RUSAL

United Company RUSAL Plc

Consolidated Interim Condensed Financial Information for the three months ended 31 March 2018

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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 2018, and the related consolidated interim condensed statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes to the consolidated interim condensed financial information (the "consolidated interim condensed financial information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of consolidated interim condensed financial information to be in compliance with the relevant provisions thereof and 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 condensed financial information of the Group's equity investee, PJSC MMC Norilsk Nickel ("Norilsk Nickel"), supporting the Group's estimate of the share of profit, other comprehensive income and foreign currency translation gain of USD214 million, USD nil million and USD25 million, respectively, for the three-month period ended 31 March 2018 and the carrying value of the Group's investment in the investee stated at USD4,035 million as at 31 March 2018. Had we been able to complete our review procedures in respect of interests in associates, matters might have come to our attention indicating that adjustments might be necessary to this consolidated interim condensed financial information.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 31 March 2018 and for the three-month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting.*

Emphasis of Matter

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

КПМГ
KPMG

Yerkozha Akylbek

For and on behalf of JSC "KPMG"

Recognised Auditors

10 May 2018

	Note	Three months ended 31 March	
		2018 (unaudited)	2017 (unaudited)
		USD million	USD million
Revenue	5	2,744	2,297
Cost of sales	6(a)	(2,022)	(1,688)
Gross profit		**722**	**609**
Distribution expenses	6(b)	(115)	(96)
Administrative expenses	6(b)	(150)	(145)
Impairment of non-current assets	6(b)	(49)	(17)
Net other operating expenses	6(b)	(15)	(8)
Results from operating activities		**393**	**343**
Finance income	7	73	30
Finance expenses	7	(129)	(419)
Share of profits of associates and joint ventures	10	238	218
Profit before taxation		**575**	**172**
Income tax	8	(31)	15
Profit for the period		**544**	**187**
Attributable to Shareholders of the Company		544	187
Profit for the period		**544**	**187**
Earnings per share			
Basic and diluted earnings per share (USD)	9	**0.0358**	**0.0123**
Adjusted EBITDA	6(c)	572	475

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 37.

	Note	Three months ended 31 March	
		2018 (unaudited)	**2017 (unaudited)**
		USD million	**USD million**
Profit for the period		**544**	**187**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for equity-accounted investees	10	34	292
Foreign currency translation differences on foreign operations		(11)	61
		23	**353**
Other comprehensive income for the period, net of tax		**23**	**353**
Total comprehensive income for the period		**567**	**540**
Attributable to:			
Shareholders of the Company		567	540
Total comprehensive income for the period		**567**	**540**

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 37.

	Note	31 March 2018 (unaudited) USD million	31 December 2017 USD million
ASSETS			
Non-current assets			
Property, plant and equipment		4,364	4,323
Intangible assets		2,561	2,552
Interests in associates and joint ventures	10	4,720	4,448
Deferred tax assets		64	63
Derivative financial assets	15	36	34
Other non-current assets		77	72
Total non-current assets		**11,822**	**11,492**
Current assets			
Inventories		2,558	2,414
Trade and other receivables	11(a)	1,099	1,005
Dividends receivable		-	3
Derivative financial assets	15	46	29
Cash and cash equivalents		938	831
Total current assets		**4,641**	**4,282**
Total assets		**16,463**	**15,774**

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 37.

	Note	31 March 2018 (unaudited) USD million	31 December 2017 USD million
EQUITY AND LIABILITIES			
Equity	12		
Share capital		152	152
Share premium		15,786	15,786
Other reserves		2,847	2,847
Currency translation reserve		(8,778)	(8,801)
Accumulated losses		(4,996)	(5,540)
Total equity		**5,011**	**4,444**
Non-current liabilities			
Loans and borrowings	13	7,822	7,744
Provisions	14	439	427
Deferred tax liabilities		517	522
Derivative financial liabilities	15	34	61
Other non-current liabilities		51	104
Total non-current liabilities		**8,863**	**8,858**
Current liabilities			
Loans and borrowings	13	994	735
Trade and other payables	11(b)	1,543	1,658
Derivative financial liabilities	15	29	52
Provisions	14	23	27
Total current liabilities		**2,589**	**2,472**
Total liabilities		**11,452**	**11,330**
Total equity and liabilities		**16,463**	**15,774**
Net current assets		**2,052**	**1,810**
Total assets less current liabilities		**13,874**	**13,302**

Approved and authorised for issue by the Board of Directors on 10 May 2018.

