RUSAL

United Company RUSAL Plc

Consolidated Interim Condensed Financial Information for the three- and six-month periods ended 30 June 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 interim condensed statement of financial position of United Company RUSAL Plc (the "Company") and its subsidiaries (the "Group") as at 30 June 2014, and the related consolidated condensed statements of income and comprehensive income for the three- and six-month periods ended 30 June 2014, changes in equity and cash flows for the six-month period ended 30 June 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 June 2014 and for the three- and six-month periods then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Other Matter

In our report dated 26 August 2014, we expressed a conclusion on the Group's consolidated interim condensed financial information as at and for the three- and six-month periods ended 30 June 2014 that was qualified for the possible effects of adjustments that might have been found necessary had we been able to obtain and review consolidated interim financial information of the Group's significant equity investee, OJSC MMC Norilsk Nickel as at and for the three- and six-month periods ended 30 June 2014. Since that date, management has obtained the required information and has determined that it is not necessary to adjust the accounting for the equity investee as described in note 22 to the consolidated interim condensed financial information. We have reviewed management's assertion that no further adjustments are necessary and nothing has come to our attention that causes us to believe that any adjustments are required.

Shvetsov A.V.

for and on behalf of ZAO KPMG

10 September 2014

Moscow, Russian Federation

		Three months ended 30 June		Six months ended 30 June	
		2014 (unaudited)	**2013 (unaudited)**	**2014 (unaudited)**	**2013 (unaudited)**
	Note	**USD million**	**USD million**	**USD million**	**USD million**
Revenue	6	2,261	2,521	4,384	5,203
Cost of sales		(1,864)	(2,196)	(3,656)	(4,446)
Gross profit		**397**	**325**	**728**	**757**
Distribution expenses		(103)	(137)	(206)	(257)
Administrative expenses		(156)	(143)	(293)	(305)
Loss on disposal of property, plant and equipment		(5)	(6)	(6)	(7)
Impairment of non-current assets		(29)	(34)	(56)	(81)
Other operating expenses		(35)	(2)	(68)	(40)
Results from operating activities		**69**	**3**	**99**	**67**
Finance income	7	16	24	12	66
Finance expenses	7	(224)	(209)	(637)	(406)
Share of profits of associates	10	291	3	361	92
Share of profits of joint ventures	11	3	6	15	31
Loss recycled from other comprehensive income		-	(234)	-	(234)
Profit/(loss) before taxation		**155**	**(407)**	**(150)**	**(384)**
Income tax	8	(39)	(51)	(59)	(55)
Profit/(loss) for the period		**116**	**(458)**	**(209)**	**(439)**
Attributable to:					
Shareholders of the Company		**116**	**(458)**	**(209)**	**(439)**
Earnings/(loss) per share					
Basic and diluted earnings/(loss) per share (USD)	9	0.0076	(0.0301)	(0.0138)	(0.0289)

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 40.

		Three months ended 30 June		Six months ended 30 June	
		2014 (unaudited)	**2013 (unaudited)**	**2014 (unaudited)**	**2013 (unaudited)**
	Note	**USD million**	**USD million**	**USD million**	**USD million**
Profit/(loss) for the period		**116**	**(458)**	**(209)**	**(439)**
Other comprehensive income					
Items that will never be reclassified subsequently to profit or loss:					
Actuarial gain/(loss) on post retirement benefit plans		5	(11)	5	(11)
		5	**(11)**	**5**	**(11)**
Items that are or may be reclassified subsequently to profit or loss:					
Share of other comprehensive income of associate	10	12	(17)	1	(27)
Change in fair value of cash flow hedges		(19)	27	(28)	29
Recycling of losses relating to the Norilsk Nickel shares sold		-	234	-	234
Foreign currency translation differences on foreign operations		163	(196)	57	(290)
Foreign currency translation differences for equity-accounted investees		536	(496)	(235)	(712)
		692	**(448)**	**(205)**	**(766)**
Other comprehensive income for the period		**697**	**(459)**	**(200)**	**(777)**
Total comprehensive income for the period		**813**	**(917)**	**(409)**	**(1,216)**
Attributable to:					
Shareholders of the Company		**813**	**(917)**	**(409)**	**(1,216)**

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 40.

	Note	30 June 2014 (unaudited) USD million	31 December 2013 (restated) USD million
ASSETS			
Non-current assets			
Property, plant and equipment		4,091	4,167
Intangible assets		3,437	3,497
Interests in associates	10	8,024	8,175
Interests in joint ventures	11	545	585
Derivative financial assets	17	8	13
Deferred tax assets		143	143
Other non-current assets		90	110
Total non-current assets		**16,338**	**16,690**
Current assets			
Inventories		2,124	2,248
Dividends receivable from associates and joint ventures		312	-
Trade and other receivables	12	838	817
Derivative financial assets	17	6	9
Cash and cash equivalents		377	716
Total current assets		**3,657**	**3,790**
Total assets		**19,995**	**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 40.

