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UNITED COMPANY RUSAL PLC

(Incorporated under the laws of Jersey with limited liability)

(Stock Code: 486)

RESULTS ANNOUNCEMENT FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2019

Key highlights

- In the third quarter of 2019 London Metals Exchange (“LME”) aluminium price continued its decline and reached an average of USD1,761 per tonne, the record low since the end of 2016, demonstrating a 14.3% decrease compared to USD2,056 per tonne in the third quarter of the prior year. This negative trend was compounded by the decrease in the realized premiums over the LME aluminium price down to an average of USD145 per tonne in the three months ended 30 September 2019, 13.2% lower than USD167 per tonne in the third quarter of 2018. These factors resulted in the decrease in revenue of United Company RUSAL Plc (the “**Company**” or “**UC RUSAL**”, together with its subsidiaries, the “**Group**”) for the third quarter of 2019 by 14.8% to USD2,486 million as compared to USD2,918 million for the same period of the prior year.
- Revenue in the nine months of 2019 dropped by 8.8% to USD7,222 million as compared to USD7,915 million for the same period of 2018 following the decrease in the LME aluminium price by 16.4% to USD1,804 per tonne as compared with USD2,158 per tonne for the comparable period, which was partially offset by a 9.8% increase in primary aluminium sales volume.
- EBITDA in the third quarter of 2019 decreased to USD237 million representing a decline of 64.9% from USD676 million for the corresponding period of 2018. This decrease was driven by the negative macroeconomic factors described above that were partially offset by improvement in cash cost by 3.7% to USD1,612 per tonne in the third quarter of 2019 from USD1,674 per tonne in the previous quarter of the year resulting from decrease in electricity and other raw material prices.
- During September-November 2019 the Company continued optimization of the cost and structure of its debt portfolio through successful placement of two tranches of local bonds in amount of RUB 15 billion each with the record low rate of 8.25% and 7.45%, respectively, and a new 5-year sustainability-linked pre-export finance facility (PXF2019) in the amount of USD1,085 million. The first tranche of the Rouble bonds was swapped into USD with effective interest rate of 3.835%.

Statement of the Chief Executive Officer

“In the first nine months of the year, the market environment was challenging with sharply falling aluminium price. Coupled with the considerable decline of RUSAL’s realized premiums by over 20% primarily due to reduced share of VAP sales influenced by the sanctions, this led to substantial decrease of RUSAL’s revenue and EBITDA and affected our financial results.

However, throughout this year we continued to gradually recover VAP sales and reached 40% in the third quarter, compared to just 29% in the first quarter. We expect the VAP share to restore in the beginning of 2020, following the results of the “mating season”.

While the potential for future price recovery and market growth is still largely undermined by the ongoing US-China trade tensions, positive signs in the automotive markets across Europe and South America and the interest rate cut in Russia should boost demand for end-use aluminium in the upcoming year.

Another source for future growth will come from the rising consumer demand for green aluminium as sustainability continues to advance as a major issue in the industry. Being one of the leading producers of green aluminium globally, RUSAL is ready to provide new opportunities for environmentally concerned consumers and investors. For instance, we have recently signed the first sustainability-linked pre-export finance facility in Russia for over USD1 billion. The interest rate is subject to either a discount or premium depending on the Company’s fulfilment of the sustainability KPIs. This demonstrates high level of trust towards the Company’s sustainability initiatives, including ALLOW low-carbon aluminium brand, from the investment and banking community.”

Evgenii Nikitin
Chief Executive Officer

8 November 2019

Financial and Operating Highlights

	Three months ended		Change quarter on quarter, % (3Q to 3Q)	Three months ended 30 June 2019 <i>unaudited</i>	Change quarter on quarter, % (3Q to 2Q)	Nine months ended		Change nine months on nine months, %
	30 September					30 September		
	2019 <i>unaudited</i>	2018 <i>unaudited</i>				2019 <i>unaudited</i>	2018 <i>unaudited</i>	
Key operating data								
<i>('000 tonnes)</i>								
Aluminium	942	940	0.2%	939	0.3%	2,809	2,810	0.0%
Alumina	1,958	2,000	(2.1%)	1,918	2.0%	5,808	5,816	(0.1%)
Bauxite	3,948	3,848	2.6%	4,242	(6.9%)	12,021	10,128	18.7%
Key pricing and performance data								
<i>('000 tonnes)</i>								
Sales of primary aluminium and alloys	1,091	1,046	4.3%	1,082	0.8%	3,069	2,794	9.8%
<i>(USD per tonne)</i>								
Production cost per tonne in Aluminium segment ¹	1,612	1,624	(0.7%)	1,674	(3.7%)	1,640	1,658	(1.1%)
Aluminium price per tonne quoted on the LME ²	1,761	2,056	(14.3%)	1,793	(1.8%)	1,804	2,158	(16.4%)
Average premiums over LME price ³	145	167	(13.2%)	146	(0.7%)	132	166	(20.5%)
Average sales price	1,896	2,274	(16.6%)	1,970	(3.8%)	1,937	2,304	(15.9%)
Alumina price per tonne ⁴	300	544	(44.9%)	362	(17.1%)	349	483	(27.7%)

