	Six months ended 30 June	
	2018	2017
	USD million	USD million
Balance at the beginning of the period	4,448	4,147
Group's share of profits	493	297
Dividends	(425)	(355)
Group's share of other comprehensive income of associate	—	(28)
Foreign currency translation	(404)	122
	<u>4,112</u>	<u>4,183</u>
Balance at the end of the period	4,112	4,183
	<u>4,112</u>	<u>4,183</u>
Goodwill included in interests in associates	2,395	2,543
	<u>2,395</u>	<u>2,543</u>

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

Investment in Norilsk Nickel

At the date of this consolidated interim condensed financial information the Group was unable to obtain consolidated interim financial information of Norilsk Nickel as at and for the six-month period ended 30 June 2018. Consequently the Group estimated its share in the profits, other comprehensive income and foreign currency translation of Norilsk Nickel for the period ended 30 June 2018 based on publicly available information reported by Norilsk Nickel.

The Group has estimated its share of profit of Norilsk Nickel at the level of USD244 million and USD458 million for the three- and six-month periods ended 30 June 2018, respectively, other comprehensive income at the level of USD nil million for both the three- and six-month periods ended 30 June 2018, the foreign currency translation loss at the level of USD381 million and USD356 million for the three- and six-month periods ended 30 June 2018, respectively. The carrying value of the Group's investment in the investee comprises USD3,474 million as at 30 June 2018.

The information used as a basis for these estimates is incomplete in many aspects. Once the consolidated interim financial information for Norilsk Nickel becomes available, it is compared to management's estimates. If there are significant differences, adjustments may be required to restate the Group's share in profit, other comprehensive income, foreign currency translation and the carrying value of the investment in Norilsk Nickel which has been previously reported.

The market value of the investment in Norilsk Nickel at 30 June 2018 is USD7,998 million (31 December 2017: USD8,294 million). The market value is determined by multiplying the quoted bid price per share on the Moscow Exchange on reporting date by the number of shares held by the Group.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods

ended 30 June 2018 and 30 June 2017 is unaudited

11 Non-derivative financial instruments

(a) Trade and other receivables

	30 June 2018 USD million	31 December 2017 USD million
Trade receivables from third parties	368	358
Impairment loss on trade receivables	(15)	(16)
Net trade receivables from third parties	353	342
Trade receivables from related parties, including:	165	54
<i>Related parties – companies capable of exerting significant influence</i>	88	31
<i>Related parties – companies under common control</i>	22	11
<i>Related parties – associates and joint ventures</i>	55	12
VAT recoverable	245	333
Impairment loss on VAT recoverable	(28)	(28)
Net VAT recoverable	217	305
Advances paid to third parties	123	98
Impairment loss on advances paid	(1)	(1)
Net advances paid to third parties	122	97
Advances paid to related parties, including:	48	46
<i>Related parties – companies under common control</i>	8	6
<i>Related parties – associates and joint ventures</i>	40	40
Prepaid expenses	4	3
Prepaid income tax	11	32
Prepaid other taxes	18	28
Other receivables from third parties	160	104
Impairment loss on other receivables	(8)	(8)

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

	30 June 2018	31 December 2017
	USD million	USD million
Net other receivables from third parties	152	96
Other receivables from related parties, including:	5	2
<i>Related parties – companies</i>		
<i>under common control</i>	7	4
<i>Impairment loss on other receivables from related parties – companies under common control</i>	<i>(3)</i>	<i>(3)</i>
<i>Net other receivables to related parties – companies under common control</i>	<i>4</i>	<i>1</i>
<i>Related parties – associates and joint ventures</i>	<i>1</i>	<i>1</i>
	<u>1,095</u>	<u>1,005</u>

All of the trade and other receivables are expected to be settled or recognized as an expense within one year or are repayable on demand.

(i) Ageing analysis

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) with the following ageing analysis as of the reporting dates:

	30 June 2018	31 December 2017
	USD million	USD million
Current	291	319
Past due 0-90 days	217	67
Past due 91-365 days	8	7
Past due over 365 days	2	3
	<u>227</u>	<u>77</u>
Amounts past due	<u>227</u>	<u>77</u>
	<u>518</u>	<u>396</u>

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

Aging analysis is performed based on number of days receivable is overdue. Trade receivables are on average due within 60 days from the date of billing. The receivables that are neither past due nor impaired (i.e. current) relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(ii) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	Three months ended 30 June	
	2018	2017
	USD million	USD million
Balance at the beginning of the period	(16)	(14)
Reversal of impairment	1	—
	<hr/>	<hr/>
Balance at the end of the period	(15)	(14)

	Six months ended 30 June	
	2018	2017
	USD million	USD million
Balance at the beginning of the period	(16)	(14)
Reversal of impairment	2	—
Increase in the balance of allowance for doubtful debts	(1)	—
	<hr/>	<hr/>
Balance at the end of the period	(15)	(14)

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

As at 30 June 2018 and 31 December 2017, the Group's trade receivables of USD15 million and USD16 million, respectively, were individually determined to be impaired. Management assessed that the receivables were not expected to be recovered. Consequently, specific allowances for doubtful debts were recognized.

The Group does not hold any collateral over these balances.

(b) Trade and other payables

	30 June 2018 USD million	31 December 2017 USD million
Accounts payable to third parties	589	605
Accounts payable to related parties, including:	275	96
<i>Related parties – companies capable of exerting significant influence</i>	<i>11</i>	<i>14</i>
<i>Related parties – companies under common control</i>	<i>210</i>	<i>53</i>
<i>Related parties – associates and joint ventures</i>	<i>54</i>	<i>29</i>
Advances received	203	390
Advances received from related parties, including:	319	308
<i>Related parties – companies capable of exerting significant influence</i>	<i>318</i>	<i>288</i>
<i>Related parties – associates and joint ventures</i>	<i>1</i>	<i>20</i>
Other payables and accrued liabilities	166	174
Current tax liabilities	22	16
Other taxes payable	78	69
	<hr/> 1,652 <hr/>	<hr/> 1,658 <hr/>

All of the trade and other payables are expected to be settled or recognized as income within one year or are repayable on demand.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

12 Equity

(a) Share capital

	Six months ended 30 June 2018		Six months ended 30 June 2017	
	USD	Number of shares	USD	Number of shares
Ordinary shares at the end of the period, authorized	<u>200 million</u>	<u>20 billion</u>	<u>200 million</u>	<u>20 billion</u>
Ordinary shares at 1 January	<u>151,930,148</u>	<u>15,193,014,862</u>	<u>151,930,148</u>	<u>15,193,014,862</u>
Ordinary shares at the end of the period of USD0.01 each, issued and paid	<u>151,930,148</u>	<u>15,193,014,862</u>	<u>151,930,148</u>	<u>15,193,014,862</u>

(b) Other reserves

Other reserves include the cumulative unrealized actuarial gains and losses on the Group's defined post retirement benefit plans, the effective portion of the accumulative net change in fair value of cash flow hedges and the Group's share of other comprehensive income of associates.

