RUSAL

United Company RUSAL Plc

Consolidated Interim Condensed Financial Information
for the three months ended
31 March 2017

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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 31 March 2017, and the related consolidated interim condensed statements of income and comprehensive income, changes in equity and cash flows for the three-month period ended 31 March 2017, 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, PJSC MMC Norilsk Nickel ("Norilsk Nickel"), supporting the Group's estimate of the share of profit, other comprehensive income and foreign currency translation gain of USD177 million, USD nil million and USD250 million, respectively, for the three-month period ended 31 March 2017 and the carrying value of the Group's investment in the investee stated at USD4,019 million as at 31 March 2017. 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 2017 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*.

КПМГ
KPMG

Yerkozha Akylbek

For and on behalf of JSC "KPMG"

Recognised Auditors

11 May 2017

		Three months ended 31 March	
		2017 (unaudited)	2016 (unaudited)
	Note	USD million	USD million
Revenue	5	2,297	1,914
Cost of sales	6(a)	(1,688)	(1,546)
Gross profit		**609**	**368**
Distribution expenses	6(b)	(96)	(77)
Administrative expenses	6(b)	(145)	(114)
Impairment of non-current assets	6(b)	(17)	(19)
Net other operating (expenses)/income	6(b)	(8)	12
Results from operating activities		**343**	**170**
Finance income	7	30	7
Finance expenses	7	(419)	(203)
Share of profits of associates and joint ventures	10	218	182
Profit before taxation		**172**	**156**
Income tax	8	15	(30)
Profit for the period		**187**	**126**
Attributable to Shareholders of the Company		187	126
Profit for the period		**187**	**126**
Earnings per share			
Basic and diluted earnings per share (USD)	9	**0.0123**	**0.0083**
Adjusted EBITDA	6(c)	475	312

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 32.

		Three months ended 31 March	
		2017 (unaudited)	**2016 (unaudited)**
		USD million	**USD million**
Profit for the period		**187**	**126**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Change in fair value of cash flow hedges		-	3
Foreign currency translation differences for equity-accounted investees	10	292	274
Foreign currency translation differences on foreign operations		61	49
		353	**326**
Other comprehensive income for the period, net of tax		**353**	**326**
Total comprehensive income for the period		**540**	**452**
Attributable to:			
Shareholders of the Company		540	452
Total comprehensive income for the period		**540**	**452**

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

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 32.

	Note	31 March 2017 (unaudited) USD million	31 December 2016 USD million
ASSETS			
Non-current assets			
Property, plant and equipment		4,043	4,065
Intangible assets		2,563	2,470
Interests in associates and joint ventures	10	4,657	4,147
Deferred tax assets		77	51
Derivative financial assets	15	40	51
Other non-current assets		50	52
Total non-current assets		**11,430**	**10,836**
Current assets			
Inventories		2,069	1,926
Trade and other receivables	11(a)	937	819
Dividends receivable		2	311
Derivative financial assets	15	16	16
Cash and cash equivalents		397	544
Total current assets		**3,421**	**3,616**
Total assets		**14,851**	**14,452**

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 32.

	Note	31 March 2017 (unaudited) USD million	31 December 2016 USD million
EQUITY AND LIABILITIES			
Equity	12		
Share capital		152	152
Share premium		15,786	15,786
Other reserves		2,882	2,882
Currency translation reserve		(8,705)	(9,058)
Accumulated losses		(6,276)	(6,463)
Total equity		**3,839**	**3,299**
Non-current liabilities			
Loans and borrowings	13	7,872	7,532
Provisions	14	410	423
Deferred tax liabilities		555	585
Derivative financial liabilities	15	40	3
Other non-current liabilities		54	51
Total non-current liabilities		**8,931**	**8,594**
Current liabilities			
Loans and borrowings	13	746	1,433
Trade and other payables	11(b)	1,201	1,054
Derivative financial liabilities	15	90	32
Provisions	14	44	40
Total current liabilities		**2,081**	**2,559**
Total liabilities		**11,012**	**11,153**
Total equity and liabilities		**14,851**	**14,452**
Net current assets		**1,340**	**1,057**
Total assets less current liabilities		**12,770**	**11,893**

Approved and authorised for issue by the Board of Directors on 11 May 2017.