Alexandra Y. Bouriko
Chief Executive 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 37.

	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 2018	**152**	**15,786**	**2,847**	**(8,801)**	**(5,540)**	**4,444**
Profit for the period (unaudited)	-	-	-	-	544	544
Other comprehensive income for the period (unaudited)	-	-	-	23	-	23
Total comprehensive income for the period (unaudited)	**-**	**-**	**-**	**23**	**544**	**567**
Balance at 31 March 2018 (unaudited)	**152**	**15,786**	**2,847**	**(8,778)**	**(4,996)**	**5,011**
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**

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 37.

	Note	Three months ended 31 March 2018 (unaudited) USD million	2017 (unaudited) USD million
OPERATING ACTIVITIES			
Profit for the period		**544**	**187**
Adjustments for:			
Depreciation	6	122	111
Amortisation	6	6	3
Impairment of non-current assets	6(b)	49	17
Impairment of inventories		2	-
Pension provision		-	1
Change in fair value of derivative financial instruments	7	(69)	242
Net foreign exchange loss/(gain)	7	7	(27)
Loss on disposal of property, plant and equipment	6(b)	2	1
Interest expense	7	122	177
Interest income	7	(4)	(3)
Income tax expense/(benefit)	8	31	(15)
Share of profits of associates and joint ventures	10	(238)	(218)
Cash from operating activities before changes in working capital and provisions		**574**	**476**
Increase in inventories		(131)	(122)
Increase in trade and other receivables		(114)	(85)
Decrease/(increase) in prepaid expenses and other assets		6	(3)
Decrease in trade and other payables		(181)	(23)
Decrease in provisions		(1)	(4)
Cash generated from operations before income tax paid		**153**	**239**
Income taxes paid		(37)	(24)
Net cash generated from operating activities		**116**	**215**

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 37.

	Three months ended 31 March	
	2018 (unaudited)	2017 (unaudited)
	USD million	USD million
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1	5
Interest received	3	2
Acquisition of property, plant and equipment	(211)	(124)
Dividends from associates and joint ventures	3	315
Loans given to joint ventures	(8)	-
Acquisition of intangible assets	(9)	(5)
Changes in restricted cash	(4)	(1)
Net cash (used in)/generated from investing activities	**(225)**	**192**
FINANCING ACTIVITIES		
Proceeds from borrowings	1,333	1,265
Repayment of borrowings	(1,013)	(1,583)
Refinancing fees and other expenses	(6)	(8)
Interest paid	(123)	(132)
Settlement of derivative financial instruments	21	(97)
Net cash generated from/(used in) financing activities	**212**	**(555)**
Net increase/(decrease) in cash and cash equivalents	**103**	**(148)**
Cash and cash equivalents at the beginning of the period	814	531
Cash and cash equivalents at the end of the period	**917**	**383**

Restricted cash amounted to USD21 million and USD17 million at 31 March 2018 and 31 December 2017, 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 37.

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 2018 and 31 December 2017 was as follows:

	31 March 2018	**31 December 2017**
EN+ GROUP PLC ("EN+")	48.13%	48.13%
SUAL Partners Limited ("SUAL Partners")	26.50%	20.50%
Amokenga Holdings Limited ("Amokenga Holdings")	8.75%	8.75%
Onexim Holdings Limited ("Onexim")	-	6.00%
Held by Directors	0.02%	0.02%
Publicly held	16.60%	16.60%
Total	**100.00%**	**100.00%**

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

During the reporting period Onexim disposed of its shareholdings which was acquired by SUAL Partners respectively.

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

Related party transactions are disclosed in note 17.

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

(b) Seasonality

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

(c) OFAC Sanctions

On 6 April 2018, the Office of Foreign Assets Control ("OFAC") of the Department of the Treasury of the United States of America designated certain legal and natural persons to its Specially Designated Nationals List (the "OFAC Sanctions"). These include, among others, the Company and EN+ GROUP PLC, a shareholder holding 48.13% equity interest in the Company. On the same day, OFAC issued two general licenses authorising U.S. persons to engage in certain limited activities and transactions involving the Company or its subsidiaries.