	Note	30 June 2014 (unaudited) USD million	31 December 2013 (restated) 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		2,718	2,740
Currency translation reserve		(4,696)	(4,518)
Accumulated losses		(7,818)	(7,609)
Total equity		**6,141**	**6,550**
Non-current liabilities			
Loans and borrowings	14	274	8,691
Bonds	15	219	458
Provisions	16	672	677
Deferred tax liabilities		474	472
Derivative financial liabilities	17	165	188
Other non-current liabilities		64	49
Total non-current liabilities		**1,868**	**10,535**
Current liabilities			
Loans and borrowings	14	10,032	1,234
Bonds	15	446	442
Current tax liabilities		16	15
Trade and other payables	18	1,255	1,472
Derivative financial liabilities	17	142	122
Provisions	16	95	110
Total current liabilities		**11,986**	**3,395**
Total liabilities		**13,854**	**13,930**
Total equity and liabilities		**19,995**	**20,480**
Net current (liabilities)/assets		**(8,329)**	**395**
Total assets less current liabilities		**8,009**	**17,085**

Approved and authorised for issue by the board of directors on 10 September 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 40.

	Note	Share capital USD million	Shares held for vesting 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 2014		**152**	**(1)**	**15,786**	**2,740**	**(4,518)**	**(7,609)**	**6,550**
Loss for the period (unaudited)		-	-	-	-	-	(209)	(209)
Other comprehensive income for the period (unaudited)		-	-	-	(22)	(178)	-	(200)
Total comprehensive income for the period (unaudited)		**-**	**-**	**-**	**(22)**	**(178)**	**(209)**	**(409)**
Share-based compensation (unaudited)	13(b)	-	-	-	-	-	-	-
Balance at 30 June 2014 (unaudited)		**152**	**(1)**	**15,786**	**2,718**	**(4,696)**	**(7,818)**	**6,141**
Balance at 1 January 2013 (restated)		**152**	**(1)**	**15,787**	**2,747**	**(3,666)**	**(4,287)**	**10,732**
Loss for the period (unaudited)		-	-	-	-	-	(439)	(439)
Other comprehensive income for the period (unaudited)		-	-	-	(5)	(772)	-	(777)
Total comprehensive income for the period (unaudited)		**-**	**-**	**-**	**(5)**	**(772)**	**(439)**	**(1,216)**
Share-based compensation (unaudited)	13(b)	-	-	1	-	-	-	1
Balance at 30 June 2013 (unaudited)		**152**	**(1)**	**15,788**	**2,742**	**(4,438)**	**(4,726)**	**9,517**

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 40.

	Six months ended 30 June	
	2014 (unaudited)	**2013** (unaudited)
	USD million	**USD million**
OPERATING ACTIVITIES		
Loss for the period	**(209)**	**(439)**
Adjustments for:		
Depreciation	225	258
Amortisation	7	7
Impairment of non-current assets	56	81
Change in fair value of derivative financial instruments	124	(6)
Impairment of trade and other receivables	5	18
Impairment of inventories	2	14
Debtors write-off	(9)	-
Provision for legal claims	-	1
Pension provision	2	-
Disposal of non-current assets available for sale	-	234
Loss on disposal of property, plant and equipment	6	7
Share-based compensation	-	1
Foreign exchange loss/(gain)	82	(61)
Interest expense	396	406
Interest income	(12)	(8)
Income tax expense	59	55
Share of profits of associates	(361)	(92)
Share of profits of joint ventures	(15)	(31)
Cash from operating activities before changes in working capital and provisions	**358**	**445**
Decrease in inventories	127	125
(Increase)/decrease in trade and other receivables	(30)	18
Decrease in prepaid expenses and other assets	4	4
Decrease in trade and other payables	(220)	(272)
Decrease in provisions	(9)	(21)
Cash generated from operations	**230**	**299**
Income taxes paid	(47)	(43)
Net cash generated from operating activities	**183**	**256**

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 40.

	Six months ended 30 June	
	2014 (unaudited)	**2013** (unaudited)
	USD million	**USD million**
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	16	6
Interest received	11	4
Acquisition of property, plant and equipment	(230)	(217)
Acquisition of intangible assets	(7)	(6)
Proceeds from disposal of non-current assets available for sale	-	620
Dividends from associates	5	519
Dividends from joint ventures	20	25
Changes in restricted cash	(138)	1
Net cash (used in)/generated from investing activities	**(323)**	**952**
FINANCING ACTIVITIES		
Proceeds from borrowings	1,177	946
Repayment of borrowings	(969)	(1,740)
Restructuring fees and other expenses	(21)	(16)
Interest paid	(366)	(312)
Settlement of derivative financial instruments	(153)	(5)
Net cash used in financing activities	**(332)**	**(1,127)**
Net (decrease)/increase in cash and cash equivalents	**(472)**	**81**
Cash and cash equivalents at 1 January	701	490
Effect of exchange rate fluctuations on cash and cash equivalents	(5)	(19)
Cash and cash equivalents at the end of the period	**224**	**552**

Restricted cash amounted to USD153 million and USD15 million at 30 June 2014 and 31 December 2013, respectively.