Vladislav A. Soloviev
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 32.

	Share capital	Share premium	Other reserves	Currency translation reserve	Accumulated losses	Total equity
	USD million	USD million	USD million	USD million	USD million	USD million
Balance at 1 January 2017	**152**	**15,786**	**2,882**	**(9,058)**	**(6,463)**	**3,299**
Profit for the period (unaudited)	-	-	-	-	187	187
Other comprehensive income for the period (unaudited)	-	-	-	353	-	353
Total comprehensive income for the period (unaudited)	**-**	**-**	**-**	**353**	**187**	**540**
Balance at 31 March 2017 (unaudited)	**152**	**15,786**	**2,882**	**(8,705)**	**(6,276)**	**3,839**
Balance at 1 January 2016	**152**	**15,786**	**2,823**	**(9,978)**	**(7,392)**	**1,391**
Profit for the period (unaudited)	-	-	-	-	126	126
Other comprehensive income for the period (unaudited)	-	-	3	323	-	326
Total comprehensive income for the period (unaudited)	**-**	**-**	**3**	**323**	**126**	**452**
Balance at 31 March 2016 (unaudited)	**152**	**15,786**	**2,826**	**(9,655)**	**(7,266)**	**1,843**

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 32.

	Note	Three months ended 31 March 2017 (unaudited) USD million	2016 (unaudited) USD million
OPERATING ACTIVITIES			
Profit for the period		**187**	**126**
Adjustments for:			
Depreciation	6	111	117
Amortisation	6	3	3
Impairment of non-current assets	6(b)	17	19
Reversal of impairment of trade and other receivables	6(b)	-	(7)
Reversal of impairment of inventories		-	(2)
Reversal of provision for legal claims	6(b)	-	(1)
Pension provision		1	1
Change in fair value of derivative financial instruments	7	242	6
Net foreign exchange (gain)/loss	7	(27)	50
Loss on disposal of property, plant and equipment	6(b)	1	3
Interest expense	7	177	147
Interest income	7	(3)	(7)
Income tax (benefit)/expense	8	(15)	30
Share of profits of associates and joint ventures	10	(218)	(182)
Cash from operating activities before changes in working capital and provisions		**476**	**303**
(Increase)/decrease in inventories		(122)	120
(Increase)/decrease in trade and other receivables		(85)	25
Increase in prepaid expenses and other assets		(3)	(2)
Decrease in trade and other payables		(23)	(99)
Decrease in provisions		(4)	(6)
Cash generated from operations before income tax paid		**239**	**341**
Income taxes paid		(24)	(21)
Net cash generated from operating activities		**215**	**320**

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 32.

	Three months ended 31 March	
	2017 (unaudited)	2016 (unaudited)
	USD million	USD million
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	5	2
Interest received	2	7
Acquisition of property, plant and equipment	(124)	(82)
Dividends from associates and joint ventures	315	171
Loans given to joint ventures	-	(2)
Acquisition of intangible assets	(5)	(2)
Changes in restricted cash	(1)	(3)
Net cash generated from investing activities	**192**	**91**
FINANCING ACTIVITIES		
Proceeds from borrowings	1,265	279
Repayment of borrowings	(1,583)	(308)
Refinancing fees and other expenses	(8)	-
Interest paid	(132)	(97)
Settlement of derivative financial instruments	(97)	(16)
Net cash used in financing activities	**(555)**	**(142)**
Net (decrease)/increase in cash and cash equivalents	**(148)**	**269**
Cash and cash equivalents at the beginning of the period	531	494
Effect of exchange rate fluctuations on cash and cash equivalents	-	2
Cash and cash equivalents at the end of the period	**383**	**765**

Restricted cash amounted to USD14 million and USD13 million at 31 March 2017 and 31 December 2016, 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 32.