Further, on 23 April 2018 OFAC issued General License 14 expiring on 23 October 2018 that permits all transactions "ordinarily incident" to and necessary to the maintenance or wind down of the Company's operations, contracts, or agreements that existed prior to April 6. This license expressly authorizes exports from and imports to the United States on behalf of the Company and any of its owned or controlled entities, and does not require that payments occurring from April 23, 2018 forward be blocked by US persons. On the same day the OFAC also issued General License 12A (replacing General License 12) to clarify that US persons are not required to place into a blocked account payments to or for UC RUSAL, or any other entity in which UC RUSAL owns, directly or indirectly, a 50 percent or greater interest, for activities authorized by General License 14.

On 1 May 2018 OFAC issued General License 12B which replaces and supersedes General License 12A in its entirety. General License 12B permits originating and intermediary U.S. financial institutions to process funds transfers that they would otherwise block to an account held by a blocked U.S. person at a U.S. financial institution. In addition, General License 12B clarifies that U.S. financial institutions can release such funds for authorized maintenance and wind-down purposes.

On 1 May 2018 OFAC also issued General License 13A, which replaced and superseded General License 13 which had been issued on 6 April 2018 in its entirety, and extended the authorized period under the General License 13A until 6 June 2018. General License 13A authorizes transactions and activities necessary to divest or transfer debt, equity or other holdings in EN+ or the Company. General License 13A also authorizes such transactions in entities in which these persons own, directly or indirectly, a 50 percent or greater interest, provided that such debt, equity, or other holdings was issued, among others, by Rusal Capital Designated Activity Company.

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

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

2 Basis of preparation

(a) Statement of compliance

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

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

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

IFRS 15: *Revenue from Conracts with Customers*

IFRS 9: *Financial instruments*

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

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

Amendments to IAS 40: *Transfers of Investment Property*

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

IFRIC 22: *Foreign Currency Transactions and Advance Consideration*

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

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

3 Significant accounting policies

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

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

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

- timing of recognition of revenue for the transportation services after the control for the related goods has been transferred to customer (revenue is to be recognised over time from goods control transfer till completion of the transportation);

- classification of revenue earned from the contracts which bear price finalisation options as other revenue instead of revenue from contracts with customers;
- an increase in impairment losses recognised on financial assets;
- disclosures to be presented as required by the new standards.

(a) IFRS 15 Revenue from Contracts with Customers

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

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

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

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

Rendering of electricity supply services	The Group is involved in sales of energy to 3rd and related parties. Invoices are issued once a month at the end of month and paid within 30 days.	Under current accounting policies revenue was recognised at point in time (on the last day of the month). Under IFRS 15 revenue is recognised over time during the period when the energy is transferred to the customer. Effectively it has not impacted either total amount of revenue recognized, or its classification.

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

(b) IFRS 9 Financial Instruments

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

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

Classification and measurement of financial assets and financial liabilities

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

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

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hedge accounting

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

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.
The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.
The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.

4 Segment reporting

(a) Reportable segments

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

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

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

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

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

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

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.

(i) Reportable segments

Three months ended 31 March 2018

	Aluminium	Alumina	Energy	Mining and Metals	Total segment result
	USD million	USD million	USD million	USD million	USD million
Revenue from external customers	2,256	334	-	-	**2,590**
Inter-segment revenue	66	670	-	-	**736**
Total segment revenue	**2,322**	**1,004**	**-**	**-**	**3,326**
Segment profit	**400**	**126**	**-**	**-**	**526**
Impairment of non-current assets	-	(44)	-	-	**(44)**
Share of profits of associates and joint ventures	-	-	24	214	**238**
Depreciation/amortisation	(87)	(33)	-	-	**(120)**
Non-cash expences other than depreciation	(1)	(1)	-	-	**(2)**
Additions to non-current segment assets during the period	67	87	-	-	**154**
Non-cash additions to non-current segment assets related to site restoration	1	(2)	-	-	**(1)**

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**

31 March 2018

	Aluminium	Alumina	Energy	Mining and Metals	Total segment result
	USD million	USD million	USD million	USD million	USD million
Segment assets	6,876	2,292	-	-	**9,168**
Interests in associates and joint ventures	-	-	678	4,035	**4,713**
Total segment assets					**13,881**
Segment liabilities	(970)	(666)	(9)	-	**(1,645)**
Total segment liabilities					**(1,645)**