(c) Distributions

In accordance with the Companies (Jersey) Law 1991 (the "Law"), the Company may make distributions at any time in such amounts as are determined by the Company out of the assets of the Company other than the capital redemption reserves and nominal capital accounts, provided that the directors of the Company make a solvency statement in accordance with that Law of Jersey at the time the distributions are proposed. Dividend pay-outs are restricted in accordance with the credit facilities.

(d) Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations and equity accounted investees.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,
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13 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings.

	30 June 2018	31 December 2017
	USD million	USD million
<i>Non-current liabilities</i>		
Secured bank loans	5,849	6,200
Unsecured bank loans	235	145
Bonds	1,669	1,399
	7,753	7,744
	7,753	7,744
<i>Current liabilities</i>		
Secured bank	286	662
Unsecured bank loans	100	3
Bonds	326	22
Accrued interest	55	48
	767	735
	767	735

(a) Loans and borrowings

The Group's certain bank loans are secured by pledges of shares of the Group's subsidiaries and by pledges of the shares of an associate, the details of which are disclosed in the Group's consolidated financial statements as of and for the year ended 31 December 2017.

The secured bank loans are also secured by the following:

- inventory with a carrying value of USD46 million (31 December 2017: USD367 million);
- property, plant and equipment, receivables with a carrying amount of USD3 million (31 December 2017: USD3 million).

As at 30 June 2018 and 31 December 2017 rights, including all monies and claims, arising out of certain sales contracts between the Group's trading subsidiaries and its ultimate customers, were assigned to secure the syndicated Pre-Export Finance Term Facility Agreement (PXF) dated 24 May 2017.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

The nominal value of the Group's loans and borrowings was USD6,538 million at 30 June 2018 (31 December 2017: USD7,072 million).

In January 2018 the Company entered into a bilateral facility agreement with Nordea Bank AB with the following key terms: principal amount of USD200 million, tenor of 3 years, interest rate of 1M Libor + 2.4% per annum with a bullet repayment. The proceeds were applied for partial prepayment of Group's existing debt.

During six months ended 30 June 2018 the Group made a principal repayment in total amounts of USD531 million and EUR55 million (USD68 million) under credit facilities with Gazprombank, VTB Capital and Credit Bank of Moscow.

Fair value of the Group's liabilities measured at amortized cost approximate their fair values as at 30 June 2018.

(b) Bonds

As at 30 June 2018 6,877,652 series 08 bonds and 4,221,951 series BO-01 bonds were outstanding (traded in the market).

The closing market price at 30 June 2018 was RUB1,000, RUB1,010 per bond for the first and second tranches, respectively.

As at 30 June 2018 the first and the second tranches of Eurobonds and the first and the second tranches of Panda Bond were outstanding (traded in the market).

In February 2018 the Group completed its third offering of Eurobonds with the following key terms: principal amount of USD500 million, tenor of 5 years, coupon rate of 4.85% per annum. The bonds proceeds were applied for partial prepayment of Group's existing debt.

In February 2018 the Group has fully redeemed 1,289,314 series 07 bonds for USD23 million.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

14 Provisions

USD million	Provisions				Total
	Pension liabilities	Site restoration	for legal claims	Tax provisions	
Balance at 1 April 2017	62	369	—	23	454
Provisions made during the period	2	1	3	—	6
Provisions utilized during the period	(1)	—	—	(6)	(7)
Foreign currency translation	(2)	8	—	—	6
Balance at 30 June 2017	<u>61</u>	<u>378</u>	<u>3</u>	<u>17</u>	<u>459</u>
<i>Non-current</i>	56	359	—	3	418
<i>Current</i>	<u>5</u>	<u>19</u>	<u>3</u>	<u>14</u>	<u>41</u>
Balance at 1 April 2018	70	389	3	—	462
Provisions made during the period	3	9	—	—	12
Provisions reversed during the period	—	(10)	—	—	(10)
Actuarial gain	(3)	—	—	—	(3)
Provisions utilized during the period	(1)	—	—	—	(1)
Foreign currency translation	(5)	(23)	—	—	(28)
Balance at 30 June 2018	<u>64</u>	<u>365</u>	<u>3</u>	<u>—</u>	<u>432</u>
<i>Non-current</i>	59	350	—	—	409
<i>Current</i>	<u>5</u>	<u>15</u>	<u>3</u>	<u>—</u>	<u>23</u>

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

USD million	Provisions				Total
	Pension liabilities	Site restoration	for legal claims	Tax provisions	
Balance at 1 January 2017	57	381	—	25	463
Provisions made during the period	4	4	3	—	11
Provisions reversed during the period	—	(28)	—	—	(28)
Provisions utilized during the period	(2)	—	—	(8)	(10)
Foreign currency translation	2	21	—	—	23
Balance at 30 June 2017	61	378	3	17	459
<i>Non-current</i>	56	359	—	3	418
<i>Current</i>	5	19	3	14	41
Balance at 1 January 2018	69	382	3	—	454
Provisions made during the period	4	17	—	—	21
Provisions reversed during the period	—	(17)	—	—	(17)
Actuarial gain	(3)	—	—	—	(3)
Provisions utilized during the period	(2)	—	—	—	(2)
Foreign currency translation	(4)	(17)	—	—	(21)
Balance at 30 June 2018	64	365	3	—	432
<i>Non-current</i>	59	350	—	—	409
<i>Current</i>	5	15	3	—	23

