RUSAL

# United Company RUSAL Plc
# Consolidated Interim Condensed Financial Information
# for the three months ended
# 31 March 2014

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# 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 condensed statement of financial position of United Company RUSAL Plc (the "Company") and its subsidiaries (the "Group") as at 31 March 2014, and the related consolidated condensed statements of income and comprehensive income, changes in equity and cash flows for the three-month period ended 31 March 2014, and notes to the interim 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 International Financial Reporting Standard IAS 34, *Interim Financial Reporting.* The directors are responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard 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.

*Basis for Qualified Conclusion*

We were unable to obtain and review consolidated interim financial information of the Group's equity investee, OJSC MMC Norilsk Nickel ("Norilsk Nickel"), supporting the Group's share in the profit and other comprehensive income of that investee of USD77 million and USD11 million, respectively, for the three-month period ended 31 March 2014, the foreign currency translation loss of USD750 million for the three-month period ended 31 March 2014 and the carrying value of the Group's investment in the investee stated at USD7,117 million as at 31 March 2014. 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 31 March 2014 and for the three-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

*Emphasis of Matter*

Without further qualifying our conclusion, we draw attention to note 2(b) to the consolidated interim condensed financial information which describes that there is significant uncertainty as to whether the Group will have sufficient cash flows to meet its scheduled debt repayments falling due during 2014 unless a debt restructuring is completed that both defers principal repayments to future periods and modifies financial covenants to sustainable levels. In the event the Group is unable to reach an acceptable agreement to restructure its scheduled debt repayments and related financial covenants, the Group's debt may become repayable on demand and the security provided may be enforced. These conditions, along with the other matters described in note 2(b), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Shvetsov A.V.

General Director

ZAO KPMG

12 May 2014

Moscow, Russian Federation

| | | Three months ended 31 March | |
|---|---|---|---|
| | | **2014 (unaudited)** | **2013 (unaudited)** |
| | **Note** | **USD million** | **USD million** |
| **Revenue** | 6 | 2,123 | 2,682 |
| Cost of sales | | (1,792) | (2,250) |
| **Gross profit** | | **331** | **432** |
| Distribution expenses | | (103) | (120) |
| Administrative expenses | | (137) | (162) |
| Impairment of non-current assets | | (27) | (47) |
| Other operating expenses | | (34) | (39) |
| **Results from operating activities** | | **30** | **64** |
| Finance income | 7 | 5 | 42 |
| Finance expenses | 7 | (422) | (197) |
| Share of profits of associates | 10 | 70 | 89 |
| Share of profits of joint ventures | 11 | 12 | 25 |
| **(Loss)/profit before taxation** | | **(305)** | **23** |
| Income tax | 8 | (20) | (4) |
| **(Loss)/profit for the period** | | **(325)** | **19** |
| Attributable to: | | | |
| Shareholders of the Company | | (325) | 19 |
| | | | |
| **(Loss)/earnings per share** | | | |
| Basic and diluted (loss)/earnings per share (USD) | 9 | (0.0214) | 0.0013 |



The consolidated interim condensed statement of income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information set out on pages 11 to 34.

| | | Three months ended 31 March | |
|---|---|---|---|
| | | **2014 (unaudited)** | **2013 (unaudited)** |
| | **Note** | **USD million** | **USD million** |
| **(Loss)/profit for the period** | | **(325)** | **19** |
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| Share of other comprehensive income of associates | 10 | (11) | (10) |
| Change in fair value of cash flow hedges | | (9) | 2 |
| Foreign currency translation differences for equity-accounted investees | | (771) | (216) |
| Foreign currency translation differences for foreign operations | | (106) | (94) |
| | | **(897)** | **(318)** |
| Other comprehensive income for the period, net of tax | | **(897)** | **(318)** |
| **Total comprehensive income for the period** | | **(1,222)** | **(299)** |
| Attributable to: | | | |
| Shareholders of the Company | | (1,222) | (299) |
| **Total comprehensive income for the period** | | **(1,222)** | **(299)** |



The consolidated interim condensed statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information set out on pages 11 to 34.

| | Note | 31 March 2014 (unaudited) USD million | 31 December 2013 USD million |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 4,092 | 4,167 |
| Intangible assets | | 3,314 | 3,497 |
| Interests in associates | 10 | 7,496 | 8,175 |
| Interests in joint ventures | 11 | 562 | 585 |
| Derivative financial assets | 17 | 12 | 13 |
| Deferred tax assets | | 140 | 143 |
| Other non-current assets | | 87 | 110 |
| **Total non-current assets** | | **15,703** | **16,690** |
| **Current assets** | | | |
| Inventories | | 2,164 | 2,248 |
| Trade and other receivables | 12 | 838 | 817 |
| Derivative financial assets | 17 | 11 | 9 |
| Cash and cash equivalents | | 552 | 716 |
| **Total current assets** | | **3,565** | **3,790** |
| **Total assets** | | **19,268** | **20,480** |



The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information set out on pages 11 to 34.

| | Note | 31 March 2014 (unaudited) USD million | 31 December 2013 USD million |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | 13 | | |
| Share capital | | 152 | 152 |
| Shares held for vesting | | (1) | (1) |
| Share premium | | 15,786 | 15,786 |
| Other reserves | | 2,720 | 2,740 |
| Currency translation reserve | | (5,395) | (4,518) |
| Accumulated losses | | (7,934) | (7,609) |
| **Total equity** | | **5,328** | **6,550** |
| **Non-current liabilities** | | | |
| Loans and borrowings | 14 | 313 | 8,691 |
| Bonds | 15 | 636 | 458 |
| Provisions | 16 | 640 | 677 |
| Deferred tax liabilities | | 487 | 472 |
| Derivative financial liabilities | 17 | 291 | 188 |
| Other non-current liabilities | | 59 | 49 |
| **Total non-current liabilities** | | **2,426** | **10,535** |
| **Current liabilities** | | | |
| Loans and borrowings | 14 | 9,943 | 1,234 |
| Bonds | 15 | - | 442 |
| Current tax liabilities | | 10 | 15 |
| Trade and other payables | 18 | 1,393 | 1,472 |
| Provisions | 16 | 117 | 110 |
| Derivative financial liabilities | 17 | 51 | 122 |
| **Total current liabilities** | | **11,514** | **3,395** |
| **Total liabilities** | | **13,940** | **13,930** |
| **Total equity and liabilities** | | **19,268** | **20,480** |
| **Net current assets** | | **(7,949)** | **395** |
| **Total assets less current liabilities** | | **7,754** | **17,085** |

Approved and authorised for issue by the board of directors on 12 May 2014.