1 Background

(a) Organisation

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

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

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

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

The shareholding structure of the Company as at 31 March 2017 and 31 December 2016 was as follows:

	31 March 2017	**31 December 2016**
En+ Group Limited ("En+")	48.13%	48.13%
SUAL Partners Limited ("SUAL Partners")	15.80%	15.80%
Onexim Holdings Limited ("Onexim")	13.70%	17.02%
Amokenga Holdings Limited ("Amokenga Holdings")	8.75%	8.75%
Held by Directors	0.25%	0.25%
Publicly held	13.37%	10.05%
Total	**100%**	**100%**

Ultimate beneficiary of En+ is Mr. Oleg Deripaska. Ultimate beneficiary of Onexim is Mr. Mikhail Prokhorov. Major ultimate beneficiaries of SUAL Partners are Mr. Victor Vekselberg and Mr. Len Blavatnik. Amokenga Holdings is a wholly owned subsidiary of Glencore International Plc ("Glencore").

In February 2017 Onexim has disposed of 3.32% of its shares in the Company which resulted in decrease of its shareholding to 13.70% and increase of publicly held shareholding to 13.37%.

At 31 March 2017 and 31 December 2016, the directors consider the immediate parent of the Group to be En+, which is incorporated in Jersey with its registered office at 44 Esplanade, St Helier, Jersey, JE4 9WG, Channel Islands. En+ is controlled by Fidelitas International Investments Corp. (a company incorporated in Panama) through its wholly-owned subsidiary. Mr. Oleg V. Deripaska is the founder, the trustee and a principal beneficiary of a discretionary trust, which controls Fidelitas International Investments Corp. None of these entities produce financial statements available for public use.

Related party transactions are disclosed in note 17.

The consolidated financial statements of the Group as at and for the year ended 31 December 2016 are available at the Company's website www.rusal.com.

(b) Seasonality

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

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 2016.

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 IAS 7: *Disclosure Initiative*

Amendments to IFRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*

Annual Improvements to IFRSs, 2014-2016 cycle: Amendments to IFRS 12 *Disclosure of Interests in Other Entities*

None of these developments have had a material effect on how the Group's results and financial position for the current and the prior periods have been prepared and presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 2016. The adoption of other new standards and amendments did not have a significant impact on the Group.

4 Segment reporting

(a) Reportable segments

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

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

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

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

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

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

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

(b) Segment results, assets and liabilities

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

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

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

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

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

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

During three months ended 31 March 2017 the Group has revised its approach to segment allocation for management review and financial reporting purposes. The comparative information in respect of segment assets and liabilities as at 31 December 2016 has been revised accordingly.

(i) Reportable segments

Three months ended 31 March 2017

	Aluminium	Alumina	Energy	Mining and Metals	Total segment result
	USD million	USD million	USD million	USD million	USD million
Revenue from external customers	1,931	269	-	-	**2,200**
Inter-segment revenue	50	572	-	-	**622**
Total segment revenue	**1,981**	**841**	**-**	**-**	**2,822**
Segment profit	**316**	**128**	**-**	**-**	**444**
(Impairment)/reversal of impairment of non-current assets	(19)	7	-	-	**(12)**
Share of profits of associates and joint ventures	-	-	41	177	**218**
Depreciation/amortisation	(80)	(26)	-	-	**(106)**
Non-cash income other than depreciation	-	1	-	-	**1**
Additions to non-current segment assets during the period	57	45	-	-	**102**
Non-cash additions to non-current segment assets related to site restoration	2	-	-	-	**2**

Three months ended 31 March 2016

	Aluminium	Alumina	Energy	Mining and Metals	Total segment result
	USD million	USD million	USD million	USD million	USD million
Revenue from external customers	1,594	153	-	-	**1,747**
Inter-segment revenue	19	298	-	-	**317**
Total segment revenue	**1,613**	**451**	**-**	**-**	**2,064**
Segment profit	**230**	**(12)**	**-**	**-**	**218**
Impairment of non-current assets	(11)	(8)	-	-	**(19)**
Share of profits of associates and joint ventures	-	1	59	122	**182**
Depreciation/amortisation	(98)	(21)	-	-	**(119)**
Non-cash expense other than depreciation/amortization	7	3	-	-	**10**
Additions to non-current segment assets during the period	75	3	-	-	**78**
Non-cash additions to non-current segment assets related to site restoration	14	-	-	-	**14**