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,
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ended 30 June 2018 and 30 June 2017 is unaudited

15 Derivative financial assets/liabilities

	30 June 2018		31 December 2017	
	USD million		USD million	
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
Petroleum coke supply contracts and other raw materials	23	62	36	82
Forward contracts for aluminium and other instruments	9	8	27	31
Total	<u>32</u>	<u>70</u>	<u>63</u>	<u>113</u>

Derivative financial instruments are recorded at their fair value at each reporting date. Fair value is estimated in accordance with Level 3 of the fair value hierarchy based on management estimates and consensus economic forecasts of relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the date of the event or change in circumstances that caused the transfer. There were no changes in valuation techniques during three-month and six-month period ended 30 June 2018. The following significant assumptions were used in estimating derivative instruments:

	2018	2019	2020	2021	2022	2023	2024	2025
LME Al Cash, USD per tonne	2,139	2,150	2,170	2,191	2,215	2,251	2,298	2,346
Platt's FOB Brent, USD per barrel	79	75	70	67	64	63	—	—

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

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The movement in the balance of Level 3 fair value measurements of derivatives is as follows:

	Three months ended 30 June	
	2018	2017
	USD million	USD million
Balance at the beginning of the period	19	(74)
Unrealized changes in fair value recognized in statement of income (finance (expense)/income) during the period	37	104
Realized portion of electricity, coke and raw material contracts	(94)	(3)
	<u>(38)</u>	<u>(3)</u>
Balance at the end of the period	<u>(38)</u>	<u>27</u>
	Six months ended 30 June	
	2018	2017
	USD million	USD million
Balance at the beginning of the period	(50)	32
Unrealized changes in fair value recognized in statement of income (finance income/(expense)) during the period	106	(138)
Realized portion of electricity, coke and raw material contracts	(94)	133
	<u>(94)</u>	<u>133</u>
Balance at the end of the period	<u>(38)</u>	<u>27</u>

Sensitivity analysis showed that derivative financial instruments are not particularly sensitive to changes in main inputs.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

16 Commitments and contingencies

(a) Capital commitments

The Group has entered into contracts that result in contractual obligations primarily relating to various construction and capital repair works. The commitments at 30 June 2018 and 31 December 2017 approximated USD260 million and USD213 million, respectively. These commitments are due over a number of years.

(b) Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant local, regional and federal authorities. Notably recent developments in the Russian environment suggest that the authorities in this country are becoming more active in seeking to enforce, through the Russian court system, interpretations of the tax legislation, in particular in relation to the use of certain commercial trading structures, which may be selective for particular tax payers and different to the authorities' previous interpretations or practices. Different and selective interpretations of tax regulations by various government authorities and inconsistent enforcement create further uncertainties in the taxation environment in the Russian Federation.

In addition to the amounts of income tax the Group has provided, there are certain tax positions taken by the Group where it is reasonably possible (though less than 50% likely) that additional tax may be payable upon examination by the tax authorities or in connection with ongoing disputes with tax authorities. The Group's best estimate of the aggregate maximum of additional amounts that it is reasonably possible may become payable if these tax positions were not sustained at 30 June 2018 is USD nil million (31 December 2017: USD30 million).

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

(c) Environmental contingencies

The Group and its predecessor entities have operated in the Russian Federation, Ukraine, Jamaica, Guyana, the Republic of Guinea and the European Union for many years and certain environmental problems have developed. Governmental authorities are continually considering environmental regulations and their enforcement and the Group periodically evaluates its obligations related thereto. As obligations are determined, they are recognized immediately. The outcome of environmental liabilities under proposed or any future legislation, or as a result of stricter enforcement of existing legislation, cannot reasonably be estimated. Under current levels of enforcement of existing legislation, management believes there are no possible liabilities, which will have a material adverse effect on the financial position or the operating results of the Group. However, the Group anticipates undertaking significant capital projects to improve its future environmental performance and to bring it into full compliance with current legislation.

(d) Legal contingencies

The Group's business activities expose it to a variety of lawsuits and claims which are monitored, assessed and contested on the ongoing basis. Where management believes that a lawsuit or another claim would result in the outflow of the economic benefits for the Group, a best estimate of such outflow is included in provisions in the consolidated interim condensed financial information (refer to note 14). As at 30 June 2018 the amount of claims, where management assesses outflow as possible approximates USD34 million (31 December 2017: USD36 million).

In January 2013, the Company received a writ of summons and statement of claim filed in the High Court of Justice of the Federal Capital Territory of Nigeria (Abuja) by plaintiff BFIG Group Divino Corporation ("BFIG") against certain subsidiaries of the Company. It is a claim for damages arising out of the defendants' alleged tortious interference in the bid process for the sale of the Nigerian government's majority stake in the Aluminium Smelter Company of Nigeria ("ALSCON") and alleged loss of BFIG's earnings resulting from its failed bid for the said stake in ALSCON. BFIG seeks compensatory damages in the amount of USD2.8 billion plus interest. In January 2014 the court granted the Company's motion to join the Federal Republic of Nigeria and Attorney General of Nigeria to the case as co-defendants. On the latest hearing held on 8 November 2017 the Court has not upheld the claim

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and the claim was struck out. In January 2018 one of the Company's subsidiaries, ALSCON and the Bureau of Public Enterprises of Nigeria entered into an addendum to the original sale and purchase contract regarding ALSCON on the key terms and conditions as it was disclosed in the announcement of the Company dated 19 January 2018.

17 Related party transactions

(a) Transactions with management and close family members

Management remuneration

Key management received the following remuneration, which is included in personnel costs:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	USD million	USD million	USD million	USD million
Salaries and bonuses	<u>16</u>	<u>29</u>	<u>36</u>	<u>42</u>
	<u>16</u>	<u>29</u>	<u>36</u>	<u>42</u>

(b) Transactions with associates and joint ventures

Sales to associates and joint ventures are disclosed in note 5, purchases from associates and joint ventures are disclosed in note 6, accounts receivable from associates and joint ventures as well as accounts payable to associates and joint ventures are disclosed in note 11.