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 40.

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 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 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.

Shareholding structure of the Company as at 30 June 2014 and 31 December 2013 was as follows:

	30 June 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	0.01%	0.00%*
Publicly held	10.03%	10.04%
Total	**100%**	**100%**

* As at 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. Victor 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

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 this consolidated interim condensed financial information, 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*

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 profit 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 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.

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 2014

	Aluminium	**Alumina**	**Energy**	**Mining and Metals**	**Total**
	USD million	**USD million**	**USD million**	**USD million**	**USD million**
Revenue from external customers	1,888	133	1	-	**2,022**
Inter-segment revenue	41	297	-	-	**338**
Total segment revenue	**1,929**	**430**	**1**	**-**	**2,360**
Segment profit/(loss)	**227**	**(53)**	**-**	**-**	**174**
Impairment of non-current assets	(2)	(27)	-	-	**(29)**
Share of (losses)/profits of associates	-	(3)	-	294	**291**
Share of profits of joint ventures	1	-	2	-	**3**
Depreciation/amortisation	(93)	(21)	-	-	**(114)**
Non-cash income	6	15	-	-	**21**
Additions to non-current segment assets during the period	65	49	3	-	**117**
Non-cash movements in non-current segment assets related to site restoration	**-**	8	**-**	**-**	**8**

Three months ended 30 June 2013

	Aluminium	Alumina	Energy	Mining and Metals	Total
	USD million	USD million	USD million	USD million	USD million
Revenue from external customers	2,160	105	2	-	**2,267**
Inter-segment revenue	43	377	-	-	**420**
Total segment revenue	**2,203**	**482**	**2**	**-**	**2,687**
Segment profit/(loss)	**135**	**(85)**	**-**	**-**	**50**
Impairment of non-current assets	(6)	(28)	-	-	**(34)**
Share of (losses)/profits of associates	-	(8)	-	11	**3**
Share of profits of joint ventures	-	-	6	-	**6**
Depreciation/amortisation	(106)	(22)	-	-	**(128)**
Non-cash income/(expense) other than depreciation	2	(21)	-	-	**(19)**
Additions to non-current segment assets during the period	69	39	2	-	**110**
Non-cash movements in non-current segment assets related to site restoration	**-**	(4)	**-**	**-**	**(4)**

Six months ended 30 June 2014

	Aluminium	Alumina	Energy	Mining and Metals	Total
	USD million	USD million	USD million	USD million	USD million
Revenue from external customers	3,632	288	2	-	**3,922**
Inter-segment revenue	81	687	-	-	**768**
Total segment revenue	**3,713**	**975**	**2**	**-**	**4,690**
Segment profit/(loss)	**371**	**(103)**	**-**	**-**	**268**
Impairment of non-current assets	(9)	(47)	-	-	**(56)**
Share of (losses)/profits of associates	-	(10)	-	371	**361**
Share of profits of joint ventures	1	-	14	-	**15**
Depreciation/amortisation	(185)	(42)	-	-	**(227)**
Non-cash income	3	1	-	-	**4**
Additions to non-current segment assets during the period	126	103	4	-	**233**
Non-cash movements in non-current segment assets related to site restoration	-	13	-	-	**13**

Six months ended 30 June 2013

	Aluminium	Alumina	Energy	Mining and Metals	Total
	USD million	USD million	USD million	USD million	USD million
Revenue from external customers	4,452	255	3	-	**4,710**
Inter-segment revenue	75	742	-	-	**817**
Total segment revenue	**4,527**	**997**	**3**	**-**	**5,527**
Segment profit/(loss)	**365**	**(127)**	**-**	**-**	**238**
Impairment of non-current assets	(29)	(52)	-	-	**(81)**
Share of (losses)/profits of associates	-	(18)	-	110	**92**
Share of profits of joint ventures	-	-	31	-	**31**
Depreciation/amortisation	(209)	(51)	-	-	**(260)**
Non-cash expense other than depreciation	(3)	(30)	-	-	**(33)**
Additions to non-current segment assets during the period	141	71	4	-	**216**
Non-cash movements in non-current segment assets related to site restoration	-	5	-	-	**5**

At 30 June 2014

	Aluminium	Alumina	Energy	Mining and Metals	Total
	USD million	USD million	USD million	USD million	USD million
Segment assets	9,470	1,807	32	-	**11,309**
Interests in associates	-	380	-	7,641	**8,021**
Interests in joint ventures	21	-	524	-	**545**
Total assets					**19,875**
Segment liabilities	(1,492)	(1,058)	(111)	-	**(2,661)**
Total liabilities					**(2,661)**

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 30 June		Six months ended 30 June	
	2014	**2013**	**2014**	**2013**
	USD million	**USD million**	**USD million**	**USD million**
Revenue				
Reportable segment revenue	2,360	2,687	4,690	5,527
Elimination of inter-segment revenue	(338)	(420)	(768)	(817)
Unallocated revenue	239	254	462	493
Consolidated revenue	**2,261**	**2,521**	**4,384**	**5,203**