31 March 2017

	Aluminium	Alumina	Energy	Mining and Metals	Total segment result
	USD million	USD million	USD million	USD million	USD million
Segment assets	6,537	2,079	10	2	**8,628**
Interests in associates and joint ventures	-	-	633	4,019	**4,652**
Total segment assets					**13,280**
Segment liabilities	(588)	(609)	(10)	-	**(1,207)**
Total segment liabilities					**(1,207)**

31 December 2016

	Aluminium	Alumina	Energy	Mining and Metals	Total segment result
	USD million	USD million	USD million	USD million	USD million
Segment assets	6,321	2,002	13	306	**8,642**
Interests in associates and joint ventures	-	-	552	3,592	**4,144**
Total segment assets					**12,786**
Segment liabilities	(566)	(601)	(10)	-	**(1,177)**
Total segment liabilities					**(1,177)**

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

	Three months ended 31 March	
	2017	2016
	USD million	USD million
Revenue		
Reportable segment revenue	2,822	2,064
Elimination of inter-segment revenue	(622)	(317)
Unallocated revenue	97	167
Consolidated revenue	**2,297**	**1,914**

	Three months ended 31 March	
	2017	**2016**
	USD million	**USD million**
Profit		
Reportable segment profit	444	218
Impairment of non-current assets	(17)	(19)
Share of profits of associates and joint ventures	218	182
Finance income	30	7
Finance expenses	(419)	(203)
Unallocated expenses	(84)	(29)
Consolidated profit before taxation	**172**	**156**

	31 March 2017	**31 December 2016**
	USD million	**USD million**
Assets		
Reportable segment assets	13,280	12,786
Unallocated assets	1,571	1,666
Consolidated total assets	**14,851**	**14,452**

	31 March 2017	**31 December 2016**
	USD million	**USD million**
Liabilities		
Reportable segment liabilities	(1,207)	(1,177)
Unallocated liabilities	(9,805)	(9,976)
Consolidated total liabilities	**(11,012)**	**(11,153)**

5 Revenue

	Three months ended 31 March	
	2017	**2016**
	USD million	**USD million**
Sales of primary aluminium and alloys	**1,920**	**1,594**
Third parties	*1,251*	*883*
Related parties – companies capable of exerting significant influence	*634*	*682*
Related parties – companies under common control	*35*	*29*
Sales of alumina and bauxite	**192**	**153**
Third parties	*111*	*98*
Related parties – companies capable of exerting significant influence	*56*	*36*
Related parties – associates and joint ventures	*25*	*19*
Sales of foil	**59**	**51**
Third parties	*59*	*50*
Related parties – companies under common control	*-*	*1*
Other revenue including energy and transportation services	**126**	**116**
Third parties	*107*	*92*
Related parties – companies capable of exerting significant influence	*3*	*6*
Related parties – companies under common control	*5*	*4*
Related parties – associates and joint ventures	*11*	*14*
	2,297	**1,914**

6 Cost of sales and operating expenses

(a) Cost of sales

	Three months ended 31 March	
	2017	**2016**
	USD million	**USD million**
Cost of alumina, bauxite and other materials	**(755)**	**(676)**
Third parties	*(661)*	*(615)*
Related parties – companies capable of exerting significant influence	*(49)*	*(23)*
Related parties – companies under common control	*(15)*	*(9)*
Related parties – associates and joint ventures	*(30)*	*(29)*
Purchases of primary aluminium	**(162)**	**(82)**
Third parties	*(95)*	*(25)*
Related parties – companies capable of exerting significant influence	*(2)*	-
Related parties – companies under common control	*(2)*	*(2)*
Related parties – associates and joint ventures	*(63)*	*(55)*
Energy costs	**(535)**	**(395)**
Third parties	*(345)*	*(199)*
Related parties – companies capable of exerting significant influence	*(3)*	*(1)*
Related parties – companies under common control	*(184)*	*(93)*
Related parties – associates and joint ventures	*(3)*	*(102)*
Personnel costs	**(140)**	**(123)**
Depreciation and amortisation	**(109)**	**(115)**
Change in finished goods	**66**	**(102)**
Other costs	**(53)**	**(53)**
Third parties	*(45)*	*(48)*
Related parties – companies under common control	*(8)*	*(5)*
	(1,688)	**(1,546)**