Oleg V. Deripaska
Chief Executive Officer

Alexandra Y. Bouriko
Chief Financial Officer



The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information set out on pages 11 to 34.

| | Note | Share capital | Shares held for vesting | Share premium | Other reserves | Currency translation reserve | Accumulated losses | Total equity |
|---|---|---|---|---|---|---|---|---|
| | | USD million | USD million | USD million | USD million | USD million | USD million | USD million |
| **Balance at 1 January 2014** | | **152** | **(1)** | **15,786** | **2,740** | **(4,518)** | **(7,609)** | **6,550** |
| Loss for the period (unaudited) | | - | - | - | - | - | (325) | (325) |
| Other comprehensive income for the period (unaudited) | | - | - | - | (20) | (877) | - | (897) |
| **Total comprehensive income for the period (unaudited)** | | **-** | **-** | **-** | **(20)** | **(877)** | **(325)** | **(1,222)** |
| **Balance at 31 March 2014 (unaudited)** | | **152** | **(1)** | **15,786** | **2,720** | **(5,395)** | **(7,934)** | **5,328** |
| **Balance at 1 January 2013 (restated)** | | **152** | **(1)** | **15,787** | **2,747** | **(3,666)** | **(4,287)** | **10,732** |
| Profit for the period (unaudited) | | - | - | - | - | - | 19 | 19 |
| Other comprehensive income for the period (unaudited) | | - | - | - | (8) | (310) | - | (318) |
| **Total comprehensive income for the period (unaudited)** | | **-** | **-** | **-** | **(8)** | **(310)** | **19** | **(299)** |
| Share-based compensation (unaudited) | 13(b) | - | - | 1 | - | - | - | **1** |
| **Balance at 31 March 2013 (unaudited)** | | **152** | **(1)** | **15,788** | **2,739** | **(3,976)** | **(4,268)** | **10,434** |

Included in the other reserves and currency translation reserves at 1 January 2013 are losses of USD4 million and USD230 million related to other comprehensive income and foreign currency translation reserves, respectively, relating to assets held for sale.



The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information set out on pages 11 to 34.

| | | Three months ended 31 March | |
|---|---|---|---|
| | | **2014 (unaudited)** | **2013 (unaudited)** |
| | **Note** | **USD million** | **USD million** |
| **OPERATING ACTIVITIES** | | | |
| **(Loss)/profit for the period** | | **(325)** | **19** |
| *Adjustments for:* | | | |
| Depreciation | | 111 | 131 |
| Amortisation | | 4 | 3 |
| Impairment of non-current assets | | 27 | 47 |
| Impairment of trade and other receivables | | 9 | 16 |
| Impairment/(reversal of impairment) of inventories | | 5 | (2) |
| Share-based compensation | | - | 1 |
| Provision for legal claims | 16 | 2 | - |
| Pension provision | 16 | 2 | 1 |
| Debtors write-off | | 1 | - |
| Change in fair value of derivative financial instruments | 7 | 133 | (5) |
| Foreign exchange loss/(gain) | | 78 | (43) |
| Loss on disposal of property, plant and equipment | | 1 | 1 |
| Interest expense | 7 | 198 | 197 |
| Interest income | 7 | (5) | (4) |
| Income tax expense | 8 | 20 | 4 |
| Share of profits of associates | 10 | (70) | (89) |
| Share of profits of joint ventures | 11 | (12) | (25) |
| | | **179** | **252** |
| Decrease in inventories | | 84 | 42 |
| Increase in trade and other receivables | | (59) | (33) |
| Decrease/(increase) in prepaid expenses and other assets | | 1 | (12) |
| Decrease in trade and other payables | | (89) | (135) |
| Decrease in provisions | | (5) | (4) |
| **Cash generated from operations** | | **111** | **110** |
| Income taxes paid | | (30) | (26) |
| **Net cash generated from operating activities** | | **81** | **84** |



The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated interim condensed financial information set out on pages 11 to 34.

| | Three months ended 31 March | |
|---|---|---|
| | 2014 (unaudited) | 2013 (unaudited) |
| | USD million | USD million |
| **INVESTING ACTIVITIES** | | |
| Proceeds from disposal of property, plant and equipment | 5 | 2 |
| Interest received | 5 | 3 |
| Acquisition of property, plant and equipment | (115) | (108) |
| Acquisition of intangible assets | (4) | (2) |
| Dividends from associates | 1 | - |
| Dividends from joint ventures | - | 17 |
| **Net cash used in investing activities** | **(108)** | **(88)** |
| **FINANCING ACTIVITIES** | | |
| Proceeds from borrowings | 1,066 | 449 |
| Repayment of borrowings | (860) | (483) |
| Restructuring fees and other expenses | (6) | (16) |
| Interest paid | (158) | (148) |
| Settlement of derivative financial instruments | (156) | - |
| **Net cash used in financing activities** | **(114)** | **(198)** |
| **Net decrease in cash and cash equivalents** | **(141)** | **(202)** |
| Cash and cash equivalents at 1 January | 701 | 490 |
| Effect of exchange rate fluctuations on cash and cash equivalents | (23) | (4) |
| **Cash and cash equivalents at the end of the period** | **537** | **284** |

Restricted cash amounted to USD15 million both at 31 March 2014 and 31 December 2013.



The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated interim condensed financial information set out on pages 11 to 34.

# 1 Background

**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 has 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 to a public limited company.

The Company's registered office is Ogier House, The 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".

Upon the successful completion of the Global Offering, the Company issued 1,636,363,646 new shares in the form of shares listed on the Stock Exchange, and in the form of global depositary shares ("GDS") listed on Euronext Paris representing 10.81% of the Company's issued and outstanding shares, immediately prior to the Global Offering.