¹ For any period, "Production cost per tonne in Aluminium segment" is calculated as aluminium segment revenue (excluding sales of third parties' metal and other products sales) less aluminium segment results less amortisation and depreciation (excluding margin on sales of third parties' metal and intersegment margin) divided by sales volume of the aluminium segment (excluding volumes of third parties' aluminium sold).

² Aluminium price per tonne quoted on the LME represents the average of the daily closing official London Metals Exchange ("LME") prices for each period.

³ Average premiums over LME realized by the Company based on management accounts.

⁴ The average alumina price per tonne provided in this table is based on the daily closing spot prices of alumina according to Non-ferrous Metal Alumina Index FOB Australia USD per tonne.

	Three months ended		Change quarter on quarter, % (3Q to 3Q)	Three months ended 30 June 2019 <i>unaudited</i>	Change quarter on quarter, % (3Q to 2Q)	Nine months ended		Change nine months on nine months, %
	30 September 2019 <i>unaudited</i>	2018 <i>unaudited</i>				30 September 2019 <i>unaudited</i>	2018 <i>unaudited</i>	
Key selected data from the consolidated interim condensed statement of income								
<i>(USD million)</i>								
Revenue	2,486	2,918	(14.8%)	2,566	(3.1%)	7,222	7,915	(8.8%)
Adjusted EBITDA	237	676	(64.9%)	302	(21.5%)	765	1,800	(57.5%)
margin (% of revenue)	9.5%	23.2%	NA	11.8%	NA	10.6%	22.7%	NA
Profit for the period	194	597	(67.5%)	352	(44.9%)	819	1,549	(47.1%)
margin (% of revenue)	7.8%	20.5%	NA	13.7%	NA	11.3%	19.6%	NA
Adjusted Net (Loss)/Profit for the period	(34)	338	NA	5	NA	(132)	873	NA
margin (% of revenue)	(1.4%)	11.6%	NA	0.2%	NA	(1.8%)	11.0%	NA
Recurring Net Profit for the period	240	623	(61.5%)	366	(34.4%)	906	1,594	(43.2%)
margin (% of revenue)	9.7%	21.4%	NA	14.3%	NA	12.5%	20.1%	NA

Key selected data from consolidated interim condensed statement of financial position

	As at	Change nine months on year end, %	
	30 September 2019 <i>(unaudited)</i>	31 December 2018	
<i>(USD million)</i>			
Total assets	17,549	15,777	11.2%
Total working capital ⁵	2,249	2,834	(20.6%)
Net Debt ⁶	6,833	7,442	(8.2%)

Key selected data from consolidated interim condensed statement of cash flows

	Nine months ended	Change nine months on nine months, %	
	30 September 2019 <i>(unaudited)</i>	30 September 2018 <i>(unaudited)</i>	
<i>(USD million)</i>			
Net cash flows generated from operating activities	1,230	742	65.8%
Net cash flows used in investing activities	(8)	(280)	(97.1%)
of which dividends from Norilsk Nickel	523	402	30.1%
of which CAPEX ⁷	(556)	(580)	(4.1%)
Interest paid	(420)	(363)	15.7%

⁵ Total working capital is defined as inventories plus trade and other receivables minus trade and other payables.

⁶ Net Debt is calculated as Total Debt less cash and cash equivalents as at the end of any period. Total Debt refers to UC RUSAL's loans and borrowings and bonds outstanding at the end of any period.

⁷ CAPEX is defined as payment for the acquisition of property, plant and equipment and intangible assets.