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

	Three months ended 31 March	
	2017	**2016**
	USD million	**USD million**
Personnel costs	(86)	(54)
Transportation expenses	(76)	(66)
Impairment of non-current assets	(17)	(19)
Lease and security	(13)	(8)
Taxes other than on income	(11)	(11)
Consulting and legal expenses	(10)	(14)
Packaging materials	(8)	(6)
Depreciation and amortisation	(5)	(5)
Charitable donations	(2)	(2)
Auditors' remuneration	(2)	(3)
Loss on disposal of property, plant and equipment	(1)	(3)
Reversal of impairment of trade and other receivables	-	7
Reversal of provision for legal claims	-	1
Other expenses	(35)	(15)
	(266)	**(198)**

(c) EBITDA and operating effectiveness measures

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

	Three months ended 31 March	
	2017	**2016**
	USD million	**USD million**
Results from operating activities	343	170
Add:		
Amortisation and depreciation	114	120
Impairment of non-current assets	17	19
Loss on disposal of property, plant and equipment	1	3
Adjusted EBITDA	**475**	**312**

7 Finance income and expenses

	Three months ended 31 March	
	2017	**2016**
	USD million	**USD million**
Finance income		
Interest income on third party loans and deposits	2	6
Interest income on loans to related parties – *companies under common control*	1	1
Net foreign exchange gain	27	-
	30	**7**
Finance expenses		
Interest expense on bank loans wholly repayable within 5 years, bonds and other bank charges	(176)	(70)
Interest expense on bank loans wholly repayable after 5 years	-	(72)
Interest expense on company loans from related parties – *companies exerting significant influence*	(1)	(4)
Change in fair value of derivative financial instruments (refer to note 15)	(242)	(6)
Net foreign exchange loss	-	(50)
Interest expense on provisions	-	(1)
	(419)	**(203)**

8 Income tax

	Three months ended 31 March	
	2017	**2016**
	USD million	**USD million**
Current tax		
Current tax for the period	41	25
Deferred tax		
Origination and reversal of temporary differences	(56)	5
Actual tax (benefit)/expense	**(15)**	**30**

The Company is a tax resident of Cyprus with an applicable corporate tax rate of 12.5%. Subsidiaries pay income taxes in accordance with the legislative requirements of their respective tax jurisdictions. For subsidiaries domiciled in Russia, the applicable tax rate is 20%; in Ukraine of 18%; Guinea of 0%; China of 25%; Kazakhstan of 20%; Australia of 30%; Jamaica of 25%; Ireland of 12.5%; Sweden of 22% and Italy of 27.9%. For the Group's subsidiaries domiciled in Switzerland the applicable tax rate for the period is the corporate income tax rate in the Canton of Zug, Switzerland, which may vary depending on the subsidiary's tax status. The rate consists of a federal income tax and cantonal/communal income and capital taxes. The latter includes a base rate and a multiplier, which may change from year to year. Applicable income tax rates for 2017 are 9.27% and 14.60% for different subsidiaries. For the Group's significant trading companies, the applicable tax rate is 0%. The applicable tax rates for the period ended 31 March 2017 were the same as for the period ended 31 March 2016 and the year ended 31 December 2016, except for Italy where the tax rate was 30.4%.

9 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders for the three months ended 31 March 2017 and 31 March 2016.

Weighted average number of shares:

	Three months ended 31 March	
	2017	**2016**
Issued ordinary shares at beginning of the period	15,193,014,862	15,193,014,862
Effect of treasury shares	-	(4,773)
Weighted average number of shares at end of the period	15,193,014,862	15,193,010,089
Profit for the period, USD million	**187**	**126**
Basic and diluted earnings per share, USD	**0.0123**	**0.0083**

There were no outstanding dilutive instruments during the periods ended 31 March 2017 and 31 March 2016.