	Three months ended 30 June		**Six months ended 30 June**	
	2014	**2013**	**2014**	**2013**
	USD million	**USD million**	**USD million**	**USD million**
Profit				
Reportable segment profit	174	50	268	238
Impairment of non-current assets	(29)	(34)	(56)	(81)
Share of profits of associates	291	3	361	92
Share of profits of joint ventures	3	6	15	31
Loss on disposal of non-current assets available for sale	-	(234)	-	(234)
Finance income	16	24	12	66
Finance expenses	(224)	(209)	(637)	(406)
Unallocated expense	(76)	(13)	(113)	(90)
Consolidated profit/(loss) before taxation	**155**	**(407)**	**(150)**	**(384)**

	30 June	**31 December**
	2014	**2013 (restated)**
	USD million	**USD million**
Assets		
Reportable segment assets	19,875	20,277
Elimination of inter-segment receivables	(412)	(336)
Unallocated assets	532	539
Consolidated total assets	**19,995**	**20,480**
Liabilities		
Reportable segment liabilities	(2,661)	(2,703)
Elimination of inter-segment payables	412	336
Unallocated liabilities	(11,605)	(11,563)
Consolidated total liabilities	**(13,854)**	**(13,930)**

6 Revenue

	Three months ended 30 June		Six months ended 30 June	
	2014	**2013**	**2014**	**2013**
	USD million	**USD million**	**USD million**	**USD million**
Sales of primary aluminium and alloys	**1,888**	**2,160**	**3,632**	**4,452**
Third parties	*1,144*	*1,188*	*2,184*	*2,345*
Related parties – companies capable of exerting significant influence	*676*	*909*	*1,322*	*1,985*
Related parties – companies under common control	*55*	*63*	*98*	*122*
Related parties - associates	*13*	*-*	*28*	*-*
Sales of alumina and bauxite	**133**	**105**	**288**	**255**
Third parties	*75*	*68*	*182*	*171*
Related parties – companies capable of exerting significant influence	*58*	*37*	*106*	*84*
Sales of foil	**78**	**77**	**149**	**155**
Third parties	*76*	*75*	*145*	*152*
Related parties – companies under common control	*2*	*2*	*4*	*3*
Other revenue including energy and transportation services	**162**	**179**	**315**	**341**
Third parties	*140*	*135*	*264*	*265*
Related parties – companies capable of exerting significant influence	*7*	*2*	*17*	*5*
Related parties – companies under common control	*9*	*9*	*14*	*15*
Related parties – associates	*6*	*33*	*20*	*56*
	2,261	**2,521**	**4,384**	**5,203**

7 Finance income and expenses

	Three months ended 30 June		Six months ended 30 June	
	2014	**2013**	**2014**	**2013**
	USD million	**USD million**	**USD million**	**USD million**
Finance income				
Interest income on third party loans and deposits	7	1	11	3
Interest income on company loans to related parties – *companies under common control*	-	1	1	2
Foreign exchange gain	-	19	-	52
Change in fair value of derivative financial instruments	9	1	-	6
Interest income on provisions	-	2	-	3
	16	**24**	**12**	**66**
Finance expenses				
Interest expense on bank loans wholly repayable within five years and other bank charges	(188)	(194)	(382)	(385)
Interest expense on company loans from related parties	(7)	-	(7)	-
Foreign exchange loss	(26)	-	(117)	-
Change in fair value of derivative financial instruments	-	-	(124)	-
Interest expense on provisions	(3)	(15)	(7)	(21)
	(224)	**(209)**	**(637)**	**(406)**

8 Income tax

	Three months ended 30 June		Six months ended 30 June	
	2014	**2013**	**2014**	**2013**
	USD million	**USD million**	**USD million**	**USD million**
Current tax				
Current tax for the period	50	60	63	84
Deferred tax				
Origination and reversal of temporary differences	(11)	(9)	(4)	(29)
Actual tax expense	**39**	**51**	**59**	**55**

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 30 June 2013 – 19%); Guinea of 0%; China of 25%; Kazakhstan of 20%; Australia of 30.0%; 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 a 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 (30 June 2013: 9.33% and 14.88%). For the Group's significant trading companies, the applicable tax rate is 0%. The applicable tax rates for the period ended 30 June 2014 were the same as for the period ended 30 June 2013 and the year ended 31 December 2013 except as noted above.

9 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders for the three and six months ended 30 June 2014 and 30 June 2013.

Weighted average number of shares:

	Three months ended 30 June	
	2014	**2013**
Issued ordinary shares at beginning of the period	15,193,014,862	15,193,014,862
Effect of treasury shares	(4,542,410)	(1,363,354)
Weighted average number of shares at end of the period	**15,188,472,452**	**15,191,651,508**
Profit/(loss) for the period, USD million	**116**	**(458)**
Basic and diluted earnings/(loss) per share, USD	**0.0076**	**(0.0301)**

	Six months ended 30 June	
	2014	**2013**
Issued ordinary shares at beginning of the period	15,193,014,862	15,193,014,862
Effect of treasury shares	(4,421,773)	(1,100,610)
Weighted average number of shares at end of the period	**15,188,593,089**	**15,191,914,252**
Loss for the period, USD million	**(209)**	**(439)**
Basic and diluted loss per share, USD	**(0.0138)**	**(0.0289)**

There were no outstanding dilutive instruments during the six-month periods ended 30 June 2014 and 30 June 2013.