(c) Transactions with other related parties

The Group transacts with other related parties, the majority of which are entities under common control with the Group or under the control of SUAL Partners Limited or its controlling shareholders or Glencore International Plc or entities under its control.

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Sales to related parties for the period are disclosed in note 5, purchases from related parties are disclosed in note 6, finance income and expenses with related parties are disclosed in note 7, accounts receivable from related parties as well as accounts payable to related parties are disclosed in note 11.

All trade and other receivables and payables with related parties are non-secured and expected to be settled in cash within 12 months after the reporting date.

Other purchases of assets and other non-operating expenses from related parties are the following:

	Three months ended 30 June	
	2018	2017
	USD million	USD million
Related parties – companies capable of exerting significant influence	1	1
Related parties – companies under common control	1	1
	<u>2</u>	<u>2</u>
	Six months ended 30 June	
	2018	2017
	USD million	USD million
Related parties – companies capable of exerting significant influence	2	2
Related parties – companies under common control	17	9
Related parties – associates and joint ventures	1	—
	<u>20</u>	<u>11</u>

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION,

All financial information as at and for the three- and six-month periods ended 30 June 2018 and 30 June 2017 is unaudited

(d) Related parties balances

At 30 June 2018, included in non-current assets are balances of related parties — companies under common control of USD45 million and balances of related parties – associates and joint ventures of USD13 million (31 December 2017: USD43 million and USD11 million, respectively). At 30 June 2018, included in non-current liabilities are balances of related parties – associates and joint ventures of USD10 million (31 December 2017: USD9 million).

(e) Pricing policies

Prices for transactions with related parties are determined on a case by case basis but are not necessarily at arm's length.

The Group has entered into three categories of related-party transactions: (i) those entered into on an arm's length basis, (ii) those entered into on non-arm's length terms but as part of a wider deal resulting from arms' length negotiations with unrelated third parties, and (iii) transactions unique to the Group and the counterparty.

18 Events subsequent to the reporting date

There were no significant events subsequent to the reporting date.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Repurchase, sale and redemption by the Group of its securities during the period

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of its listed securities during the six months ended 30 June 2018.

Directors' Particulars

Retirement, Re-appointment and Appointment of Directors

In accordance with Article 24.2 of the Articles of Association, each of Dr. Elsie Leung Oi-sie and Mr. Dmitry Vasiliev (being independent non-executive directors) retired from directorship by rotation at the annual general meeting held on 28 June 2018 (“**Annual General Meeting**”). Each of Dr. Elsie Leung Oi-sie and Mr. Dmitry Vasiliev being eligible for re-election, offered themselves for re-election at the Annual General Meeting, during which they were each re-appointed.

In addition, each of Mr. Philippe Bernard Henri Mailfait, Mr. Jean-Pierre Thomas, Mr. Evgenii Nikitin, Mr. Sergei Popov, Mr. Evgenii Vavilov, Mr. Vyacheslav Solomin and Mr. Timur Valiev (who among others were recommended by the Board to be added to the list of candidates for Directors to be elected at the Annual General Meeting) were appointed during the Annual General Meeting.

Change of particulars of Directors

Mr. Dmitry Vasiliev resigned on 28 April 2018 as independent non-executive director from the board of directors of LLC “RKS-Holding” and as independent non-executive director from the Supervisory Board of JSC “RKS-Management”.

Mr. Marco Musetti ceased to be the Managing Director Investments at Renova Management AG from April 2018.

Mr. Philippe Bernard Henri Mailfait ceased acting as an independent financial adviser since 1 January 2018, and also ceased to hold independent as well as non-independent director positions in other overseas companies (apart from En+).

The spelling of the names of Mr. Evgeny Nikitin, Mr. Sergey Popov and Mr. Evgeniy Vavilov has been changed to Mr. Evgenii Nikitin, Mr. Sergei Popov and Mr. Evgenii Vavilov respectively in announcements issued by the Company since 24 July 2018. This minor discrepancy is due to various transliterations of the names from Cyrillic to English.

Save as disclosed above, there was no change of particulars of the Directors which are required to be disclosed under Rule 13.51 B (1) of the Listing Rules.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Directors' and acting Chief Executive Officer's and Substantial Shareholders' interests in Shares

Directors' and acting Chief Executive Officer's interests

As at 30 June 2018, none of the Directors or the acting Chief Executive Officer had any interest or short position, whether beneficial or non-beneficial, in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which have been notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and acting Chief Executive Officer are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified by the Directors to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (as incorporated by the Company in its "Codes for Securities Transactions" - for further information, please refer to the section on "Codes for Securities Transactions" below).

Substantial shareholders' interest and short positions in the Shares, underlying Shares and debentures of the Company

As at 30 June 2018, so far as the Directors are aware, the following persons had interests or short positions in the Shares or underlying Shares which were disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept under Section 336 of the SFO:

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Interests and short positions in Shares

Name of Shareholder	Capacity	Number of Shares held as at 30 June 2018	Percentage of issued share capital as at 30 June 2018
Oleg Deripaska	Beneficiary of a trust <i>(Note 1)</i>	7,312,299,974 (L)	48.13%
	Beneficial owner	1,669,065 (L)	0.00%
	Total	7,313,969,039 (L)	48.14%
Fidelitas Investments Ltd. <i>(Note 1)</i>	Interest of controlled corporation	7,312,299,974 (L)	48.13%
B-Finance Ltd. <i>(Note 1)</i>	Interest of controlled corporation	7,312,299,974 (L)	48.13%
En+ <i>(Note 1)</i>	Beneficial owner	7,312,299,974 (L)	48.13%
Victor Vekselberg <i>(Note 2)</i>	Beneficiary of a trust <i>(Note 2)</i>	3,115,041,787 (L) <i>(Note 2)</i>	20.50%
Access Aluminum Holdings Limited <i>(Note 2)</i>	Interest of controlled corporation	3,115,041,787 (L) <i>(Note 2)</i>	20.50%
Access Industries Holdings LLC <i>(Note 2)</i>	Interest of controlled corporation	3,115,041,787 (L) <i>(Note 2)</i>	20.50%
Access Industries, LLC <i>(Note 2)</i>	Interest of controlled corporation	3,115,041,787 (L) <i>(Note 2)</i>	20.50%
GPTC LLC <i>(Note 2)</i>	Interest of controlled corporation	3,115,041,787 (L) <i>(Note 2)</i>	20.50%
Zonoville Investments Limited <i>(Note 2)</i>	Beneficial owner	3,115,041,787 (L) <i>(Note 2)</i>	20.50%
TCO Holdings Inc. <i>(Note 2)</i>	Interest of controlled corporation	3,115,041,787 (L) <i>(Note 2)</i>	20.50%