The shareholding structure of the Company as at 31 March 2014 and 31 December 2013 was as follows:

| | 31 March 2014 | 31 December 2013 |
|---|---|---|
| En+ Group Limited ("En+") | 48.13% | 48.13% |
| Onexim Holdings Limited ("Onexim") | 17.02% | 17.02% |
| SUAL Partners Limited ("SUAL Partners") | 15.80% | 15.80% |
| Amokenga Holdings Limited ("Amokenga Holdings") | 8.75% | 8.75% |
| Held by Directors | 0.26% | 0.26% |
| Shares held for vesting | 0.00%* | 0.00%* |
| Publicly held | 10.04% | 10.04% |
| **Total** | **100%** | **100%** |

* As at 31 March 2014 and 31 December 2013 the Group held 106,684 ordinary shares for LTIP (note 13(b)).

En+ is controlled by Mr. Oleg Deripaska. Onexim is controlled by Mr. Mikhail Prokhorov. SUAL Partners is controlled by Mr. Viktor Vekselberg and Mr. Len Blavatnik together. Amokenga Holdings is a wholly owned subsidiary of Glencore International Plc ("Glencore").

Related party transactions are detailed in note 20.

The consolidated financial statements of the Group as at and for the year ended 31 December 2013 are available at the Company's website www.rusal.com.

# 2 Basis of preparation

## (a) Statement of compliance

This consolidated interim condensed financial information has been prepared in accordance with International Accounting Standard No. 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 2013.

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

Amendments to IFRS 10, IFRS 12 and IAS 27: *Investment entities*

Amendments to IAS 32, Financial Instruments: *Presentation - Offsetting Financial Assets and Financial Liabilities*

Amendments to IAS 39, Financial Instruments: *Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*

IFRIC 21, *Levies*

## (b) Going concern

Low aluminium prices have had an adverse impact on the revenue and profitability of the Group. As aluminium prices are forecast to continue to remain at depressed levels in 2014, management has entered into negotiations with the Group's lenders to restructure the Group's debt in order to defer principal repayments to future periods and modify financial covenants to sustainable levels.

During the reporting period, the Company agreed amended terms of financing with OJSC Sberbank of Russia ("Sberbank") and OJSC Gazprombank ("Gazprombank") under the bilateral loan facilities with carrying amounts of USD4,947 million and USD657 million, respectively, as at 31 March 2014. The respective agreements with Gazprombank have since been executed and management expects to execute revised loan agreements with Sberbank in the nearest future.

The Group is currently still in the process of negotiating amendments to the terms of its syndicated facilities amounting to USD3,496 million and has obtained from its lenders certain forbearances effective until 7 July 2014, including the waiver of potential covenant violations, which will provide the Group more time to complete the negotiation process (refer note 21 for details). Management believes that the syndicated facilities will be renegotiated before the expiry of the forbearances and expects the amended debt repayment terms and modified financial covenants should provide the Group with sufficient liquidity to meet its financial obligations as they fall due in the foreseeable future.

Management has prepared this interim consolidated financial information on a going concern basis and it does not include any adjustment should the Group be unable to continue as a going concern. However, the above conditions result in the existence of a material uncertainty that may cast doubt on the Group's ability to continue as a going concern. In the event the Group is unable to renegotiate terms of the syndicated facilities and related covenants before the expiry of the forbearances, it may not be able to comply with the existing terms of its credit facilities. In this case, the debt may become repayable on demand, and pledged shares and other collateral may be claimed by lenders. If this was to occur, it could have a significant adverse impact on the Group's financial position and its ability to realise its assets and settle its obligations in the ordinary course of business.

## 3 Significant accounting policies

The accounting policies and judgments applied by the Group in this consolidated interim condensed financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2013. The adoption of other new standards and amendments did not have a significant impact on the Group.

## 4 Seasonality

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

## 5 Segment reporting

**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 aluminum 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 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 meets any of the quantitative thresholds for determining reportable segments.

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.

**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.

The measure used for reporting segment results is the statement of income before income tax adjusted for impairment of non-current assets and 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 (losses)/profits of associates and jointly controlled entities, 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.

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 31 March 2014**

| | **Aluminium** | **Alumina** | **Energy** | **Mining and Metals** | **Total** |
|---|---|---|---|---|---|
| | **USD million** | **USD million** | **USD million** | **USD million** | **USD million** |
| Revenue from external customers | 1,744 | 155 | 1 | - | 1,900 |
| Inter-segment revenue | 40 | 390 | - | - | 430 |
| **Total segment revenue** | **1,784** | **545** | **1** | **-** | **2,330** |
| **Segment profit/(loss)** | **144** | **(50)** | **-** | **-** | **94** |
| Impairment of non-current assets | (7) | (20) | - | - | **(27)** |
| Share of (losses)/profits of associates | - | (7) | - | 77 | **70** |
| Share of profits of joint ventures | - | - | 12 | - | **12** |
| Depreciation/amortisation | (92) | (21) | - | - | **(113)** |
| Non-cash expense other than depreciation/amortization | (3) | (14) | - | - | **(17)** |
| Additions to non-current segment assets during the period | 61 | 54 | 1 | - | **116** |
| Non-cash additions to non-current segment assets related to site restoration | - | 5 | **-** | **-** | **5** |

### Three months ended 31 March 2013

| | Aluminium | Alumina | Energy | Mining and Metals | Total |
|---|---|---|---|---|---|
| | USD million | USD million | USD million | USD million | USD million |
| Revenue from external customers | 2,292 | 150 | 1 | - | 2,443 |
| Inter-segment revenue | 32 | 365 | - | - | 397 |
| **Total segment revenue** | **2,324** | **515** | **1** | **-** | **2,840** |
| **Segment profit/(loss)** | **230** | **(42)** | **-** | **-** | **188** |
| | | | | | |
| Impairment of non-current assets | (23) | (24) | - | - | **(47)** |
| Share of (losses)/profits of associates | - | (10) | - | 99 | **89** |
| Share of profits of joint ventures | - | - | 25 | - | **25** |
| Depreciation/amortisation | (103) | (29) | - | - | **(132)** |
| Non-cash expense other than depreciation/amortization | (5) | (9) | - | - | **(14)** |
| Additions to non-current segment assets during the period | 72 | 32 | 2 | - | **106** |
| Non-cash additions to non-current segment assets related to site restoration | - | 9 | **-** | - | **9** |