31 December 2017

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

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

	Three months ended 31 March	
	2018	2017
	USD million	USD million
Revenue		
Reportable segment revenue	3,326	2,822
Elimination of inter-segment revenue	(736)	(622)
Unallocated revenue	154	97
Consolidated revenue	**2,744**	**2,297**

	Three months ended 31 March 2018	Three months ended 31 March 2017
	USD million	**USD million**
Profit		
Reportable segment profit	526	444
Impairment of non-current assets	(49)	(17)
Share of profits of associates and joint ventures	238	218
Finance income	73	30
Finance expenses	(129)	(419)
Unallocated expenses	(84)	(84)
Consolidated profit before taxation	**575**	**172**

	31 March 2018	31 December 2017
	USD million	**USD million**
Assets		
Reportable segment assets	13,881	13,474
Unallocated assets	2,582	2,300
Consolidated total assets	**16,463**	**15,774**

	31 March 2018	31 December 2017
	USD million	**USD million**
Liabilities		
Reportable segment liabilities	(1,645)	(1,818)
Unallocated liabilities	(9,807)	(9,512)
Consolidated total liabilities	**(11,452)**	**(11,330)**

5 Revenue

	Three months ended 31 March	
	2018	**2017**
	USD million	**USD million**
Revenue from contracts with customers	**2,704**	**2,270**
Sales of products	**2,646**	**2,225**
Sales of primary aluminium and alloys	2,245	1,920
Sales of alumina and bauxite	242	192
Sales of foil and other aluminium products	90	59
Sales of other products	69	54
Provision of services	**58**	**45**
Supply of energy	43	37
Provision of transportation services	2	1
Provision of other services	13	7
Other revenue	**40**	**27**
Total revenue by types of customers	**2,744**	**2,297**
Third parties	1,785	1,528
Related parties – companies capable of exerting significant influence	830	693
Related parties – companies under common control	56	40
Related parties – associates and joint ventures	73	36
Total revenue by primary regions	**2,744**	**2,297**
Europe	1,130	963
CIS	726	521
America	455	403
Asia	426	403
Other	7	7

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

6 Cost of sales and operating expenses

(a) Cost of sales

	Three months ended 31 March	
	2018	**2017**
	USD million	**USD million**
Cost of alumina, bauxite and other materials	**(954)**	**(722)**
Third parties	*(920)*	*(658)*
Related parties – companies capable of exerting significant influence	*(18)*	*(49)*
Related parties – companies under common control	*(16)*	*(15)*
Purchases of primary aluminium	**(193)**	**(162)**
Third parties	*(113)*	*(95)*
Related parties – companies capable of exerting significant influence	-	*(2)*
Related parties – companies under common control	*(3)*	*(2)*
Related parties – associates and joint ventures	*(77)*	*(63)*
Energy costs	**(606)**	**(535)**
Third parties	*(352)*	*(345)*
Related parties – companies capable of exerting significant influence	*(1)*	*(3)*
Related parties – companies under common control	*(242)*	*(184)*
Related parties – associates and joint ventures	*(11)*	*(3)*
Personnel costs	**(158)**	**(140)**
Depreciation and amortisation	**(124)**	**(109)**
Change in finished goods	**111**	**66**
Other costs	**(98)**	**(86)**
Third parties	*(52)*	*(48)*
Related parties – companies under common control	*(9)*	*(8)*
Related parties – associates and joint ventures	*(37)*	*(30)*
	(2,022)	**(1,688)**

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

	Three months ended 31 March	
	2018	**2017**
	USD million	**USD million**
Transportation expenses	(94)	(76)
Personnel costs	(76)	(86)
Impairment of non-current assets	(49)	(17)
Consulting and legal expenses	(17)	(10)
Lease and security	(14)	(13)
Taxes other than on income	(11)	(11)
Packaging materials	(9)	(8)
Charitable donations	(7)	(2)
Repair and other services	(4)	(4)
Depreciation and amortisation	(4)	(5)
Loss on disposal of property, plant and equipment	(2)	(1)
Auditors' remuneration	(2)	(2)
Other expenses	(40)	(31)
	(329)	**(266)**