No dividends were declared and paid during the periods presented.

10 Interests in associates

	Three months ended 30 June	
	2014	**2013 (restated)**
	USD million	**USD million**
Balance at the beginning of the period	**7,496**	**9,553**
Group's share of profits	291	3
Dividends	(313)	(550)
Group's share of other comprehensive income	12	(17)
Foreign currency translation	538	(460)
Balance at the end of the period	**8,024**	**8,529**
Goodwill included in interests in associates	4,688	4,811

	Six months ended 30 June	
	2014	**2013 (restated)**
	USD million	**USD million**
Balance at the beginning of the period	**8,175**	**9,673**
Group's share of profits	361	92
Dividends	(313)	(550)
Group's share of other comprehensive income	1	(27)
Foreign currency translation	(200)	(659)
Balance at the end of the period	**8,024**	**8,529**
Goodwill included in interests in associates	4,688	4,811

Investment in Norilsk Nickel

The market value of the investment in Norilsk Nickel at 30 June 2014 is USD8,794 million (31 December 2013: USD7,261 million). 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 30 June	
	2014	**2013**
	USD million	**USD million**
Balance at the beginning of the period	**562**	**1,147**
Group’s share of profits	3	6
Dividends	(18)	(20)
Foreign currency translation	(2)	(36)
Balance at the end of the period	**545**	**1,097**

	Six months ended 30 June	
	2014	**2013**
	USD million	**USD million**
Balance at the beginning of the period	**585**	**1,156**
Group’s share of profits	15	31
Dividends	(20)	(37)
Foreign currency translation	(35)	(53)
Balance at the end of the period	**545**	**1,097**

12 Trade and other receivables

	30 June 2014	31 December 2013
	USD million	USD million
Trade receivables from third parties	210	180
Impairment loss on trade receivables	(39)	(45)
Net trade receivables from third parties	**171**	**135**
Trade receivables from related parties, including:	**72**	**44**
Companies capable of exerting significant influence	*60*	*34*
Impairment loss	*(8)*	*(8)*
Net trade receivables from companies capable of exerting significant influence	*52*	*26*
Companies under common control	*13*	*5*
Associates	*7*	*13*
VAT recoverable	320	351
Impairment loss on VAT recoverable	(31)	(35)
Net VAT recoverable	**289**	**316**
Advances paid to third parties	117	134
Impairment loss on advances paid	(3)	(3)
Net advances paid to third parties	**114**	**131**
Advances paid to related parties, including:	**75**	**68**
Related parties - companies under common control	*2*	*2*
Related parties - associates	*73*	*66*
Prepaid expenses	**34**	**20**
Prepaid income tax	**10**	**7**
Prepaid other taxes	**18**	**19**
Other receivables from third parties	68	82
Impairment loss on other receivables	(21)	(25)
Net other receivables from third parties	**47**	**57**
Other receivables from related parties, including:	**8**	**20**
Related parties - companies under common control	*8*	*8*
Related parties - associates	-	*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

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 2014 USD million	31 December 2013 USD million
Current	219	135
Past due 0-90 days	20	37
Past due 91-365 days	3	5
Past due over 365 days	1	2
Amounts past due	24	44
	243	**179**

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 30 June 2014 USD million	Three months ended 30 June 2013 USD million
Balance at the beginning of the period	(46)	(50)
(Impairment)/reversal of impairment	(1)	5
Balance at the end of the period	**(47)**	**(45)**

	Six months ended 30 June	**Six months ended 30 June**
	2014	**2013**
	USD million	**USD million**
Balance at the beginning of the period	(53)	(42)
Impairment	(7)	(3)
Uncollectible amount written off	13	-
Balance at the end of the period	**(47)**	**(45)**

As at 30 June 2014 and 31 December 2013, the Group's trade receivables of USD47 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

	Six months ended 30 June 2014		**Six months ended 30 June 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**

The details of movements in the Group's share capital are disclosed in the Group's consolidated financial statements as of and for the year ended 31 December 2013.

(b) Share-based compensation

As at 30 June 2014 and 31 December 2013 the Group held 6,050,682 and 4,299,796 of its own shares, respectively, which were acquired on the open market under the long-term incentive plans of the Company ("Shares held for vesting"). During the six months ended 30 June 2014 trustee acquired on the open market 1,750,886 shares (2013: 1,391,000 shares). For the six-month periods ended 30 June 2014 and 30 June 2013, the Group recognized an additional employee expense of USD1 million and USD1 million in relation to the long-term incentive plans of the Company , respectively.

(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 credit facility 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.