OVERVIEW OF TRENDS IN THE ALUMINIUM INDUSTRY AND BUSINESS ENVIRONMENT

Aluminum demand

The global manufacturing PMI rose from 49.5 to 49.7 in September, two consecutive months of growth for the first time since 2017. This was mostly due to the jump in China's PMI index. However global manufacturing remains in contraction (since PMI is below 50 points). Also growth looks to have accelerated in the emerging economies, mainly due to a policy-driven rebound in India. Despite this, there appears to have been a slowdown in the developed world as a whole, with the US and the euro-zone both posting slightly slower rates than in 2Q19. There are some signs that industrial production and exports, which have been the weakest parts of the global economy in recent months, may be bottoming out. But the trade tension between China and the U.S is still unsolved and continue to cause uncertainty in the market.

As a result 3Q19 was disappointing and led to further deterioration in aluminium demand compared to 2Q19. Global primary aluminium demand decreased to almost zero growth in 9M19 year-on-year ("YoY"), and was at 49.5 million tonnes (ex-China it was down 1.5% YoY at 21.9 million tonnes and in China it was up by 1.4% YoY, to 27.6 million tonnes).

In Europe, primary aluminium demand deteriorated by 1.6% to 6.5 million tonnes in 9M19. The European manufacturing PMI in September dropped to the lowest level in 7 years of 45.7 in September due to the sharp decline in output, new orders and purchasing. Meanwhile, stabilization of automotive production in major European economies, especially, Germany and Turkey, in August and September 2019 showed first signs of economic recovery that should boost demand for end-use aluminium.

In North America, primary aluminium demand moderately contracted decreased by 1.7% to 5.0 million tonnes in 9M19. The long-lasting recession on construction volumes stopped, following by four months of sound production growth in this sector (+3.3% in 3Q19). Meanwhile, North American light vehicle production decreased by 5.4% in August and 3.2% in September YoY. The average age of light vehicles in operation in the United States has risen again to 11.8 years as consumers continue to hold onto cars and light trucks longer resulting in a positive outlook for car manufacturers in the near future. The ongoing light weighting process in car manufacturing keeps ABS shipments in double digit growth, while the extrusions and electrical conductor shipments show a negative trend.

In South America, primary aluminium demand declined by 4.2% to 0.9 million tonnes mainly driven by the financial crisis in Argentina, which also negatively affected Brazilian automotive exports since Argentina was the largest sales market. Meanwhile, there are optimistic expectations about restoring the Brazilian automotive market (+2.5% in 9M19) on the back of growing internal demand together with strong improvements to manufacturing conditions in June which is expected to stimulate aluminium consumption in 4Q19.

Asian primary aluminium demand expanded by 0.5% to 1.6 million tonnes in India and declined by 2.6% to 4.8 million tonnes in other parts of Asia ex. China in 9M19. Since the start of the year India lost its growth momentum mainly on the back of slower output and employment growth which pushed the manufacturing PMI to the lowest level in 2019 of 51.4. While temporary factors like stress in the non-banking finance company sector could be the main driver for this slowdown, other structural problems might be taken into consideration by the new government. The Japanese economy continued to show signs of weakness strongly associated with lower exports amid the US-China trade war.

Domestic Russian demand of primary aluminium decreased by 3.2% to 0.8 million tonnes in 9M19, which partly offset low figures of 1H19. Automotive production increased by around 1.0% in 9M19 with almost no growth in commercial vehicles. Russian manufacturing PMI indicated on a variety of strong manufacturing problems, including faster contractions in output and new orders, and recorded 46.3 in September. Meanwhile, Russian Central Bank recently announced interest rate cut by 0.5% to 6.5%, which is set to boost economic growth.

In China, manufacturing activity continued to rise for a second straight month in September, with the Caixin manufacturing PMI of 51.4 up from 50.4 in August. The property sector is strongly supporting economic growth with floor space under construction and housing starts up 8.7% Y-Y and 8.6% respectively in 9M19, as well auto production and sales have significantly improved in Q319 vs Q219 with now overall growth at 3.5% and 1.5% QoQ respectively.

Aluminum supply

The rest of the world (“**RoW**”) aluminium production grew during 9M19 by 1.3% to 20.9 million tonnes and this negatively impacted premiums, the LME price and inventory buildup.

Overall, RoW aluminum market was in a deficit of around 1 million tonnes during 9M19.