### At 31 March 2014

| | Aluminium | Alumina | Energy | Mining and Metals | Total |
|---|---|---|---|---|---|
| | USD million | USD million | USD million | USD million | USD million |
| Segment assets | 9,348 | 1,715 | 30 | - | **11,093** |
| Interests in associates | - | 376 | - | 7,116 | **7,492** |
| Interests in joint ventures | 20 | - | 542 | - | **562** |
| **Total segment assets** | | | | | **19,147** |
| | | | | | |
| Segment liabilities | (1,765) | (997) | (102) | - | **(2,864)** |
| **Total segment liabilities** | | | | | **(2,864)** |

**At 31 December 2013**

| | Aluminium | Alumina | Energy | Mining and Metals | Total |
|---|---|---|---|---|---|
| | USD million | USD million | USD million | USD million | USD million |
| Segment assets | 9,754 | 1,734 | 32 | - | **11,520** |
| Interests in associates | - | 371 | - | 7,801 | **8,172** |
| Interests in joint ventures | 18 | - | 567 | - | **585** |
| **Total segment assets** | | | | | **20,277** |
| Segment liabilities | (1,744) | (957) | (2) | - | **(2,703)** |
| **Total segment liabilities** | | | | | **(2,703)** |

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

| | Three months ended 31 March | |
|---|---|---|
| | 2014 | 2013 |
| | USD million | USD million |
| **Revenue** | | |
| Reportable segment revenue | 2,330 | 2,840 |
| Elimination of inter-segment revenue | (430) | (397) |
| Unallocated revenue | 223 | 239 |
| Consolidated revenue | **2,123** | **2,682** |

| | Three months ended 31 March | |
|---|---|---|
| | 2014 | 2013 |
| | USD million | USD million |
| **Profit** | | |
| Reportable segment profit | 94 | 188 |
| Impairment of non-current assets | (27) | (47) |
| Share of profits of associates | 70 | 89 |
| Share of profits of joint ventures | 12 | 25 |
| Finance income | 5 | 42 |
| Finance expenses | (422) | (197) |
| Unallocated expenses | (37) | (77) |
| Consolidated profit before taxation | **(305)** | **23** |

| | Three months ended 31 March | |
|---|---|---|
| | **2014** | **2013** |
| | **USD million** | **USD million** |
| **Assets** | | |
| Reportable segment assets | 19,147 | 20,277 |
| Elimination of inter-segment receivables | (414) | (336) |
| Unallocated assets | 535 | 539 |
| Consolidated total assets | **19,268** | **20,480** |

| | **31 March** | **31 December** |
|---|---|---|
| | **2014** | **2013** |
| | **USD million** | **USD million** |
| **Liabilities** | | |
| Reportable segment liabilities | (2,864) | (2,703) |
| Elimination of inter-segment payables | 414 | 336 |
| Unallocated liabilities | (11,490) | (11,563) |
| Consolidated total liabilities | **(13,940)** | **(13,930)** |

# 6 Revenue

| | Three months ended 31 March | |
|---|---|---|
| | **2014** | **2013** |
| | **USD million** | **USD million** |
| **Sales of primary aluminium and alloys** | **1,744** | **2,292** |
| *Third parties* | *1,040* | *1,157* |
| *Related parties – companies capable of exerting significant influence* | *646* | *1,076* |
| *Related parties – companies under common control* | *43* | *59* |
| *Related parties – associates* | *15* | **-** |
| **Sales of alumina and bauxite** | **155** | **150** |
| *Third parties* | *107* | *103* |
| *Related parties – companies capable of exerting significant influence* | *48* | *47* |
| **Sales of foil** | **71** | **78** |
| *Third parties* | *69* | *77* |
| *Related parties – companies under common control* | *2* | *1* |
| **Other revenue including energy and transportation services** | **153** | **162** |
| *Third parties* | *124* | *130* |
| *Related parties – companies capable of exerting significant influence* | *10* | *3* |
| *Related parties – companies under common control* | *5* | *6* |
| *Related parties – associates* | *14* | *23* |
| | **2,123** | **2,682** |

# 7 Finance income and expenses

| | Three months ended 31 March | |
|---|---|---|
| | **2014** | **2013** |
| | **USD million** | **USD million** |
| **Finance income** | | |
| Interest income on third party loans and deposits | 4 | 2 |
| Interest income on loans to related parties – *companies under common control* | 1 | 1 |
| Net foreign exchange gain | - | 33 |
| Change in fair value of derivative financial instruments (refer to note 17 ) | - | 5 |
| Interest income on provisions | - | 1 |
| | **5** | **42** |
| **Finance expenses** | | |
| Interest expense on bank loans wholly repayable within 5 years, bonds and other bank charges | (194) | (191) |
| Change in fair value of derivative financial instruments (refer to note 17) | (133) | - |
| Net foreign exchange loss | (91) | - |
| Interest expense on provisions | (4) | (6) |
| | **(422)** | **(197)** |

# 8 Income tax

| | Three months ended 31 March | |
|---|---|---|
| | **2014** | **2013** |
| | **USD million** | **USD million** |
| ***Current tax*** | | |
| Current tax for the period | 13 | 24 |
| ***Deferred tax*** | | |
| Origination and reversal of temporary differences | 7 | (20) |
| **Actual tax expense** | **20** | **4** |

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% (for the period ended 31 March 2013 – 19%); 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 31.4%. 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 2014 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 31 March 2014 were the same as for the period ended 31 March 2013 and the year ended 31 December 2013 except as noted above.

# 9 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the profit attributable to ordinary equity shareholders for the three months ended 31 March 2014 and 31 March 2013.