	30 June 2014	**31 December 2013**
	USD million	**USD million**
Non-current liabilities		
Secured loans from related parties	274	-
Secured bank loans	-	8,691
	274	**8,691**
Current liabilities		
Secured bank loans	9,733	995
Unsecured bank loans	144	183
Secured loans from related parties	126	-
Accrued interest	29	56
	10,032	**1,234**

The Group's bank loans are secured by pledges of shares of the Group's subsidiaries and by a pledge of 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 six month period ended 30 June 2014 an additional 100% shares of Limerick Alumina Refining Limited and 75% shares of Aughunish Alumina Limited were pledged as collateral under the agreement with Glencore AG.

The secured bank loans are also secured by the following:

- property, plant and equipment, inventory, receivables with a carrying amount of USD520 million (31 December 2013: nil);
- inventory with carrying value of USD33 million (31 December 2013: USD16 million);
- deposit in amount USD94 million (31 December 2013: nil)

As at 30 June 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 USD10,398 million at 30 June 2014 (31 December 2013: USD10,018 million).

On 9 January 2014 the Group made a 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 by RUB2.4 billion ("Additional Limit") from RUB18.3 billion to RUB20.7 billion in connection with the Group's 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 for the supply of alumina from one of the Group's subsidiaries to Glencore AG in 2014-2016. Interest of 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 its 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 up to 31 December 2016 in accordance with an agreed amortization schedule commencing on or about 30 September 2014.

In February 2014 the Group entered into a new credit facility of RUB2 billion (USD56 million) with Moscow Credit Bank with a maturity of 1 year and an interest rate of 10.4% p.a.

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 USD8,547 million have been reclassified from non-current to current as the Group was in breach of financial covenants under its PXF facility agreements triggering cross default of the Group's other material financing arrangements.

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 included a proposed refinancing of its debt portfolio including the 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"), the up to USD400 million multicurrency aluminium pre-export finance facility agreement dated 30 January 2013 (the "2013 PXF Facility Agreement") (together, the "PXF Facility Agreements") and bilateral facilities with VTB Capital, Gazprombank, and Sberbank.

To address these issues, the Company proposed to its lenders a refinancing of its debt portfolio. Such refinancing consisted of a merger of the PXF Facility Agreements on amended terms, including revised amortization schedules introducing a two-year grace period, a deferral of the final maturity dates and a reset of the financial covenants (the “PXF Amendments”). Similar arrangements were proposed for the bilateral facilities with VTB Capital, Gazprombank, and Sberbank.

The bilateral facilities entered into by the Group with VTB Capital, Sberbank and Gazprombank have now been refinanced to extend their maturity dates in line with the proposed PXF Amendments.

Given the nature of the PXF Amendments, their implementation required the unanimous consent of all lenders under PXF Facility Agreements. The Company initially envisaged receiving those consents, and for the PXF Amendments to take effect, by the end of March 2014. However, negotiations were drawn out due to the fact that a limited number of lenders under the PXF Facility Agreements did not grant their consent by the initially proposed deadline.

In order to provide the Company with more time to negotiate the proposed PXF Amendments and to obtain the necessary consents, on 1 April 2014 the Company and the lenders under the PXF Facility Agreements entered into a forbearance request letter (the “Forbearance Request Letter”) where the lenders agreed to forbear the exercise of their rights arising from the occurrence of certain defaults. The Forbearance Request Letter became effective on 8 April 2014 and was originally intended to be in force for 3 months, until 7 July 2014.

In June 2014 the Company requested the lenders under the PXF Facility Agreements to enter into a lock-up agreement (the “Lock-Up Agreement”) extending the effect of the forbearances and waivers granted under the Forbearance Request Letter and also confirming the support of the lenders for the pursuit of schemes of arrangement in England and Jersey (the ‘Schemes“). The Schemes are court-led processes which allow the Company to implement the PXF Amendments without the required 100% lender consent, provided they have the support of at least 75 percent by value and a majority in number of the relevant classes of the lenders.

The Lock-Up Agreement became effective on 1 July 2014 and the Forbearance Request Letter was terminated accordingly. The new forbearance period started on the effective date of the Lock-Up Agreement and was scheduled to end on 31 October 2014.

The Company applied to the courts in England and in Jersey to pursue the Schemes. Hearings on 10 July 2014 at the High Court of Justice of England and Wales and on 15 July 2014 at the Royal Court of Jersey authorized the convening of a meeting of the lenders under PXF Facility Agreements to vote on the Schemes. This meeting was scheduled to occur on 8 September 2014.

In August 2014, prior to the scheduled meeting of the lenders, the Company subsequently obtained 100% credit approvals from all its lenders for the proposed amendments to the USD4.75 billion and USD400 million PXF facilities (please refer to note 21).