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Name of Shareholder	Capacity	Number of Shares held as at 30 June 2018	Percentage of issued share capital as at 30 June 2018
SUAL Partners <i>(Note 2)</i>	Beneficial owner	2,400,970,089 (L) <i>(Note 2)</i>	15.80%
	Other	714,071,698 (L) <i>(Note 2)</i>	4.70%
	Total	3,115,041,787 (L) <i>(Note 2)</i>	20.50%
Glencore <i>(Note 3)</i>	Beneficial owner	1,329,588,048 (L)	8.75%

(L) Long position

Notes – see notes on pages 91-92.

Other than the interests disclosed above, so far as the Directors are aware, as at 30 June 2018, the Company has not been notified of any other notifiable interests or short positions in Shares or underlying Shares.

(Note 1) These interests were directly or beneficially held by En+. Based on the information provided by Mr. Oleg Deripaska, a former non-executive Director, and the records on the electronic filing systems operated by the Hong Kong Stock Exchange, Mr. Oleg Deripaska is the founder, trustee and a beneficiary of a discretionary trust which, as at 30 June 2018, held a majority stake of the share capital of Fidelitas International Investments Corp., which, as at 30 June 2018, held a majority stake of the share capital of B-Finance Ltd. As at 30 June 2018, B-Finance Ltd. held 53.86% of the share capital of En+. Each of B-Finance Ltd., Fidelitas International Investments Corp., and Mr. Oleg Deripaska were deemed to be interested in the Shares and underlying Shares held by En+ by virtue of the SFO as at 30 June 2018.

(Note 2) These interests and short positions were directly held by SUAL Partners and/or Zonoville Investments Limited. Based on the records on the electronic filing systems operated by the Hong Kong Stock Exchange as at 30 June 2018, SUAL Partners is controlled as to 35.84% by Renova Metals and Mining Limited, which is in turn wholly-owned by Renova Holding Limited. Renova Holding Limited is controlled by TZ Columbus Services Limited as to 100% under a trust and TZ Columbus Services Limited acts as trustee of the trust and is, in turn wholly-owned by TCO Holdings Inc. Zonoville Investments Limited is controlled as to 40.32% by Access Aluminum Holdings Limited, which in turn is controlled as to 98.48% by Access Industries Holdings LLC. Access Industries Holdings LLC is wholly-owned by Access Industries Holdings (BVI) L.P. Access Industries Holdings (BVI)

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

L.P. is controlled as to 67.16% by Access Industries, LLC, which in turn is controlled as to 69.70% by GPTC LLC. To the best knowledge of the Board, Mr. Vekselberg is the sole beneficiary of the relevant trust. Pursuant to the disclosure of interests notices filed on 11 October 2017, the long position held by each of TCO Holdings Inc. and SUAL Partners, Zonoville Investments Limited, Access Aluminum Holdings Limited, Access Industries Holdings LLC, Access Industries, LLC and GPTC LLC was changed to 3,115,041,787 Shares on 6 October 2017, representing approximately 20.50% of the total issued share capital of the Company. Pursuant to the disclosure of interests notices filed on 21 February 2018, 23 February 2018 and 5 March 2018, the long position held by each of TCO Holdings Inc. and SUAL Partners, Zonoville Investments Limited, Access Aluminum Holdings Limited, Access Industries Holdings LLC, Access Industries Holdings (BVI) L.P., Access Industries, LLC and GPTC LLC was changed to 5,044,554,678 Shares representing approximately 33.2% of the total issued share capital of the Company and they also have a short position of 1,017,931,998 Shares representing approximately 6.7% of the total issued share capital of the Company. However, Mr. Vekselberg did not file any disclosure of interests notice on 11 October 2017 or thereafter (as at 30 June 2018) and accordingly, from the records of his disclosure of interests filings made to the Hong Kong Stock Exchange as at 30 June 2018, the number of Shares which he was interested in as at 30 June 2018 remained at 3,710,590,137, representing 24.42% of the issued share capital of the Company as at the same date.

The information provided in the above table in relation to Mr. Vekselberg's interest in the Company (i.e. 3,115,041,787 Shares, representing 20.50% of the issued share capital of the Company as at 30 June 2018) is based upon the assumption that he remained as the sole beneficiary of the relevant trust as at 30 June 2018. Each of Renova Metals and Mining Limited, Renova Holding Limited, TZ Columbus Services Limited, TCO Holdings Inc., Access Aluminum Holdings Limited, Access Industries Holdings LLC, Access Industries, LLC, GPTC LLC and Mr. Vekselberg is deemed to be interested in the Shares held by SUAL Partners and/or Zonoville Investments Limited by virtue of the SFO.