Looking at the cash cost curve, in the RoW today, around 18% of smelters or 5 million tonnes operate at a loss despite the decline in cost of raw materials. Unless this leads to production cuts, it is expected that the LME price will stay depressed in 4Q19.

Chinese supply both for domestic production and exports was significantly reduced in 3Q19 compared to the previous quarter and is likely to impact the supply into the RoW and thus provide some support to the LME price going forward.

Operating capacity in China during 9M19 has decreased due to series of disruptions in the Shandong province and now stands at 35.7 million tonnes at the end of 3Q19 compared to 36.6 million tonnes at the end of 2Q19. Overall production in China during 9M19 was 26.7 million tonnes, down 1.7% compared to the same period of 2018. Chinese regional stocks continued their strong decline in 3Q19 and are now below 945 thousand tonnes vs 1.05 million tonnes at the end 3Q19.

During 9M19, China's exports of unwrought aluminum and aluminum rose 2.9% YoY to 4.4 million tonnes, although this was more a result of a first 5M19 growth, with the gains being gradually eroded since June. Exports growth slowed to 2.4% in 9M19 YoY vs a 5.3% rise observed in 8M19 YoY.

2019 Outlook

We expect that global primary aluminium demand will be unchanged year-on-year in 2019 to 66 million tonnes, and the overall balance to be in deficit of around 1 million tonnes. Overall uncertainty in the market due to trade tensions between China and the U.S. coupled with a global contraction of manufacturing activity may continue negatively affect aluminium prices by end of this year.

BUSINESS REVIEW

Aluminium production

Aluminium production in 3Q19 totaled 942 thousand tonnes (+0.3% quarter-on-quarter (“QoQ”)), with Siberian smelters representing 93% of total aluminium output.

In 3Q19, aluminium sales amounted to 1,091 thousand tonnes (+0.8% QoQ). During that period, sales of value added products (“VAP”) increased to 430 thousand tonnes (+3.9% QoQ) continuing gradual recovery of VAP share in total sales mix to 40% in 3Q19, compared to 38% in 2Q19 and 29% in 1Q19, that was then affected by external market drivers related to the OFAC Sanctions.

In 3Q19, the average aluminium realized price decreased by 3.8% QoQ to USD1,896/t, as a result of decrease of the LME QP component (-4.0% QoQ to USD1,751/t).

Alumina production

In 3Q19, total alumina production slightly increased by 2.1% QoQ, to 1,958 thousand tonnes. The Company's Russian operations accounted for 35% of total output.

Bauxite production

In 3Q19, bauxite production decreased by 6.9% QoQ, to 3,948 thousand tonnes. Nepheline production decreased by 11.1% QoQ, to 1,017 thousand tonnes.

FINANCIAL OVERVIEW

Revenue

	Three months ended 30 September		Change quarter on quarter, % (3Q to 3Q)	Three months ended 30 June 2019 <i>(unaudited)</i>	Change quarter on quarter, % (3Q to 2Q)	Nine months ended 30 September		Change nine months on nine months, %
	2019	2018				2019	2018	
	<i>(unaudited)</i>	<i>(unaudited)</i>		<i>(unaudited)</i>		<i>(unaudited)</i>	<i>(unaudited)</i>	
Sales of primary aluminium and alloys								
USD million	2,069	2,379	(13.0%)	2,131	(2.9%)	5,946	6,438	(7.6%)
Kt	1,091	1,046	4.3%	1,082	0.8%	3,069	2,794	9.8%
<i>Average sales price (USD/t)</i>	1,896	2,274	(16.6%)	1,970	(3.8%)	1,937	2,304	(15.9%)
Sales of alumina								
USD million	162	272	(40.4%)	168	(3.6%)	502	719	(30.2%)
Kt	450	504	(10.7%)	396	13.6%	1,241	1,457	(14.8%)
<i>Average sales price (USD/t)</i>	360	540	(33.3%)	424	(15.1%)	405	493	(17.8%)
Sales of foil and other aluminium products (USD million)	112	104	7.7%	114	(1.8%)	317	274	15.7%
Other revenue (USD million)	143	163	(12.3%)	153	(6.5%)	457	484	(5.6%)
Total revenue (USD million)	<u>2,486</u>	<u>2,918</u>	<u>(14.8%)</u>	<u>2,566</u>	<u>(3.1%)</u>	<u>7,222</u>	<u>7,915</u>	<u>(8.8%)</u>

Total revenue decreased by USD693 million, or 8.8% to USD7,222 million in the nine months ended 30 September of 2019 from USD7,915 million in the corresponding period of 2018.