No dividends were declared and paid during the periods presented.

10 Interests in associates and joint ventures

	Three months ended 31 March	
	2017	2016
	USD million	USD million
Balance at the beginning of the period	**4,147**	**3,214**
Group's share of profits, impairment and reversal of impairment	218	182
Dividends	-	(7)
Reversal of provision for guarantee included in share of profits	-	(50)
Foreign currency translation	292	274
Balance at the end of the period	**4,657**	**3,613**
Goodwill included in interests in associates	2,666	2,223

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 2017. 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 2017 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 2017 is USD6,974 million (31 December 2016: USD7,348 million). The market value is determined by multiplying the quoted bid price per share on the Moscow Exchange on reporting date by the number of shares held by the Group.

11 Non-derivative financial instruments

(a) Trade and other receivables

	31 March 2017 USD million	**31 December 2016 USD million**
Trade receivables from third parties	347	252
Impairment loss on trade receivables	(14)	(14)
Net trade receivables from third parties	**333**	**238**
Trade receivables from related parties, including:	**72**	**73**
Related parties – companies capable of exerting significant influence	*41*	*56*
Related parties – companies under common control	*24*	*8*
Related parties – associates and joint ventures	*7*	*9*
VAT recoverable	297	243
Impairment loss on VAT recoverable	(26)	(26)
Net VAT recoverable	**271**	**217**
Advances paid to third parties	92	85
Impairment loss on advances paid	(3)	(3)
Net advances paid to third parties	**89**	**82**
Advances paid to related parties, including:	**54**	**51**
Related parties – companies under common control	*6*	*7*
Related parties – associates and joint ventures	*48*	*44*
Prepaid expenses	**5**	**4**
Prepaid income tax	**25**	**32**
Prepaid other taxes	**15**	**16**
Other receivables from third parties	73	107
Impairment loss on other receivables	(7)	(7)
Net other receivables from third parties	**66**	**100**
Other receivables from related parties, including:	**7**	**6**
Related parties – companies under common control	*7*	*4*
Related parties – associates and joint ventures	*-*	*2*
	937	**819**

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.

(i) Ageing analysis

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

	31 March 2017	31 December 2016
	USD million	USD million
Current	335	273
Past due 0-90 days	61	32
Past due 91-365 days	7	4
Past due over 365 days	2	2
Amounts past due	70	38
	405	**311**

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

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

(ii) Impairment of trade receivables

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

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

	Three months ended 31 March	
	2017	2016
	USD million	USD million
Balance at the beginning of the period	(14)	(25)
Reversal of impairment	-	7
Balance at the end of the period	**(14)**	**(18)**

As at 31 March 2017 and 31 December 2016, the Group's trade receivables of USD14 million and USD14 million, respectively, were individually determined to be impaired. Management assessed that the receivables were not expected to be recovered. Consequently, specific allowances for doubtful debts were recognised.

The Group does not hold any collateral over these balances.

(b) Trade and other payables

	31 March 2017 USD million	31 December 2016 USD million
Accounts payable to third parties	**426**	**423**
Accounts payable to related parties, including:	**100**	**69**
Related parties – companies capable of exerting significant influence	*25*	*18*
Related parties – companies under common control	*51*	*26*
Related parties – associates and joint ventures	*24*	*25*
Advances received	**260**	**141**
Advances received from related parties, including:	**132**	**165**
Related parties – companies capable of exerting significant influence	*132*	*165*
Other payables and accrued liabilities	**173**	**139**
Other payable and accrued liabilities related parties, including:	**9**	**8**
Related parties – associates and joint ventures	*9*	*8*
Current tax liabilities	**14**	**13**
Other taxes payable	**87**	**96**
	1,201	**1,054**

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

12 Equity

(a) Share capital

	Three months ended 31 March 2017		Three months ended 31 March 2016	
	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 of USD0.01 each, issued and paid	**151,930,148**	**15,193,014,862**	**151,930,148**	**15,193,014,862**