(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	
	2018	**2017**
	USD million	**USD million**
Results from operating activities	393	343
Add:		
Amortisation and depreciation	128	114
Impairment of non-current assets	49	17
Loss on disposal of property, plant and equipment	2	1
Adjusted EBITDA	**572**	**475**

7 Finance income and expenses

	Three months ended 31 March	
	2018	**2017**
	USD million	**USD million**
Finance income		
Interest income on third party loans and deposits	3	2
Interest income on loans to related parties – *companies under common control*	1	1
Change in fair value of derivative financial instruments (refer to note 15)	69	-
Net foreign exchange gain	-	27
	73	**30**
Finance expenses		
Interest expense on bank loans wholly repayable within 5 years, bonds and other bank charges	(57)	(176)
Interest expense on bank loans wholly repayable after 5 years	(63)	-
Interest expense on company loans from related parties – *companies exerting significant influence*	(1)	(1)
Change in fair value of derivative financial instruments (refer to note 15)	-	(242)
Net foreign exchange loss	(7)	-
Interest expense on provisions	(1)	-
	(129)	**(419)**

8 Income tax

	Three months ended 31 March	
	2018	**2017**
	USD million	**USD million**
Current tax		
Current tax for the period	37	41
Deferred tax		
Origination and reversal of temporary differences	(6)	(56)
Actual tax expense/(benefit)	**31**	**(15)**

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 2018 were the same as for the period ended 31 March 2017 and the year ended 31 December 2017 except for tax rates for subsidiaries domiciled in Switzerland which amounted to 9.6% and 14.51% for the period ended 31 March 2018 accordingly.

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 2018 and 31 March 2017.

Weighted average number of shares:

	Three months ended 31 March	
	2018	**2017**
Issued ordinary shares at beginning of the period	15,193,014,862	15,193,014,862
Effect of treasury shares	-	-
Weighted average number of shares at end of the period	15,193,014,862	15,193,014,862
Profit for the period, USD million	**544**	**187**
Basic and diluted earnings per share, USD	**0.0358**	**0.0123**

There were no outstanding dilutive instruments during the periods ended 31 March 2018 and 31 March 2017.

No dividends were declared and paid during the periods presented.

10 Interests in associates and joint ventures

	Three months ended 31 March	
	2018	**2017**
	USD million	**USD million**
Balance at the beginning of the period	**4,448**	**4,147**
Group's share of profits, impairment and reversal of impairment	238	218
Foreign currency translation	34	292
Balance at the end of the period	**4,720**	**4,657**
Goodwill included in interests in associates	2,624	2,666

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 2018. 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 2018 based on publicly available information reported by Norilsk Nickel.

The Group has estimated its share of profit of Norilsk Nickel at the level of USD214 million, other comprehensive income at the level of USD nil million and the foreign currency translation gain in relation to that investee at the level of USD25 million for the three-month period ended 31 March 2018. The carrying value of the Group's investment in the investee comprises USD4,035 million as at 31 March 2018. The information used as a basis for these estimates is incomplete in many aspects. Once the consolidated interim financial information for Norilsk Nickel becomes available, it is compared to management's estimates. If there are significant differences, adjustments may be required to restate the Group's share in profit, other comprehensive income, foreign currency translation and the carrying value of the investment in Norilsk Nickel which has been previously reported.

The market value of the investment in Norilsk Nickel at 31 March 2018 is USD8,273 million (31 December 2017: USD8,294 million). The market value is determined by multiplying the quoted bid price per share on the Moscow Exchange on reporting date by the number of shares held by the Group.