Weighted average number of shares:

| | Three months ended 31 March | |
|---|---|---|
| | **2014** | **2013** |
| Issued ordinary shares at beginning of the period | 15,193,014,862 | 15,193,014,862 |
| Effect of treasury shares | (4,299,796) | (834,947) |
| Weighted average number of shares at end of the period | 15,188,715,066 | 15,192,179,915 |
| | | |
| **(Loss)/profit for the period, USD million** | **(325)** | **19** |
| **Basic and diluted (loss)/earnings per share, USD** | **(0.0214)** | **0.0013** |

There were no outstanding dilutive instruments during the periods ended 31 March 2014 and 31 March 2013.

No dividends were declared and paid during the periods presented.

# 10 Interests in associates

| | Three months ended 31 March | |
|---|---|---|
| | **2014** | **2013** |
| | **USD million** | **USD million** |
| **Balance at the beginning of the period** | **8,175** | **9,673** |
| Group's share of profits and other gains and losses attributable to associates | 70 | 89 |
| Group's share of other comprehensive income | (11) | (10) |
| Foreign currency translation | (738) | (199) |
| **Balance at the end of the period** | **7,496** | **9,553** |
| Goodwill included in interests in associates | 4,426 | 5,504 |

### 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 three-month period ended 31 March 2014. Consequently the Group estimated its share in the profits, other comprehensive income and foreign currency translation of Norilsk Nickel for the period ended 31 March 2014 based on publicly available information reported by Norilsk Nickel. 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 31 March 2014 is USD7,231 million (31 December 2013: USD7,261). The market value is determined by multiplying the quoted bid price per share on the Moscow Interbank Currency Exchange ("MICEX") on reporting date by the number of shares held by the Group.

# 11 Interests in joint ventures

| | Three months ended 31 March | |
|---|---|---|
| | **2014** | **2013** |
| | **USD million** | **USD million** |
| **Balance at the beginning of the period** | **585** | **1,156** |
| Group's share of profits | 12 | 25 |
| Dividends | (2) | (17) |
| Foreign currency translation | (33) | (17) |
| **Balance at the end of the period** | **562** | **1,147** |

# 12 Trade and other receivables

| | 31 March 2014 USD million | 31 December 2013 USD million |
|---|---|---|
| Trade receivables from third parties | 207 | 180 |
| Impairment loss on trade receivables | (38) | (45) |
| **Net trade receivables from third parties** | **169** | **135** |
| **Trade receivables from related parties, including:** | **65** | **44** |
| *Companies capable of exerting significant influence* | *51* | *34* |
| *Impairment loss* | *(8)* | *(8)* |
| *Net trade receivables from companies capable of exerting significant influence* | *43* | *26* |
| *Companies under common control* | *10* | *5* |
| *Related parties – associates* | *12* | *13* |
| VAT recoverable | 314 | 351 |
| Impairment loss on VAT recoverable | (33) | (35) |
| **Net VAT recoverable** | **281** | **316** |
| Advances paid to third parties | 121 | 134 |
| Impairment loss on advances paid | (3) | (3) |
| **Net advances paid to third parties** | **118** | **131** |
| **Advances paid to related parties, including:** | **73** | **68** |
| *Related parties – companies under common control* | *2* | *2* |
| *Related parties – associates* | *71* | *66* |
| **Prepaid expenses** | **15** | **20** |
| **Prepaid income tax** | **21** | **7** |
| **Prepaid other taxes** | **15** | **19** |
| Other receivables from third parties | 86 | 82 |
| Impairment loss on other receivables | (21) | (25) |
| **Net other receivables from third parties** | **65** | **57** |
| **Other receivables from related parties, including:** | **16** | **20** |
| *Related parties – companies under common control* | *8* | *8* |
| *Related parties – associates* | *8* | *12* |
| | **838** | **817** |

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

## (a) Ageing analysis

| | 31 March 2014 USD million | 31 December 2013 USD million |
|---|---|---|
| Current | 199 | 135 |
| Past due 0-90 days | 31 | 37 |
| Past due 91-365 days | 2 | 5 |
| Past due over 365 days | 2 | 2 |
| Amounts past due | 35 | 44 |
| | **234** | **179** |

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:

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 has been 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.

## (b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recognised 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 periods, including both specific and collective loss components, is as follows:

| | Three months ended 31 March | |
|---|---|---|
| | **2014** | **2013** |
| | **USD million** | **USD million** |
| Balance at the beginning of the period | (53) | (42) |
| Impairment loss recognised | (6) | (8) |
| Uncollectible amounts written off | 13 | - |
| Balance at the end of the period | **(46)** | **(50)** |

As at 31 March 2014 and 31 December 2013, Group trade receivables of USD46 million and USD53 million, respectively, were individually determined to be impaired. Management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts were recognised.

The Group does not hold any collateral over these balances.

# 13 Equity

## (a) Share capital

| | Three months ended 31 March 2014 | | Three months ended 31 March 2013 | |
|---|---|---|---|---|
| | **USD** | **Number of shares** | **USD** | **Number of shares** |
| Ordinary shares at the end of the period, authorised | 200 million | 20 billion | 200 million | 20 billion |
| Ordinary shares at 1 January | 151,930,148 | 15,193,014,862 | 151,930,148 | 15,193,014,862 |
| **Ordinary shares at the end of the period USD0.01 each, issued and paid** | **151,930,148** | **15,193,014,862** | **151,930,148** | **15,193,014,862** |

## (b) Share-based compensation

As at 31 March 2014 and 31 December 2013 the Group held 4,299,796 of its own shares, which were acquired on the open market for the share-based incentive plans ("Shares held for vesting").

During the three-month period ended 31 March 2014 and 31 March 2013 the Company recognised additional employee expense in relation to share-based LTIP in the amount of USD nil million and USD1 million respectively, with a corresponding change in equity.

## (c) Other reserves

Other reserves include the cumulative unrealised actuarial gains and losses on the Group's defined post retirement benefit plans, change in fair value of cash flow hedges and cumulative unrealised gains and losses on its available-for-sale investments which have been recognised directly in equity.