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 which 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 30 June 2014 was RUB951and RUB923.6 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 31 March 2014	**103**	**472**	**14**	**68**	**100**	**757**
Provisions made during the period	2	9	-	-	-	11
Provisions reversed during the period	-	-	(2)	-	-	(2)
Actuarial gain	(5)	-	-	-	-	(5)
Provisions utilised during the period	(2)	(2)	-	-	-	(4)
Foreign currency translation	3	7	-	-	-	10
Balance at 30 June 2014	**101**	**486**	**12**	**68**	**100**	**767**
Non-current	*91*	*471*	-	*39*	*71*	*672*
Current	*10*	*15*	*12*	*29*	*29*	*95*
Balance at 31 March 2013	**148**	**495**	**23**	**3**	**-**	**669**
Provisions made during the period	16	-	11	-	-	27
Provisions reversed during the period	-	(6)	(10)	-	-	(16)
Actuarial loss	11	-	-	-	-	11
Provisions utilised during the period	(4)	(3)	-	-	-	(7)
Foreign currency translation	(7)	(5)	-	-	-	(12)
Balance at 30 June 2013	**164**	**481**	**24**	**3**	**-**	**672**
Non-current	*149*	*473*	-	-	-	*622*
Current	*15*	*8*	*24*	*3*	-	*50*

	Pension liabilities	**Site restoratio n**	**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	6	16	2	-	-	24
Provisions reversed during the period	-	-	(2)	-	-	(2)
Actuarial loss	(5)	-	-	-	-	(5)
Provisions utilised during the period	(6)	(3)	-	-	-	(9)
Foreign currency translation	(10)	(18)	-	-	-	(28)
Balance at 30 June 2014	**101**	**486**	**12**	**68**	**100**	**767**
Non-current	*91*	*471*	-	*39*	*71*	*672*
Current	*10*	*15*	*12*	*29*	29	95
Balance at 1 January 2013	**151**	**494**	**23**	**13**	**-**	**681**
Provisions made during the period	20	5	11	-	-	36
Provisions reversed during the period	-	-	(10)	-	-	(10)
Actuarial loss	11	-	-	-	-	11
Provisions utilised during the period	(8)	(3)	-	(10)	-	(21)
Foreign currency translation	(10)	(15)	-	-	-	(25)
Balance at 30 June 2013	**164**	**481**	**24**	**3**	**-**	**672**
Non-current	*149*	*473*	-	-	-	*622*
Current	*15*	*8*	*24*	*3*	-	50

17 Derivative financial assets and liabilities

	30 June 2014		31 December 2013	
	USD million		USD million	
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
Cross-currency swaps	-	174	-	198
Petroleum coke supply contracts and other raw materials	14	17	22	22
Interest rate swaps	-	73	-	81
Aluminium forward contracts for aluminium and other instruments	-	-	-	9
Put option on loan	-	43	-	-
Total	**14**	**307**	**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 30 June 2014 the Group's exposure under this option was USD43 million.

The secured cross-currency swaps are secured by pledges of 11% shares in OJSC SUAL and USD261 million of the Group's property, plant and equipment.

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 30 June 2014. The following significant assumptions were used in estimating derivative instruments:

	2014	2015	2016
LME Al Cash, USD per tonne	1,892	1,946	2,009
Platt's FOB Brent, USD per barrel	111	107	103
Forward exchange rate, RUB to USD	34.92	36.82	39.43
Forward 1Y LIBOR, %	0.64	0.65	1.02

The fair value of VTB Capital loan option is estimated using Black-Scholes model. As at 30 June 2014 the following assumptions were used:

Conversion rate, RUB to USD	32.83
Spot price, RUB to USD	33.98
Volatility, %	11.2
Risk free rate for RUB, %	8.2
Risk free rate for USD, %	0.31

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

	Three months ended 30 June	
	2014	**2013**
	USD million	**USD million**
Balance at the beginning of the period	(319)	(225)
Unrealised changes in fair value recognised in other comprehensive income during the period	42	(47)
Unrealised changes in fair value recognised in statement of income (finance income) during the period	9	1
Realised portion of electricity, coke and raw material contracts	(25)	17
Balance at the end of the period	**(293)**	**(254)**

	Six months ended 30 June	
	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	(51)	(79)
Unrealised changes in fair value recognised in statement of income (finance (expense)/ income) during the period	(124)	6
Realised portion of electricity, coke and raw material contracts	170	30
Balance at the end of the period	**(293)**	**(254)**

18 Trade and other payables

	30 June 2014	31 December 2013
	USD million	USD million
Accounts payable to third parties	**563**	**623**
Accounts payable to related parties, including:	**90**	**112**
Companies capable of exerting significant influence	*24*	*37*
Companies under common control	*65*	*74*
Associates	*1*	*1*
Advances received from third parties	**204**	**300**
Advances received from related parties, including:	**132**	**164**
Companies capable of exerting significant influence	*131*	*161*
Companies under common control	*-*	*2*
Associates	*1*	*1*
Other payables and accrued liabilities third parties	**147**	**152**
Other payable and accrued liabilities related parties, including:	**14**	**15**
Companies capable of exerting significant influence	*8*	*9*
Associates	*6*	*6*
Other taxes payable	**103**	**104**
Non-trade payables to third parties	**2**	**2**
	1,255	**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.