Revenue from sales of primary aluminium and alloys decreased by USD492 million, or by 7.6%, to USD5,946 million for the nine months ended 30 September of 2019, as compared to USD6,438 million for the corresponding period in 2018, primarily due to 15.9% decrease in the weighted-average realized aluminium price per tonne (to an average of USD1,937 per tonne in nine months of 2019 from USD2,304 per tonne in the nine months of 2018) driven by a decrease in the LME aluminium price (to an average of USD1,804 per tonne in nine months ended 30 September of 2019 from USD2,158 per tonne in the corresponding period of 2018), which was partially offset by a 9.8% increase in primary aluminium and allows sales volume.

Revenue from sales of alumina decreased by 30.2% to USD502 million for the nine months ended 30 September of 2019 from USD719 million in the corresponding period of 2018 due a decrease in the sales volumes by 14.8% together with a decrease in the average sales price by 17.8%.

Revenue from sales of foil and other aluminium products increased by USD43 million, or by 15.7%, to USD317 million for the nine months ended 30 September of 2019, as compared to USD274 million for the corresponding period in 2018, due to an increase in revenue from sales of aluminium wheels by USD58 million between the comparable periods, compensated by the 6.0% decrease in revenue from sales of foil due to the lower realized prices in the reporting period as compared to the same period of the prior year.

Revenue from other sales, including sales of bauxite and energy services decreased by 5.6% to USD457 million in the nine months ended 30 September of 2019 from USD484 million in the same period of 2018 due to a decrease in sales of other materials.

Cost of sales

The following table demonstrates the breakdown of UC RUSAL's cost of sales for the nine months ended 30 September 2019 and 2018:

	Nine months ended 30 September		Change, %	Share of costs, %
	2019	2018		
	(unaudited)	(unaudited)		
<i>(USD million)</i>				
Cost of alumina	563	660	(14.7%)	9.3%
Cost of bauxite	364	364	0.0%	6.0%
Cost of other raw materials and other costs	1,874	2,192	(14.5%)	31.2%
Purchases of primary aluminium from JV	328	234	40.2%	5.5%
Energy costs	1,566	1,618	(3.2%)	26.1%
Depreciation and amortisation	402	372	8.1%	6.7%
Personnel expenses	382	441	(13.4%)	6.3%
Repairs and maintenance	244	54	351.9%	4.1%
Net change in provisions for inventories	(10)	(12)	(16.7%)	(0.2%)
Change in finished goods	299	(251)	NA	5.0%
Total cost of sales	6,012	5,672	6.0%	100.0%

Total cost of sales increased by USD340 million, or 6.0%, to USD6,012 million for the nine months ended 30 September 2019, as compared to USD5,672 million for the corresponding period of 2018.

The increase was primarily driven by 9.8% increase in primarily aluminium sales volume, which was partially offset by depreciation of Russian Rouble against US dollar between the comparable periods.

Cost of alumina decreased to USD563 million for the nine months ended 30 September of 2019 as compared to USD660 million for the same period of 2018 primarily due to the decrease in alumina purchase price by 14.0% between the periods.

Cost of raw materials (other than alumina and bauxite) and other costs decreased by 14.5% for the nine months ended 30 September of 2019 compared to the same period of 2018, due to a decrease in raw materials purchase price (prices for the calcined petroleum coke by 10.2%, raw pitch coke by 6.7%, anode blocks by 16.5%, caustic soda by 35.9%).

Energy costs decreased by 3.2% for the nine months ended 30 September of 2019 compared to the same period of 2018 due to depreciation of Russian Rouble against US dollar and a decrease in the average electricity prices between the same periods.

The finish goods mainly consist of primary aluminium and alloys (app. 94%). The dynamic of change between the reporting periods was primarily driven by the fluctuations of primary aluminium and alloys physical inventory between the reporting dates: 24.0% decrease in the nine months ended 30 September of 2019 and 21.2% increase in the same period of 2018.

Gross profit

As a result of the foregoing factors, UC RUSAL reports a gross profit of USD1,210 million for the nine months ended 30 September 2019 as compared to USD2,243 million for the same period of 2018, representing gross margins over the periods of 16.8% and 28.3%, respectively.