## (d) 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 debt restructuring agreements.

## (e) Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

# 14 Loans and borrowings

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

| | **31 March 2014** | **31 December 2013** |
|---|---|---|
| | **USD million** | **USD million** |
| ***Non-current liabilities*** | | |
| Secured loans from related parties | 313 | - |
| Secured bank loans | - | 8,691 |
| | **313** | **8,691** |
| ***Current liabilities*** | | |
| Secured bank loans | 9,228 | 995 |
| Unsecured bank loans | 566 | 183 |
| Secured loans from related parties | 87 | - |
| Accrued interest | 62 | 56 |
| | **9,943** | **1,234** |

The Group's 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 2013.

During the three month period ended 31 March 2014 the Group pledged 100% shares of Limerick Alumina Refining Limited and 75% shares of Aughunish Alumina Limited.

The secured bank loans are also secured by the following:

- inventory with a carrying value of USD25 million (31 December 2013: USD16 million);
- property, plant and equipment, inventory, receivables with a carrying amount of USD526 million (Aughinish Alumina Limited and UC RUSAL Aughinish Holdings Limited) (31 December 2013: nil).

As at 31 March 2014 and 31 December 2013 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 USD4.75 billion syndicated facility and the USD400 million multicurrency credit facility.

The nominal value of the Group's loans and borrowings was USD10,329 million at 31 March 2014 (31 December 2013: USD10,018 million).

On 9 January 2014 the Group made scheduled repayment of principal under the USD4.75 billion syndicated facility in the amount of USD203 million.

On 26 February 2014, the Group and Sberbank of Russia entered into an amendment agreement to the non-revolving credit facility agreement dated 1 December 2011 in order to increase the credit limit for RUB2.4 billion ("Additional Limit") from RUB18.3 billion to RUB20.7 billion in connection with fulfilment of obligations under the put option of the Ruble bonds issued by OJSC RUSAL Bratsk ("RUSAL Bratsk") (series 07), which was due on 3 March 2014.

In February 2014 the Group entered into a facility agreement with Glencore AG for a prepayment of USD400 million in respect of supply of alumina from one of the Group's subsidiaries to Glencore AG in 2014-2016. Amounts of interest at 3M LIBOR + 4.95% and principal payable under the facility agreement will, to the extent such amounts are due, be offset against amounts due by Glencore AG under the alumina supply contract at USD40 per metric tonne for the first six months and USD286 per metric tonne thereafter. The facility is to be repaid by 31 December 2016 in accordance with the agreed principal amortization schedule commencing on or about 30 September 2014.

In March 2014 the Group refinanced its credit facilities with Gazprombank in the amount of USD242.7 million and EUR74.7 million. The facilities bear interest at 3M LIBOR + 6.5% and mature over 5 years.

As at the reporting date loans and borrowings amounting to USD8,709 million have been reclassified from non-current to current as the Group was in breach of financial covenants under its PXF facility agreement triggering cross default of the Group's other material financing arrangements. Subsequent to the reporting date the Group obtained from its lenders certain forbearances effective until 7 July 2014, including a waiver of covenants violation (refer to note 21 for details).

## 15 Bonds

Details of the two tranches of ruble denominated bonds and related cross-currency swaps are disclosed in the Group's consolidated financial statements as of and for the year ended 31 December 2013.

On 25 February 2014 RUSAL Bratsk entered into a bond sale agreement for the purpose of selling up to 5,000,000 (five million) series 07 bonds which were expected to be bought back under a put-option on 3 March 2014. The selling price under the terms of bonds sale agreement was RUB998.356, or 99.8356% of the par value of each bond. Simultaneously United Company RUSAL Aluminium Limited entered into a put-option transaction with the buyer under bonds sale agreement. The put option may be exercised for up to 5,000,000 (five million) series 07 bonds at a strike price which will be a function of the announced coupon rate, purchase price, tenor and the expected yield of the transaction, and is exercisable on 22 February 2016.

On 28 February 2014 RUSAL Bratsk announced a coupon rate in respect to the series 07 bond issue of 12% per annum for the 7-10 semi-annual coupon periods.

On 3 March 2014 RUSAL Bratsk successfully performed its obligations under the terms of bondholders put-option. As result of the put-option being exercised RUB10,947,149 series 07 bonds (about 73% of the issue) were purchased back by the issuer.

The closing market price at 31 March 2014 was RUB987.3 and RUB865.5 per bond for the series 07 and series 08 bonds, respectively.

# 16 Provisions

| | **Pension liabilities** | **Site restoration** | **Provisions for legal claims** | **Tax provisions** | **Provision for guarantee** | **Total** |
|---|---|---|---|---|---|---|
| | **USD million** | **USD million** | **USD million** | **USD million** | **USD million** | **USD million** |
| **Balance at 1 January 2014** | **116** | **491** | **12** | **68** | **100** | **787** |
| Provisions made during the period | 4 | 7 | 2 | - | - | 13 |
| Provisions utilised during the period | (4) | (1) | - | - | - | (5) |
| Foreign currency translation | (13) | (25) | - | - | - | (38) |
| **Balance at 31 March 2014** | **103** | **472** | **14** | **68** | **100** | **757** |
| ***Non-current*** | *91* | *449* | - | - | *100* | *640* |
| ***Current*** | *12* | *23* | *14* | *68* | - | *117* |
| | | | | | | |
| **Balance at 1 January 2013** | **151** | **494** | **23** | **13** | **-** | **681** |
| Provisions made during the period | 4 | 11 | - | - | - | 15 |
| Provisions utilised during the period | (4) | - | - | (10) | - | (14) |
| Foreign currency translation | (3) | (10) | - | - | - | (13) |
| **Balance at 31 March 2013** | **148** | **495** | **23** | **3** | **-** | **669** |
| ***Non-current*** | *132* | *487* | - | - | - | *619* |
| ***Current*** | *16* | *8* | *23* | *3* | - | *50* |

# 17 Derivative financial assets and liabilities

| | **31 March 2014** | | **31 December 2013** | |
|---|---|---|---|---|
| | **USD million** | | **USD million** | |
| | **Derivative assets** | **Derivative liabilities** | **Derivative assets** | **Derivative liabilities** |
| Cross-currency swaps | - | 192 | - | 198 |
| Petroleum coke supply contracts and other raw materials | 22 | 17 | 22 | 22 |
| Interest rate swaps | - | 73 | - | 81 |
| Aluminium forward contracts | 1 | - | - | 9 |
| Put option on loan | - | 60 | - | - |
| **Total** | **23** | **342** | **22** | **310** |

On 16 December 2013 the Group entered into a new credit facility up to RUB15 billion with VTB Capital Plc with a maturity of 5 years and an interest rate of 3M Mosprime + 4.0% and drew down RUB10.1 billion (USD309 million) on 17 December 2013. The credit facility includes an option which may be exercised by the bank two years from the date of entering into the credit facility to convert the credit facility to USD with a 3M LIBOR + 5.05% interest rate. On 31 March 2014 the Group's exposure under this option was USD60 million.