	30 June 2014	31 December 2013
	USD million	USD million
Due within twelve months or on demand	653	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 USD1,939 million by the end of 2015 (31 December 2013: USD1,989 million). As at 30 June 2014, the outstanding commitment of the Group for construction of the aluminium plant was approximately USD214 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 30 June 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 30 June 2014 is USD313 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 this consolidated interim condensed financial information.

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 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 an 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 30 June 2014 the amount of claims, where management assesses outflow as possible approximates USD150 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. 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 30 June		**Six months ended 30 June**	
	2014	**2013**	**2014**	**2013**
	USD million	**USD million**	**USD million**	**USD million**
Salaries and bonuses	15	18	28	30
Share-based compensation	1	-	1	1
	16	**18**	**29**	**31**

(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 or 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, trade receivables 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 30 June		**Six months ended 30 June**	
	2014	**2013**	**2014**	**2013**
	USD million	**USD million**	**USD million**	**USD million**
Purchases of alumina, bauxite and other raw materials – companies under common control	25	25	49	52
Purchases of alumina, bauxite and other raw materials – companies capable of exerting significant influence	41	93	95	173
Energy costs – companies under common control	136	168	266	338
Energy costs – companies capable of exerting significant influence	10	33	22	73
Energy costs – associates	1	2	1	3
Other costs – companies under common control	5	5	8	9
Other costs – associates	38	42	75	81
Distribution expense – companies under common control	-	2	1	3
	256	**370**	**517**	**732**

As at 30 June 2014, included in non-current assets and non-current liabilities are balances of USD35 million and USD77 million, respectively, of companies which are due from and due to related parties (31 December 2013: USD34 million and USD106 million, respectively).

(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

In August 2014 the Company obtained approval from 100% of its lenders for the proposed amendments to the USD4.75 billion and USD400 million PXF facilities.

The PXF Amendments and all related documentation were executed by the parties thereto on 18 August 2014. The Amendment Agreement became effective on 20 August 2014. On the same date the Lock-Up Agreement was terminated and accordingly the Company discontinued the Schemes of Arrangement which it had brought before the English and Jersey courts.

Pursuant to the terms of the PXF Amendments the facility is comprised of:

- Tranche A amounting to USD2.56 billion is to be repaid in equal quarterly instalments starting from the 12 January 2016 and with a final maturity in December 2018.

Loans under tranche A bear interest at the rate of 3-month LIBOR plus margin (cash + PIK) based on Total Net Debt/EBIDTA ratio which is revised quarterly. Interest will be paid quarterly.

Leverage Ratio Cash Margin

Greater than 4.5:1	4.50 per cent. per annum
Greater than 4:1 but less than or equal to 4.5:1	4.25 per cent. per annum
Greater than 3.5:1 but less than or equal to 4:1	4.00 per cent. per annum
Greater than 3:1 but less than or equal to 3.5:1	3.60 per cent. per annum
Less than or equal to 3:1	2.80 per cent. per annum

Leverage Ratio PIK Margin

Greater than 5:1	1.25 per cent. per annum
Greater than 4.5:1 but less than or equal to 5:1	0.80 per cent. per annum
Greater than 4:1 but less than or equal to 4.5:1	0.50 per cent. per annum
Greater than 3.5:1 but less than or equal to 4:1	0.25 per cent. per annum
Less than or equal to 3.5:1	0 per cent. per annum

- A second tranche which is comprised of the refinanced tranche B under the 2011 PXF Facility Agreement amounting to USD1 billion which is to be repaid in quarterly instalments commencing from 30 January 2017 with a final maturity date in December 2020. The first 8 installments will be in the amount of USD31.25 million and the next 8 installments will be in the amount of USD93.75 million. Loans under the second tranche bear interest at a rate of 3-month LIBOR plus 5.65% per annum plus a PIK Margin determined in line with Tranche A and will be paid quarterly.

The relevant amendments to Sberbank credit facilities in line with the PXF Amendements were executed on 25 August 2014.

22 Assesment of previously issued financial information

The Group has previously issued interim condensed financial information as at and for the three- and six-month periods ended 30 June 2014 dated 26 August 2014. At that date the Group was unable to obtain consolidated IFRS interim financial information of the Group’s significant equity investee, OJSC MMC Norilsk Nickel, as at and for three- and six-month periods ended 30 June 2014. Consequently management estimated the Group’s share in the profits and comprehensive income of this investee for three- and six-month periods ended 30 June 2014 based on information that was publicly available at that time. On 28 August 2014 OJSC MMC Norilsk Nickel published its unaudited financial information prepared in accordance with IFRS as at and for the six-month period ended 30 June 2014. Management has used this information to reassess the Group’s share in the profits and other comprehensive income of the investee and compare these amounts to their previous estimates. As a result of this comparison, management has concluded that the Group’s share of profits, foreign currency translation gains ans losses, and other comprehensive income of associates for the three- and six-month periods ended 30 June 2014 as well as the carrying amount of the Group’s interest in associates as at 30 June 2014 reported in the Group’s interim condensed financial information issued on 26 August 2014 do not require restatement.