Adjusted EBITDA and Results from operating activities

<i>(USD million)</i>	Nine months ended 30 September		Change nine months on nine months, %
	2019 <i>(unaudited)</i>	2018 <i>(unaudited)</i>	
Reconciliation of Adjusted EBITDA			
Results from operating activities	265	1,247	(78.7%)
Add:			
Amortisation and depreciation	415	383	8.4%
Impairment of non-current assets	71	166	(57.2%)
Loss on disposal of property, plant and equipment	14	4	250.0%
Adjusted EBITDA	765	1,800	(57.5%)

Adjusted EBITDA, defined as results from operating activities adjusted for amortization and depreciation, impairment charges and loss on disposal of property, plant and equipment, decreased to USD765 million in the nine months ended 30 September of 2019, as compared to USD1,800 million for the corresponding period of 2018. The factors that contributed to the decrease in Adjusted EBITDA margin were the same that influenced the operating results of the Company.

Results from operating activities decreased in the nine months ended 30 September of 2019 by 78.7% to USD265 million, as compared to USD1,247 million for the corresponding period of 2018, representing operating margins of 3.7% and 15.8%, respectively.

Finance income and expenses

<i>(USD million)</i>	Nine months ended 30 September		Change, year-on- year
	2019 (unaudited)	2018 (unaudited)	
Finance income			
Interest income on third party loans and deposits	29	15	93.3%
Interest income on loans to related party			
– <i>companies related through parent company</i>	1	1	0.0%
Change in fair value of derivative financial instruments, including:			
<i>Change in fair value of embedded derivatives</i>	–	123	(100.0%)
<i>Change in other derivatives instruments</i>	–	11	(100.0%)
	–	112	(100.0%)
	30	139	(78.4%)
Finance expenses			
Interest expense on bank loans and company loans, bonds and other bank charges, including	(425)	(366)	16.1%
<i>Interest expense</i>	(396)	(344)	15.1%
<i>Bank charges</i>	(29)	(22)	31.8%
Interest expense on company loans from related parties			
– <i>companies exerting significant influence</i>	(9)	(1)	800.0%
Interest expense on provisions	(3)	(3)	0.0%
Net foreign exchange loss	(56)	(132)	(57.6%)
Change in fair value of derivative financial instruments, including:			
<i>Change in fair value of embedded derivatives</i>	(13)	–	100.0%
<i>Change in other derivatives instruments</i>	13	–	100.0%
	(26)	–	100.0%
Lease interest cost	(3)	–	100.0%
	(509)	(502)	1.4%

Finance income decreased by USD109 million, or 78.4% to USD30 million in the nine months of 2019 compared to USD139 million for the same period of 2018 primarily due to net loss on change in fair value of derivative financial instruments for the nine months of 2019 as compared to the net profit from this item for the nine months of 2018.

Finance expenses were almost flat between the comparable periods, primarily due to 16.1% increase in interest expense and other bank charges, which were offset by a 57.6% decrease in foreign exchange loss.

Share of profits of associates and joint ventures

<i>(USD million)</i>	Nine months ended 30 September		Change, year-on- year
	2019 <i>(unaudited)</i>	2018 <i>(unaudited)</i>	
Share of profits of Norilsk Nickel, <i>with Effective shareholding of</i>	1,095 <i>27.82%</i>	768 <i>27.82%</i>	42.6%
Share of profits of associates	<u>1,095</u>	<u>768</u>	42.6%
Share of profits of joint ventures	<u>62</u>	<u>41</u>	51.2%

Share of profits of associates was USD1,095 million in the nine months ended 30 September 2019 and USD768 million for the corresponding period in 2018. Share of profits of associates in both periods resulted primarily from the Company's investment in Norilsk Nickel.

As stated in Note 10 to the consolidated interim condensed financial information for the three- and nine-month periods ended 30 September 2019, 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 nine-month period ended 30 September 2019. Consequently the Group estimated its share in the profits, other comprehensive income and foreign currency translation of Norilsk Nickel for the period ended 30 September 2019 based on publicly available information reported by Norilsk Nickel.

The market value of the investment in Norilsk Nickel at 30 September 2019 was USD11,406 million as compared to USD8,286 million as at 31 December 2018.

Share of profits of joint ventures was USD62 million in the nine months of 2019 compared to a profit of USD41 million for the same period in 2018. This represents the Company's share of profits in joint ventures, namely BEMO, LLP Bogatyr Komir and Mega Business and Alliance (transportation business in Kazakhstan).