The secured cross-currency swaps are secured by pledges of 11% shares in OJSC SUAL and USD259 million of the Group's fixed assets.

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. There were no changes in valuation techniques during three-month period ended 31 March 2014. The following significant assumptions were used in estimating derivative instruments:

| | **2014** | **2015** | **2016** |
|---|---|---|---|
| LME Al Cash, USD per tonne | 1,806 | 1,889 | 1,958 |
| Platt's FOB Brent, USD per barrel | 106 | 102 | 98 |
| Forward exchange rate, RUB to USD | 36.5563 | 39.0757 | 41.6952 |
| Forward 1Y LIBOR, % | 0.65 | 0.76 | 1.25 |

The fair value of VTB Capital loan option is estimated using Black-Scholes model. As at 31 March 2014 the following assumptions were used:

| | |
|---|---|
| Conversion rate, RUB to USD | 32.83 |
| Spot price, RUB to USD | 35.17 |
| Volatility, % | 12.6 |
| Risk free rate for RUB, % | 8.04 |
| Risk free rate for USD, % | 0.32 |

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

| | **Three months ended 31 March** | |
|---|---|---|
| | **2014** | **2013** |
| | **USD million** | **USD million** |
| Balance at the beginning of the period | (288) | (211) |
| Unrealised changes in fair value recognised in other comprehensive income during the period | (93) | (32) |
| Unrealised changes in fair value recognised in statement of income (finance income/(expense) during the period | (133) | 5 |
| Realised portion of derivatives | 195 | 13 |
| Balance at the end of the period | **(319)** | **(225)** |

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

# 18 Trade and other payables

| | **31 March** | **31 December** |
|---|---|---|
| | **2014** | **2013** |
| | **USD million** | **USD million** |
| **Accounts payable to third parties** | **568** | **623** |
| **Accounts payable to related parties, including:** | **80** | **112** |
| *Companies capable of exerting significant influence* | *35* | *37* |
| *Companies under common control* | *45* | *74* |
| *Associates* | *-* | *1* |
| **Advances received from third parties** | **299** | **300** |
| **Advances received from related parties, including:** | **152** | **164** |
| *Companies capable of exerting significant influence* | *151* | *161* |
| *Companies under common control* | *-* | *2* |
| *Associates* | *1* | *1* |
| **Other payables and accrued liabilities third parties** | **174** | **152** |
| **Other payable and accrued liabilities related parties, including:** | **14** | **15** |
| *Related parties – companies capable of exerting significant influence* | *8* | *9* |
| *Related parties – associates* | *6* | *6* |
| **Other taxes payable** | **105** | **104** |
| **Non-trade payables to third parties** | **1** | **2** |
| | **1,393** | **1,472** |

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

Included in trade and other payables are trade payables with the following ageing analysis as at the reporting date.

| | **31 March 2014** | **31 December 2013** |
|---|---|---|
| | **USD million** | **USD million** |
| Due within twelve months or on demand | **648** | **735** |

# 19 Commitments and contingencies

## (a) Capital commitments

In May 2006, the Group signed a co-operation agreement with OJSC HydroOGK and RAO UES. Under this co-operation agreement OJSC HydroOGK and the Group have jointly committed to finance the construction and future operating of the BEMO Project including BoGES and an aluminium plant, the planned main customer of the hydropower station. The parties established two joint companies with 50:50 ownership, into which the Group is committed to invest USD1,840 million by the end of 2015 (31 December 2013: USD1,989 million). As at 31 March 2014, the outstanding commitment of the Group for construction of the aluminium plant was approximately USD194 million to be invested by the end of 2015 (31 December 2013: USD276 million).

The Group has entered into contracts that result in contractual obligations primarily relating to various construction and capital repair works. The commitments at 31 March 2014 and 31 December 2013 approximated USD265 million and USD258 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.

Tax declarations, together with related documentation, are subject to review and investigation by a number of authorities, each of which may impose fines, penalties and interest charges. Fiscal periods remain open to review by the authorities for three calendar years preceding the year of review (one year in the case of customs). Under certain circumstances reviews may cover longer periods. In addition, in some instances, new tax regulations effectively have been given retroactive effect. Additional taxes, penalties and interest which may be material to the financial position of the taxpayers may be assessed in the Russian Federation as a result of such reviews.

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 31 March 2014 is USD342 million (31 December 2013: USD345 million).

The Group’s major trading companies are incorporated in low tax jurisdictions outside Russia and a significant portion of the Group’s profit is realised by these companies. Management believes that these trading companies are not subject to taxes outside their countries of incorporation and that the commercial terms of transactions between them and other group companies are acceptable to the relevant tax authorities. This consolidated interim condensed financial information has been prepared on this basis. However, as these companies are involved in a significant level of cross border activities, there is a risk that Russian or other tax authorities may challenge the treatment of cross-border activities and assess additional tax charges. It is not possible to quantify the financial exposure resulting from this risk.

New transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances.

The new transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe new basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level. The new transfer pricing rules eliminated the 20-percent price safe harbour that existed under the previous transfer pricing rules applicable to transactions on or prior to 31 December 2011.

The new transfer pricing rules primarily apply to cross-border transactions between related parties, as well as to certain cross-border transactions between independent parties, as determined under the Russian Tax Code. In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume of the transactions between the same parties exceeds a particular threshold (RUB3 billion in 2012, RUB2 billion in 2013, and RUB1 billion in 2014 and thereon).