11 Non-derivative financial instruments

(a) Trade and other receivables

	31 March 2018 USD million	31 December 2017 USD million
Trade receivables from third parties	421	358
Impairment loss on trade receivables	(16)	(16)
Net trade receivables from third parties	**405**	**342**
Trade receivables from related parties, including:	**87**	**54**
Related parties – companies capable of exerting significant influence	*45*	*31*
Related parties – companies under common control	*31*	*11*
Related parties – associates and joint ventures	*11*	*12*
VAT recoverable	339	333
Impairment loss on VAT recoverable	(28)	(28)
Net VAT recoverable	**311**	**305**
Advances paid to third parties	99	98
Impairment loss on advances paid	(1)	(1)
Net advances paid to third parties	**98**	**97**
Advances paid to related parties, including:	**52**	**46**
Related parties – companies under common control	*7*	*6*
Related parties – associates and joint ventures	*45*	*40*
Prepaid expenses	**5**	**3**
Prepaid income tax	**21**	**32**
Prepaid other taxes	**20**	**28**
Other receivables from third parties	105	104
Impairment loss on other receivables	(8)	(8)
Net other receivables from third parties	**97**	**96**
Other receivables from related parties, including:	**3**	**2**
Related parties – companies under common control	*5*	*4*
Impairment loss on other receivables from related parties - companies under common control	*(3)*	*(3)*
Net other receivables to related parties - companies under common control	*2*	*1*
Related parties – associates and joint ventures	*1*	*1*
	1,099	**1,005**

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	31 December
	2018	2017
	USD million	USD million
Current	376	319
Past due 0-90 days	109	67
Past due 91-365 days	5	7
Past due over 365 days	2	3
Amounts past due	116	77
	492	**396**

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	
	2018	2017
	USD million	USD million
Balance at the beginning of the period	(16)	(14)
Reversal of impairment	1	-
Increase in the balance of allowance for doubtful debts	(1)	-
Balance at the end of the period	**(16)**	**(14)**

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

The Group does not hold any collateral over these balances.

(b) Trade and other payables

	31 March 2018 USD million	31 December 2017 USD million
Accounts payable to third parties	**560**	**605**
Accounts payable to related parties, including:	**91**	**96**
Related parties – companies capable of exerting significant influence	*12*	*14*
Related parties – companies under common control	*49*	*53*
Related parties – associates and joint ventures	*30*	*29*
Advances received	**385**	**390**
Advances received from related parties, including:	**216**	**308**
Related parties – companies capable of exerting significant influence	*205*	*288*
Related parties – associates and joint ventures	*11*	*20*
Other payables and accrued liabilities	**200**	**174**
Current tax liabilities	**8**	**16**
Other taxes payable	**83**	**69**
	1,543	**1,658**

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 2018		Three months ended 31 March 2017	
	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 2018 USD million	31 December 2017 USD million
Non-current liabilities		
Secured bank loans	5,846	6,200
Unsecured bank loans	245	145
Bonds	1,731	1,399
	7,822	**7,744**
Current liabilities		
Secured bank	785	662
Unsecured bank loans	3	3
Bonds	159	22
Accrued interest	47	48
	994	**735**

(a) Loans and borrowings

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

The secured bank loans are also secured by the following:

- inventory with a carrying value of USD455 million (31 December 2017: USD367 million);
- property, plant and equipment, receivables with a carrying amount of USD3 million (31 December 2017: USD3 million).

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

The nominal value of the Group's loans and borrowings was USD6,937 million at 31 March 2018 (31 December 2017: USD7,072 million).

During three-months period ended 31 March 2018 the Group made a principal repayment in total amounts of USD507 million and EUR55 million (USD68 million) under credit facilities with Gazprombank, VTB Capital and Credit Bank of Moscow.

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

Fair value of the Group's liabilities measured at amortised cost approximate their fair values as at 31 march 2018.

(b) Bonds

As at 31 March 2018 51,509 series 08 bonds and 4,221,951 series BO-01 bonds were outstanding (traded in the market).

The closing market price at 31 March 2018 was RUB1,013, RUB1,043 per bond for the first and second tranches, respectively.

As at 31 March 2018 the first and the second tranche of Eurobonds were outstanding (traded in the market).

The closing market price at 31 March 2018 was USD0.9869 per bond, USD0.9818 per bond for the first and second tranches, respectively.

In February 2018 the Group completed its third offering of Eurobonds with the following key terms: principal amount of USD500 million, tenor of 5 years, coupon rate of 4.85% per annum. The bonds proceeds were applied for partial prepayment of the Group's existing debt. The closing market price at 31 March 2018 was USD 0.9640 per bond.