Net Profit for the period

As a result of the above, the Company recorded a profit of USD819 million for the nine months ended 30 September of 2019, as compared to USD1,549 million for the same period of 2018.

Adjusted and Recurring Net (Loss)/Profit

	Three months ended		Change	Three	Change	Nine months ended		Change, year-on- year
	30 September 2019	2018	quarter- on- quarter, % (3Q to 3Q)	months ended 30 June 2019	quarter on quarter, % (3Q to 2Q)	30 September 2019	2018	
<i>(USD million)</i>	<i>unaudited</i>	<i>unaudited</i>		<i>unaudited</i>		<i>unaudited</i>	<i>unaudited</i>	
Reconciliation of Adjusted Net (Loss)/Profit								
Net profit for the period	194	597	(67.5%)	352	(44.9%)	819	1,549	(47.1%)
Adjusted for:								
Share of profits and other gains and losses attributable to Norilsk Nickel, net of tax effect	(274)	(285)	(3.9%)	(361)	(24.1%)	(1,038)	(721)	44.0%
Change in the fair value of derivative financial liabilities, net of tax (20%)	24	(17)	NA	(10)	NA	16	(121)	NA
Impairment of non-current assets, net of tax	22	43	(48.8%)	24	(8.3%)	71	166	(57.2%)
Adjusted Net (Loss)/Profit	(34)	338	NA	5	NA	(132)	873	NA
Add back:								
Share of profits of Norilsk Nickel, net of tax	274	285	(3.9%)	361	(24.1%)	1,038	721	44.0%
Recurring Net Profit	240	623	(61.5%)	366	(34.4%)	906	1,594	(43.2%)

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

Segment reporting

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

The core segments are Aluminium and Alumina.

	Nine months ended 30 September			
	2019		2018	
(USD million)	Aluminium (unaudited)	Alumina (unaudited)	Aluminium (unaudited)	Alumina (unaudited)
Segment revenue				
<i>kt</i>	2,987	5,653	2,725	5,634
<i>USD million</i>	5,767	1,890	6,238	2,039
Segment result	597	(20)	1,461	209
Segment EBITDA ⁸	868	72	1,719	290
Segment EBITDA margin	15.1%	3.8%	27.6%	14.2%
Total capital expenditure	343	161	188	223

In the nine months ended 30 September 2019 and 2018, respectively, segment result margins (calculated as the percentage of segment result to total segment revenue) from continuing operations were 10.4% and 23.4% for the aluminium segment, and negative 1.1% and positive 10.3% for the alumina segment. Key drivers for the decrease in margin are disclosed in "Cost of sales" and "Adjusted EBITDA and Results from operating activities" above. Detailed segment reporting can be found in the consolidated interim condensed financial information as at and for the three- and nine-month periods ended 30 September 2019.

Capital expenditure

	Nine months ended 30 September	
	2019 (unaudited)	2018 (unaudited)
(USD million)		
Development capex	260	288
Maintenance		
Pot rebuilds costs	96	75
Re-equipment	200	217
Total capital expenditure	556	580

The BEMO project companies utilise the project financing proceeds to make necessary contributions to the ongoing construction projects and do not require contributions from the joint ventures partners at this time.

⁸ Segment EBITDA for any period is defined as segment result adjusted for amortisation and depreciation for the segment.

Auditors' conclusion on the review of consolidated interim condensed financial information

The Company notes that its auditor, JSC KPMG, has provided a qualified conclusion in its review of the unaudited consolidated interim condensed financial information of the Company for the three and nine months ended 30 September 2019 as it was unable to obtain and review the consolidated interim financial information of Norilsk Nickel. An extract from the review report provided by JSC KPMG on the consolidated interim condensed financial information of the Company dated 7 November 2019 is as follows:

Basis for Qualified Conclusion

We were unable to obtain and review consolidated interim condensed financial information of the Group's equity investee, PJSC MMC Norilsk Nickel ("**Norilsk Nickel**"), supporting the Group's estimate of the share of profit of USD304 million and USD1,095 million for the three- and nine-month periods ended 30 September 2019 and USD310 million and USD768 million for the three- and nine-month periods ended 30 September 2018, respectively, other comprehensive income of USD nil million for both the three- and nine-month periods ended 30 September 2019 and USD nil million for both the three- and nine-month periods ended 30 September 2018, the foreign currency translation loss of USD70 million and the foreign currency translation gain USD250 million for the three- and nine-month periods ended 30 September 2019 and foreign currency translation loss of USD181 million and USD537 million for the three- and nine-month periods ended 30 September 2018, respectively, and the carrying value of the Group's investment in the investee stated at USD3,262 million as at 30 September 2019 and USD3,099 million as at 30 September 2018. Had we been able to complete our review procedures in respect of interests in associates, matters might have come to our attention indicating that adjustments might be necessary to this consolidated interim condensed financial information.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 September 2019, and for the three- and nine-month periods ended 30 September 2019 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Consolidated interim condensed financial information