(Note 3) Based on the records on the electronic filing systems operated by the Hong Kong Stock Exchange as at 30 June 2018, the interests of Glencore were held through its controlled corporations, including, Amokenga Holdings, which directly holds the relevant interests in the Company. Amokenga Holdings is wholly-owned by Glencore Finance (Bermuda) Ltd. which is, in turn, wholly-owned by Glencore Group Funding Limited. Glencore Group Funding Limited is wholly-owned by Glencore International AG, which is in turn wholly-owned by Glencore. In light of the fact that Glencore, Glencore International AG, Glencore Group Funding Limited and Glencore Finance (Bermuda) Ltd. (together, the "Glencore Entities") directly or indirectly control one-third or more of the voting rights in the shareholders' meetings of Amokenga Holdings, in accordance with the SFO, each of the Glencore Entities were deemed to be interested in the Shares held by Amokenga Holdings.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Agreements subject to change of control provisions

The following agreements with the Company contain change of control provisions allowing the other parties under such agreements to cancel their commitments in full and declare (or which action would result in) all outstanding loans immediately due and payable in the relevant event:

- (a) The PXF Facility - as at 30 June 2018, the outstanding nominal value of debt was USD1.7 billion and the final maturity of the debt was 31 May 2022.
- (b) Up to RUB15,000,000,000 multicurrency facility agreement dated 16 December 2013 between, among others, VTB Bank (PJSC) as Facility Agent and Security Agent and the Borrowers (the Company, PJSC “RUSAL Bratsk”, JSC “RUSAL Krasnoyarsk”, RUSAL Ural JSC) - as of 30 June 2018, the outstanding nominal value of debt was USD48 million and the final maturity of the debt was 17 December 2018.
- (c) Credit facility agreement dated 31 August 2017 between, Sberbank as a lender and the Company, as of 30 June 2018, the outstanding nominal value of debt was USD4.2 billion and the final maturity of the debt was 24 December 2024.
- (d) Up to USD200,000,000 term facility agreement dated 29 January 2018 between UC RUSAL as a borrower and Nordea Bank AB (PUBL) as a lender, as of 30 June 2018, the outstanding nominal value of debt was USD200 million and the final maturity of the debt was 30 January 2021.

Corporate Governance Practices

The Company adopts international standards of corporate governance. The Directors believe that high quality corporate governance leads to successful business development and increases the investment potential of the Company, providing more security for Shareholders, partners and customers, as well as reinforcing the Company’s internal control systems.

By working with international institutions such as the European Bank for Reconstruction and Development and the International Finance Corporation, the Company developed and implemented its corporate governance standards based on the principles of transparent and responsible business operations.

The Company adopted a corporate code of ethics on 7 February 2005. Based on recommendations of the European Bank for Reconstruction and Development and the International Finance Corporation, the Company further amended the corporate code of ethics in July 2007. The corporate code of ethics sets out the Company’s values and principles for many of its areas of operations.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

The Directors adopted a corporate governance code which is based on the CG Code in force at the time at a Board meeting on 11 November 2010. The Directors believe that the Company has complied with the code provisions in the CG Code for the first six months of 2018, other than as described below.

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximize the interests of Shareholders.

Term of appointment of Directors

Paragraph A.4.1 of the CG Code provides that non-executive Directors should be appointed for a specific term, subject to re-election. Paragraph A.4.2 of the CG Code provides that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least every three years. Each of the non-executive Directors signed an appointment letter with the Company providing for the same three years term. Article 24.2 of the Articles of Association provides that if any Director has at the start of the annual general meeting been in office for three years or more since his last appointment or re-appointment, he shall retire at the annual general meeting. As such, it is possible that a director may be in office for more than three years depending upon the timing for calling the annual general meeting.

Board meetings at which Directors have material interests

A.1.7 of the CG Code states that *“If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting.”*

Throughout the six month period ended 30 June 2018, there were no instances when business was dealt with by the Board by way of written resolution where a Director had a material conflict of interest in such business or where a material interest of a Director was stated to have been disclosed.

All the independent non-executive Directors were present at the three Board meetings held in the six month period ended 30 June 2018 where one or more Director(s) had disclosed a material interest.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Of the six Board meetings held, there was one occasion where two independent non-executive Directors had a material interest in the transaction. On such occurrence, the two independent non-executive Directors abstained from voting and the relevant resolutions were passed by the requisite majority excluding the materially interested independent non-executive Directors.

Attendance of Directors at the AGM

A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings. The annual general meeting of the Company was held on 28 June 2018 (the “AGM”). Certain independent non-executive directors, executive directors and non-executive directors were unable to attend the AGM due to conflicting business schedules.

Codes for Securities Transactions

The Company has adopted a Code for Securities Transactions by Directors of the Company. The Code for Securities Transactions was based on the Model Code as set out in Appendix 10 to the Listing Rules but it was made more exacting than the required standard set out in Appendix 10. Having made specific enquiry of all Directors, all Directors confirmed that they had fully complied with the required standard set out in the Model Code and Code for Securities Transactions throughout the accounting period covered by the Interim Report.

The Company has not been notified of any other transaction by the Directors in application of the aforementioned provisions.

Related party transactions

For further information on related party transactions, please refer to note 17 “Related party transactions” of the consolidated interim condensed financial information.

STATEMENT OF RESPONSIBILITY FOR THIS INTERIM REPORT

I, Evgenii Nikitin, declare, to the best of my knowledge, that the consolidated interim condensed financial information contained in this Interim Report has been prepared in accordance with applicable accounting principles and gives a true and fair view of the assets, financial condition and results of operations of UC RUSAL and the other entities included in the consolidation perimeter, and that the “Management Discussions and Analysis” and “Information Provided in accordance with the Listing Rules” sections of this Interim Report include a fair review of the material events that occurred in the first six months of this financial year, their impact on the consolidated interim condensed financial information, the principal related party transactions as well as a description of the principal risks and uncertainties for the remaining six months of this year.

Evgenii Nikitin

Acting Chief Executive Officer

6 August 2018

FORWARD-LOOKING STATEMENTS

This Interim Report contains statements about future events, projections, forecasts and expectations that are forward-looking statements. Any statement in this Interim Report that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks and uncertainties include those discussed or identified herein and in the Annual Report. In addition, past performance of UC RUSAL cannot be relied on as a guide to future performance. UC RUSAL makes no representation on the accuracy and completeness of any of the forward-looking statements, and, except as may be required by applicable law, assumes no obligations to supplement, amend, update or revise any such statements or any opinion expressed to reflect actual results, changes in assumptions or in UC RUSAL's expectations, or changes in factors affecting these statements. Accordingly, any reliance you place on such forward-looking statements will be at your sole risk.

GLOSSARY

“**Adjusted EBITDA**” for any period means the results from operating activities adjusted for amortization and depreciation, impairment charges and loss on disposal of property, plant and equipment.