Since there is no practice of applying the new transfer pricing rules by the tax authorities and courts, it is difficult to predict the effect, if any, of the new transfer pricing rules on these consolidated financial statements.

The Company believes it is compliant with the new rules as it has historically applied the OECD - based transfer pricing principles. Estimating additional tax which may become payable is inherently imprecise. It is, therefore, possible that the amount ultimately payable may exceed the Group's best estimate of the maximum reasonably possible liability; however, the Group considers that the likelihood that this will be the case is remote.

### (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 recognised 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 a 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 16). As at 31 March 2014 the amount of claims, where management assesses outflow as possible approximates USD134 million (31 December 2013: USD175 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. 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. The next hearing is currently scheduled for June 2014. Based on a preliminary assessment of the claim, the Company does not expect the case to have any material adverse effect on the Group's financial position or its operation as a whole.

## 20 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 31 March** | |
|---|---|---|
| | **2014** | **2013** |
| | **USD million** | **USD million** |
| Salaries and bonuses | 13 | 12 |
| Share-based compensation to management | - | 1 |
| | **13** | **13** |

### (b) 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 or its controlling shareholders or Glencore and entities under its control or Onexim or its controlling shareholders.

Sales to related parties for the period are disclosed in note 6, finance income and expenses incurred in transactions with related parties are disclosed in note 7, accounts receivable from related parties are disclosed in note 12, accounts payable to related parties are disclosed in note 18, commitments with related parties are disclosed in note 19.

Purchases of raw materials and services from related parties were as follows:

| | Three months ended 31 March | |
|---|---|---|
| | **2014** | **2013** |
| | **USD million** | **USD million** |
| Purchases of alumina, bauxite and other raw materials – companies under common control | (24) | (27) |
| Purchases of alumina, bauxite and other raw materials – companies capable of exerting significant influence | (54) | (80) |
| Purchases of alumina, bauxite and other raw materials - associates | - | (13) |
| Energy costs – companies under common control | (130) | (170) |
| Energy costs – companies capable of exerting significant influence | (12) | (40) |
| Energy costs – associates | - | (1) |
| Other costs – companies under common control | (3) | (4) |
| Other costs – associates | (37) | (43) |
| Distribution expenses - companies under common control | - | (1) |
| | **(260)** | **(379)** |

As at 31 March 2014, included in non-current assets and liabilities are balances of USD34 million and USD106 million of companies which are related parties, respectively (31 December 2013: USD34 million and USD106 million).

### (c) 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.

## 21 Events subsequent to the reporting date

**Renegotiation/amendments to the existing terms of credit facilities**

Following the expiry of the covenant holiday period negotiated in 2012 and 2013 for certain of the financial covenants set out under the Company’s financing agreements, the Company decided to implement further measures in order to ensure compliance with its obligations under its financing agreements. Such measures include a proposed refinancing of its debt portfolio including:

- agreements to be entered into between the Company as borrower and Sberbank of Russia (“Sberbank”) in order to extend the maturity of the existing bilateral facility agreements (including credit facility agreement dated 30 September 2010 at the amount of USD4,583 million, credit facility agreement dated 30 September 2011 at the amount of USD453 million, non-revolving credit facility agreement dated 1 December 2011 at the amount of RUB20.7 billion) with Sberbank (the “Sberbank Amendment Agreement”). Extension of maturity by no more than 84 months from the date of execution of Sberbank Amendment Agreement, repayment to occur quarterly in equal instalments during the 6th-7th years from the date of the execution of the relevant Sberbank Amendment Agreement; and

- a merger of up to USD4,750 million aluminium pre-export finance facility agreement dated 29 September 2011 (as amended on 26 January 2012 and 9 November 2012) (the "2011 PXF Facility Agreement") with up to USD400 million multicurrency aluminium pre-export finance facility agreement dated 30 January 2013 (the "2013 PXF Facility Agreement", and together with the 2011 PXF Facility Agreement, the "PXF Facility Agreements").

The Amendment Request requires unanimous consent from the lenders under both PXF Facility Agreements. As the Company has been unable to obtain unanimous consent from the lenders before 31 March 2014 the Company requested the lenders under both PXF Facility Agreements to agree to certain forbearances and undertakings not to exercise their rights (the "Forbearance") arising in connection with any potential failure by the Company to comply with its obligations under the PXF Facility Agreements, providing the Company with additional time to persuade the remaining lenders to approve the Amendment Request.

The Company obtained consent from its lenders (the "Forbearing Lenders") to be bound by the terms of a forbearance request letter (the "Forbearance Request Letter") which became effective on 8 April 2014. Pursuant to the terms of the Forbearance Request Letter, the Forbearing Lenders have agreed not to take any actions against the Group resulting from certain potential defaults described in the Original PXF Facility Agreements. The principal terms of the Forbearance Request Letter are as follows:

- Each Forbearing Lender agrees that, during the forbearance period, it will not seek any action against any member of the Group and will forbear from exercising its rights resulting from payment or certain other potential defaults. In particular, it will not (i) accelerate any amounts outstanding under the relevant Original PXF Facility Agreements; (ii) exercise rights under guarantees or security documents (including by way of blocking various collection accounts); (iii) take any steps to commence any insolvency proceedings against any member of the Group.

- The Forbearance Request Letter is effective until the earlier of (i) 7 July 2014; (ii) the date on which the renegotiated PXF facilities become effective and (iii) the date on which an early termination event occurs (the "Forbearance Period"). The Forbearance Request Letter may terminate early if any of the creditors take enforcement actions, any new defaults occur or if, after 9 June 2014, a requisite majority of the Lenders decide that there is no reasonable prospect of the renegotiated PXF facilities becoming effective.

- During the Forbearance Period, the Obligors will be required to continue to pay any and all accrued interest on the loans outstanding under the Original PXF Facility Agreements as and when due.

If the PXF facilities are not renegotiated during the Forbearance Period, each of the Forbearing Lenders will, after the expiry of the Forbearance Period, be able to exercise any of their rights that have been previously forborn.

Waivers were additionally obtained in respect to other material financing arrangements for cross defaults which may arise from breach of the Original PXF Facility Agreements.