(b) Other reserves

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

(c) Distributions

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

(d) Currency translation reserve

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

13 Loans and borrowings

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

	31 March 2017	**31 December 2016**
	USD million	**USD million**
Non-current liabilities		
Secured bank loans	6,629	6,991
Unsecured bank loans	349	346
Bonds	894	195
	7,872	**7,532**
Current liabilities		
Secured bank	634	1,365
Bonds	62	1
Accrued interest	50	67
	746	**1,433**

(a) Loans and borrowings

The Group's certain bank loans are secured by pledges of shares of the Group's subsidiaries and by pledges of the shares of an associate, the details of which are disclosed in the Group's consolidated financial statements as of and for the year ended 31 December 2016.

The secured bank loans are also secured by the following:

- inventory with a carrying value of USD173 million (31 December 2016: USD392 million);
- property, plant and equipment, receivables with a carrying amount of USD248 million (31 December 2016: USD248 million).

As at 31 March 2017 and 31 December 2016 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 Combined PXF Facility dated 18 August 2014.

The nominal value of the Group's loans and borrowings was USD7,737 million at 31 March 2017 (31 December 2016: USD8,852 million).

On 17 March 2017 the Group executed amendments to the existing credit facilities with Sberbank. Under USD credit agreements the interest rate was decreased from 3M Libor + 5.75% p.a. (incl. 1.05% PIK) to 3M Libor + 4.75% p.a. (subject to min 3M Libor at the level of 1%), effective from 29 December 2016. Under RUB credit facility outstanding exposure was converted into USD (at the rate of Central Bank of Russia as of the date of conversion). The interest rate of 3M Libor + 4.75% p.a. (subject to min 3M Libor at the level of 1%), is effective from 18 March 2017.

In March 2017 the Group through its subsidiaries entered into the REPO transaction backed by bonds issued by RUSAL Bratsk – in number of 7,527,646 series 08 bonds. As a result of the transactions the Group raised funding in the amount of EUR100 million (USD107 million) with fifteen months maturity at an effective rate of 2.6% p.a.

As at 31 March 2017 the Group made a principal repayment in total amounts of USD908 million and EUR50 million (USD52 million) under the Combined PXF Facility, credit facilities with Gazprombank and VTB Capital.

(b) Bonds

As at 31 March 2017 3,433,414 series 07 bonds, 53,680 series 08 bonds and 8,396,000 series BO-01 bonds were outstanding (traded in the market).

The closing market price at 31 March 2017 was RUB1,022, RUB1,009, RUB1,059 per bond for the first, second and the third tranches, respectively.

In February 2017 the Company completed the debut offering of Eurobonds with the following key terms: principal amount of USD600 million, tenor of 5 years, coupon rate of 5.125% per annum. The bonds proceeds, excluding related expenses, in the amount of USD597 million were applied for partial prepayment of RUSAL's existing pre-export finance facility.

In February 2017 the Company registered Panda Bond Offering Circular for the total amount of RMB10 billion (c. USD1.5 billion) with the Shanghai Stock Exchange with the right to make placement in tranches with different maturities but not higher than 7 years. In March 2017 the first tranche of RMB1 billion was placed for 3 years and 5.5% per annum. The tranch is subject to put option after 2 years. The funds were used for working capital needs and refinancing of existing debt.

14 Provisions

USD million	Pension liabilities	Site restoration	Provisions for legal claims	Tax provisions	Provision for guarantee	Total
Balance at 1 January 2016	**52**	**365**	**13**	**42**	**100**	**572**
Provisions made during the period	2	14	-	-	-	16
Provisions reversed during the period	-	-	(1)	-	(50)	(51)
Provisions utilised during the period	(1)	-	-	(5)	-	(6)
Foreign currency translation	3	15	-	-	-	18
Balance at 31 March 2016	**56**	**394**	**12**	**37**	**50**	**549**
Non-current	*51*	*382*	-	*30*	*50*	*513*
Current	*5*	*12*	*12*	*7*	-	*36*
Balance at 1 January 2017	**57**	**381**	**-**	**25**	**-**	**463**
Provisions made during the period	2	3	-	-	**-**	5
Provisions reversed during the period	-	(28)	-	-	**-**	(28)
Provisions utilised during the period	(1)	-	-	(2)	**-**	(3)
Foreign currency translation	4	13	-	-	**-**	17
Balance at 31 March 2017	**62**	**369**	**-**	**23**	**-**	**454**
Non-current	*57*	*350*	-	*3*	-	*410*
Current	*5*	*19*	-	*20*	-	*44*