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

14 Provisions

USD million	Pension liabilities	Site restoration	Provisions for legal claims	Tax provisions	Total
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*
Balance at 1 January 2018	**69**	**382**	**3**	**-**	**454**
Provisions made during the period	1	8	-	-	9
Provisions reversed during the period	-	(7)	-	-	(7)
Provisions utilised during the period	(1)	-	-	-	(1)
Foreign currency translation	1	6	-	-	7
Balance at 31 March 2018	**70**	**389**	**3**	**-**	**462**
Non-current	*66*	*373*	-	-	*439*
Current	*4*	*16*	*3*	-	*23*

15 Derivative financial assets/liabilities

	31 March 2018 USD million		31 December 2017 USD million	
	Derivative assets	**Derivative liabilities**	**Derivative assets**	**Derivative liabilities**
Petroleum coke supply contracts and other raw materials	38	47	36	82
Forward contracts for aluminium and other instruments	44	16	27	31
Total	**82**	**63**	**63**	**113**

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 the nature of derivatives entred into by the Group as well as valuation techniques applied during three-month period ended 31 March 2018. The following significant assumptions were used in estimating derivative instruments:

	2018	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
LME Al Cash, USD per tonne	2,011	2,048	2,079	2,104	2,130	2,167	2,214	2,262
Platt's FOB Brent, USD per barrel	69	64	61	59	58	-	-	-

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

	Three months ended 31 March	
	2018	**2017**
	USD million	**USD million**
Balance at the beginning of the period	(50)	32
Unrealised changes in fair value recognised in statement of income (finance income/(expenses)) during the period	69	(242)
Realised portion during the period	-	136
Balance at the end of the period	**19**	**(74)**

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 2018 and 31 December 2017 approximated USD246 million and USD213 million, respectively. These commitments are due over a number of years.

(b) Taxation

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

In addition to the amounts of income tax the Group has provided, there are certain tax positions taken by the Group where it is reasonably possible (though less than 50% likely) that additional tax may be payable upon examination by the tax authorities or in connection with ongoing disputes with tax authorities. The Group's best estimate of the aggregate maximum of additional amounts that it is reasonably possible may become payable if these tax positions were not sustained at 31 March 2018 is USD nil million (31 December 2017: USD30 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 2018 the amount of claims, where management assesses outflow as possible approximates USD34million (31 December 2017: USD36 million).

In January 2013, the Company received a writ of summons and statement of claim filed in the High Court of Justice of the Federal Capital Territory of Nigeria (Abuja) by plaintiff BFIG Group Divino

Corporation ("BFIG") against certain subsidiaries of the Company. It is a claim for damages arising out of the defendants' alleged tortious interference in the bid process for the sale of the Nigerian government's majority stake in the Aluminium Smelter Company of Nigeria ("ALSCON") and alleged loss of BFIG's earnings resulting from its failed bid for the said stake in ALSCON. BFIG seeks compensatory damages in the amount of USD2.8 billion plus interest. In January 2014 the court granted the Company's motion to join the Federal Republic of Nigeria and Attorney General of Nigeria to the case as co-defendants. On the latest hearing held on 8 November 2017 the Court has not upheld the claim and the claim was struck out. In January 2018 one of the Company's subsidiaries, ALSCON and the Bureau of Public Enterprises of Nigeria entered into an addendum to the original sale and purchase contract regarding ALSCON on the key terms and conditions as it was disclosed in the announcement of the Company dated 19 January 2018.

17 Related party transactions

(a) Transactions with management and close family members

Management remuneration

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

	Three months ended 31 March	
	2018	**2017**
	USD million	**USD million**
Salaries and bonuses	20	13
	20	**13**

(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.

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

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

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

	Three months ended 31 March	
	2018	**2017**
	USD million	**USD million**
Related parties – companies capable of exerting significant influence	1	1
Related parties – companies under common control	16	8
Related parties – associates and joint ventures	1	-
	18	**9**

(d) Related parties balances

At 31 March 2018, included in non-current assets are balances of related parties — companies under common control of USD44 million and balances of related parties – associates and joint ventures of USD12 million (31 December 2017: USD43 million and USD11 million, respectively). At 31 March 2018, included in non-current liabilities are balances of related parties – associates and joint ventures of USD9 million (31 December 2017: USD9 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

There following events occurred subsequent to the reporting date in addition to those disclosed in note 1(c) above.

The Company has filed the application for the delisting of its global depositary receipts (GDSs) with the Euronext Paris (see Note 1(a)). The GDSs were delisted on 7 May 2018.

The Group has successfully paid the coupon on Eurobonds due in May 2018 for the amount of USD13 million.