“**Adjusted Net Profit**” for any period is defined as the net profit adjusted for the net effect from share in the results of Norilsk Nickel, the net effect of embedded derivative financial instruments, the difference between effective and nominal interest rate charge on restructured debt and net effect of non-current assets impairment.

“**Alumina price per tonne**” represents the average alumina price per tonne which is based on the daily closing spot prices of alumina according to Non-ferrous Metal Alumina Index FOB Australia USD per tonne.

“**Aluminium price per tonne quoted on the LME**” or “**LME aluminium price**” represents the average daily closing official LME spot prices for each period.

“**Aluminium segment cost per tonne**” means aluminium segment revenue, less aluminium segment results, less amortization and depreciation, divided by sales volume of aluminium segment.

“**Amokenga Holdings**” means Amokenga Holdings Limited, a company incorporated in Bermuda and which is a wholly owned subsidiary of Glencore and a shareholder of the Company.

“**Annual Report**” means the report dated 27 April 2018 for the year ended 31 December 2017 published by the Company.

“**Articles of Association**” means the articles of association of the Company, conditionally adopted on 24 November 2009, and effective on the Listing Date and subsequently amended on 22 November 2017.

“**Audit Committee**” means the audit committee established by the Board in accordance with the requirements of the CG Code.

“**BEMO**” means the companies comprising the Boguchanskoye Energy and Metals Complex.

“**BEMO HPP**” or “**BOGES**” means the Boguchanskaya hydro power plant.

GLOSSARY

“**Board**” means the board of Directors of the Company.

“**Boguchansky aluminium smelter**” or “**BEMO aluminium smelter**” or “**BoAZ**” means the aluminium smelter project involving the construction of a 600 thousand tpa greenfield aluminium smelter on a 230 hectare site, located approximately 8 km to the south-east of the settlement of Tayozhny in the Krasnoyarsk region, and approximately 160 km (212 km by road) from the BEMO HPP, as described at pages 22 and 27 of the Annual Report.

“**Bratsk aluminium smelter**” or “**RUSAL Bratsk**” or “**BrAZ**” means PJSC “RUSAL Bratsk”, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Company.

“**CG Code**” means the Code setting out, among others, the principles of good corporate governance practices as set out in Appendix 14 to the Listing Rules (as amended from time to time).

“**CEO**” or “**Chief Executive Officer**” means the chief executive officer of the Company.

“**Acting CEO**” or “**acting Chief Executive Officer**” means the acting chief executive officer of the Company.

“**Chairman**” or “**Chairman of the Board**” means the chairman of the Board.

“**Chief Financial Officer**” means the chief financial officer of the Company.

“**CIS**” means Commonwealth of Independent States.

“**Company**” or “**UC RUSAL**” or “**RUSAL**” means United Company RUSAL Plc. 俄鋁, a company incorporated under the laws of Jersey with limited liability.

“**Corporate Governance and Nomination Committee**” means the corporate governance and nomination committee established by the Board in accordance with the requirements of the CG Code.

“**Director(s)**” means the director(s) of the Company.

“**En+**” means En+ Group Plc, formerly En+ Group Limited, a company incorporated in Jersey and which is a shareholder of the Company.

“**Glencore**” means Glencore Plc, a public company incorporated in Jersey and listed on the London Stock Exchange, with a secondary listing on the Johannesburg Stock Exchange, which is an indirect shareholder of the Company.

GLOSSARY

“**Group**” or “**UC RUSAL Group**” means UC RUSAL and its subsidiaries from time to time, including a number of production, trading and other entities controlled by the Company directly or through its wholly owned subsidiaries.

“**Hong Kong**” means the Hong Kong Special Administrative Region of the PRC.

“**Hong Kong Stock Exchange**” means the Main Board of The Stock Exchange of Hong Kong Limited.

“**Interim Report**” means this interim report dated 6 August 2018.

JSC “**RUSAL SAYANAL**” or “**SAYANAL**” or “**Sayanal**” means Joint Stock Company “RUSAL SAYANAL”, an indirect wholly-owned subsidiary of the Company.

JSC “**Ural Foil**” or “**Ural Foil**” means Joint Stock Company “Ural Foil”, an indirect non wholly-owned subsidiary of the Company.

“**Latest Practicable Date**” means 27 July 2018, being the latest practicable date prior to the printing of this Interim Report for ascertaining certain information in this Interim Report.

“**LIBOR**” means in relation to any loan:

- (a) the applicable screen rate (being the British Bankers’ Association Interest Settlement Rate for dollars for the relevant period, displayed on the appropriate page of the Reuters screen); or
- (b) (if no screen rate is available for dollars for the interest period of a particular loan), the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the agent at its request quoted by the reference banks to leading banks in the London interbank market, as of the specified time (11:00 a.m. in most cases) on the quotation day (generally two business days before the first day of that period unless market practice differs in the Relevant Interbank Market, in which case the quotation day will be determined by the agent in accordance with market practice in the Relevant Interbank Market) for the offering of deposits in dollars and for a period comparable to the interest period for that loan.

“**Listing**” means the listing of the Shares on the Hong Kong Stock Exchange.

“**Listing Date**” means the date on which the Shares were listed on the Hong Kong Stock Exchange, being 27 January 2010.

“**Listing Rules**” means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time).

GLOSSARY

“**LLC «SUAL-PM»**”, “**SUAL-PM**” means LLC «SUAL-PM», an indirect wholly-owned subsidiary of the Company.

“**LLP Bogatyr Komir**” or “**Bogatyr Coal**” Limited Liability Partnership means the joint venture described at page 27 of the Annual Report.

“**LME**” means the London Metal Exchange.

“**Model Code**” means the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

“**Moscow Exchange**” means Public Joint-Stock Company “Moscow Exchange MICEX-RTS” (short name “Moscow Exchange”).

“**Net Debt**” is calculated as Total Debt less cash and cash equivalents as at the end of the period.

“**Norilsk Nickel**” means PJSC “MMC “NORILSK NICKEL”, a company incorporated under the laws of the Russian Federation.

“**Novokuznetsk aluminium smelter**” or “**NkAZ**” or “**RUSAL Novokuznetsk**” means JSC “RUSAL Novokuznetsk”, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Company.