15 Derivative financial assets/liabilities

	31 March 2017		31 December 2016	
	USD million		USD million	
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
Petroleum coke supply contracts and other raw materials	46	49	62	5
Forward contracts for aluminium and other instruments	10	81	5	30
Total	**56**	**130**	**67**	**35**

Derivative financial instruments are recorded at their fair value at each reporting date. Fair value is estimated in accordance with Level 3 of the fair value hierarchy based on management estimates and consensus economic forecasts of relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the date of the event or change in circumstances that caused the transfer. There were no changes in valuation techniques during three-month period ended 31 March 2017. The following significant assumptions were used in estimating derivative instruments:

	2017	2018	2019	2020	2021	2022	2023	2024	2025
LME Al Cash, USD per tonne	1,966	1,985	2,010	2,037	2,066	2,106	2,154	2,202	2,244
Platt's FOB Brent, USD per barrel	54	54	53	-	-	-	-	-	-

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

	Three months ended 31 March	
	2017	2016
	USD million	USD million
Balance at the beginning of the period	32	(300)
Unrealised changes in fair value recognised in other comprehensive income (cash flow hedge) during the period	-	3
Unrealised changes in fair value recognised in statement of income (finance expenses) during the period	(242)	(6)
Realised portion during the period	136	26
Balance at the end of the period	**(74)**	**(277)**

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

16 Commitments and contingencies

(a) Capital commitments

The Group has entered into contracts that result in contractual obligations primarily relating to various construction and capital repair works. The commitments at 31 March 2017 and 31 December 2016 approximated USD157 million and USD157 million, respectively. These commitments are due over a number of years.

(b) Taxation

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

In addition to the amounts of income tax the Group has provided, there are certain tax positions taken by the Group where it is reasonably possible (though less than 50% likely) that additional tax may be payable upon examination by the tax authorities or in connection with ongoing disputes with tax authorities. The Group's best estimate of the aggregate maximum of additional amounts that it is reasonably possible may become payable if these tax positions were not sustained at 31 March 2017 is USD241 million (31 December 2016: USD225 million).

(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 the ongoing basis. Where management believes that a lawsuit or another claim would result in the outflow of the economic benefits for the Group, a best estimate of such outflow is included in provisions in the consolidated interim condensed financial information (refer to note 14). As at 31 March 2017 the amount of claims, where management assesses outflow as possible approximates USD62 million (31 December 2016: USD60 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 22 May 2017. 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.

17 Related party transactions

(a) Transactions with management and close family members

Management remuneration

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

	Three months ended 31 March	
	2017	**2016**
	USD million	**USD million**
Salaries and bonuses	13	15
	13	**15**

(b) Transactions with associates and joint ventures

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

(c) Transactions with other related parties

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

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

(d) Related parties balances

At 31 March 2017, included in non-current assets and non-current liabilities are balances of related parties – companies under common control of USD41 million and balances of related parties – associates and joint ventures of USD nil million (31 December 2016: USD41 million and USD nil million, respectively).

(e) Pricing policies

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

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

18 Events subsequent to the reporting date

In April 2017 RUSAL Bratsk announced a coupon rate in respect to the series 08 bond issue at the level of 9% per annum for the 13-16 semi-annual coupon periods after which the series 08 bonds will be subject to a coupon rate revision and put option. Shortly afterwards, in April 2017 RUSAL Bratsk exercised a put option on the outstanding bonds series 08.

In May 2017 the Company completed the second offering of Eurobonds with the following key terms: principal amount of USD500 million, tenor of 6 years, coupon rate of 5.3% per annum. The bonds proceeds were applied for partial prepayment of RUSAL's existing debt.