“**OFAC**” means the Office of Foreign Assets Control of the Department of the U.S. Treasury.

“**OFAC Sanctions**” means the sanction imposed by OFAC designated, amongst others, certain persons and certain companies which are controlled or deemed to be controlled by some of these persons to be added to its Specially Designated Nationals List on 6 April 2018.

“**PM Krasnoturyinsk**” means PM Krasnoturyinsk, a branch of LLC «SUAL-PM».

“**PRC**” means The People’s Republic of China.

“**PXF Facility**” means up to USD2,000,000,000 Aluminium Pre-Export Finance Term Facility Agreement (dated 24 May 2017), as amended and restated from time to time, among inter alias, UC RUSAL as Borrower and ING Bank N.V. as Facility Agent and Security Agents and Natixis as Offtake Agent.

“**Recurring Net Profit/(Loss)**” for any period means Adjusted Net Profit plus the Company’s effective share of Norilsk Nickel’s profits, net of tax.

“**Related party**” of an entity means a party who is:

(a) directly, or indirectly through one or more intermediates, a party which:

GLOSSARY

- (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the entity that gives it significant influence over the entity; or
 - (iii) has joint control over the entity;
- (b) an associate of the entity;
 - (c) a joint venture in which the entity is a venturer;
 - (d) a member of the key management personnel of the entity or its parent;
 - (e) a close member of the family of any individual referred to in (a) or (b) above;
 - (f) an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e) above;
 - (g) under a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

“**Related party transaction**” means a transfer of resources, services or obligations between related parties, regardless of whether the price is charged.

“**RUB**” or “**Ruble**” means Rubles, the lawful currency of the Russian Federation.

“**RUSAL ARMENAL**” CJSC or “**RUSAL ARMENAL**” or “**ARMENAL**” or “**Armenal**” means Closed Joint Stock Company “RUSAL ARMENAL”, an indirect wholly-owned subsidiary of the Company.

“**Sayanogorsk aluminium smelter**” or “**RUSAL Sayanogorsk**” or “**SAZ**” means JSC “RUSAL Sayanogorsk”, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Company.

“**Sberbank**” means Sberbank of Russia.

“**SFO**” means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

“**Share(s)**” means ordinary share(s) with nominal value of USD0.01 each in the share capital of the Company.

“**Shareholder(s)**” means holder(s) of Shares.

GLOSSARY

“**SKAD**” means Limited Liability Company «Casting and mechanical plant «SKAD» (the short official name is “Casting and mechanical plant «SKAD» Ltd.”), a company incorporated under the laws of the Russian Federation.

“**SUAL Partners**” means SUAL Partners Limited, a company incorporated under the laws of the Bahamas, which is a shareholder of the Company.

“**Substantial shareholder(s)**” has the meaning ascribed to such expression under the Listing Rules.

“**Total Debt**” means the Company’s loans and borrowing at the end of the period.

“**US**” means the United States of America.

“**USD**” or “**US dollar**” means United States dollars, the lawful currency of the United States of America.

“**U.S. Treasury**” means the Treasury of the United States of America.

“**VAT**” means value added tax.

“**Working Capital**” means trade and other receivables and inventories less trade and other payables.

“**%**” means per cent.

* * * *

Certain amounts and percentage figures included in this Interim Report have been subject to rounding adjustments or have been rounded to one decimal place. Accordingly, figures shown as totals in certain tables in this Interim Report may not be an arithmetic aggregation of the figures that preceded them.

CORPORATE INFORMATION

UNITED COMPANY RUSAL PLC

(Incorporated under the laws of Jersey with limited liability)

HKEx stock code: 486

Moscow Exchange symbol for shares:

RUAL

BOARD OF DIRECTORS

Executive Directors

Mr. Evgenii Nikitin

(Acting Chief Executive Officer)

Mr. Sergei Popov

Mr. Evgenii Vavilov

Non-executive Directors

Mr. Marco Musetti

Mr. Vyacheslav Solomin

Mr. Timur Valiev

Independent non-executive Directors

Dr. Elsie Leung Oi-sie

Mr. Matthias Warnig

(Chairman of the Board)

Mr. Dmitry Vasiliev

Mr. Bernard Zonneveld

Mr. Philippe Bernard Henri Mailfait

Mr. Jean-Pierre Thomas

REGISTERED OFFICE IN JERSEY

44 Esplanade,

St Helier,

Jersey,

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PRINCIPAL PLACE OF BUSINESS

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LOPHITIS BUSINESS CENTRE, 7th floor

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Cyprus

PLACE OF BUSINESS IN HONG KONG

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Wanchai Hong Kong

JERSEY COMPANY SECRETARY

Intertrust Corporate Services (Jersey)

Limited

44 Esplanade,

St Helier,

Jersey,

JE4 9WG

HONG KONG COMPANY SECRETARY

Ms. Aby Wong Po Ying

Intertrust Resources Management Limited

3806 Central Plaza

18 Harbour Road

Wanchai Hong Kong

CORPORATE INFORMATION

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Naberezhnaya Tower Complex, Block C
10 Presnenskaya Naberezhnaya
Moscow, 123112
Russia

AUTHORIZED REPRESENTATIVES

Mr. Evgenii Nikitin
Ms. Aby Wong Po Ying
Mr. Eugene Choi

PRINCIPAL SHARE REGISTRAR

Computershare Investor Services (Jersey)
Limited
Queensway House
Hilgrove Street, St Helier
Jersey,
JE1 1ES

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDIT COMMITTEE MEMBERS

Mr. Bernard Zonneveld (*Chairman*)
Dr. Elsie Leung Oi-sie
Mr. Dmitry Vasiliev

CORPORATE GOVERNANCE AND NOMINATION COMMITTEE MEMBERS

Mr. Dmitry Vasiliev (*Chairman*)
Mr. Bernard Zonneveld
Mr. Jean-Pierre Thomas

REMUNERATION COMMITTEE MEMBERS

Dr. Elsie Leung Oi-sie (*Chairman*)
Mr. Bernard Zonneveld
Mr. Jean-Pierre Thomas

PRINCIPAL BANKERS

Sberbank
VTB Bank
ING N.V.
Gazprombank

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