The unaudited consolidated interim condensed financial information of UC RUSAL for the three and nine months ended 30 September 2019 was approved by the Directors of UC RUSAL on 7 November 2019, and reviewed by the audit committee of the Company (the "**Audit Committee**").

Audit Committee

The board of directors of the Company (the "**Board**") established an Audit Committee to assist it in providing an independent view of the effectiveness of the Company's financial reporting process, risk management and internal control systems, and internal audit function, to oversee the audit process and to perform other duties and responsibilities as are assigned to the Audit Committee by the Board. The Audit Committee is assisted by the Company's internal audit function which undertakes both regular and ad hoc reviews of risk management, internal controls and procedures, the results of which are reported to the Audit Committee. The Audit Committee consists of independent non-executive Directors. The members are as follows: Mr. Maxim Poletaev (chairman of the committee, independent non-executive Director), Dr. Elsie Leung Oi-sie (independent non-executive Director), Mr. Dmitry Vasiliev (independent non-executive Director) and Mr. Kevin Parker (independent non-executive Director).

On 7 November 2019, the Audit Committee has reviewed the financial results of the Company for the nine months ended 30 September 2019.

Compliance

The Directors confirm that the information contained in this announcement does not contain any false statements, misleading representations or material omissions, and all of them jointly and severally accept responsibility as to the truthfulness, accuracy and completeness of the content of this announcement.

Material events over the nine months of 2019 and since the end of that period

The following is a summary of the key events that have taken place over the nine months of 2019 and since the end of that period. All information regarding key events that has been made public by the Company for the nine months ended 30 September of 2019 and since the end of that period pursuant to legislative or regulatory requirements, including announcements and press releases, is available on the Company's website (www.rusal.com).

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|-------------------|--|
| 5 September 2019 | RUSAL announced the closure of the book building process for the third placement of its 10-year ruble-denominated bonds. It has a three year put option on the Moscow Exchange with the nominal value of 15 billion rubles and a coupon rate of 8.25% p.a., a record low for the Company. |
| 23 September 2019 | RUSAL announced that plans to enter into a new five-year USD750 million Sustainability Linked Pre-Export Finance (PXF) facility. It will be the first ever sustainability linked syndicated facility arranged by international commercial banks in Russia. The proceeds of the facility will be used to partly refinance the principal outstanding under the existing up to USD2 billion pre-export finance facility that was drawn in May 2017. |
| 22 October 2019 | RUSAL has processed and sold over 50% of the waste generated by its smelters during the last 10 years, further demonstrating its commitment to being a leading sustainable producer. The processing level of the red and nepheline mud at the alumina refineries amounts to about 10%, which makes RUSAL leader in alumina mud processing among the global aluminium companies. |
| 28 October 2019 | RUSAL announced the signing of a new five-year sustainability-linked pre-export finance facility for USD1,085,000,000. The size of the facility increased from the initially announced USD750 million as the market supports the Company's commitment to low-carbon aluminium technologies and green aluminium production. |

Forward-looking statements

This announcement contains statements about future events, projections, forecasts and expectations that are forward-looking statements. Any statement in this announcement that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risk and uncertainties include those discussed or identified in annual report for the year ended 31 December 2018 and interim report for the six months ended 30 June 2019 for UC RUSAL. In addition, past performance of UC RUSAL cannot be relied on as a guide to future performance. UC RUSAL makes no representation on the accuracy and completeness of any of the forward-looking statements, and, except as may be required by applicable law, assumes no obligations to supplement, amend, update or revise any such statements or any opinion expressed to reflect actual results, changes in assumptions or in UC RUSAL's expectations, or changes in factors affecting these statements. Accordingly, any reliance you place on such forward-looking statements will be at your sole risk.

By Order of the board of directors of
United Company RUSAL Plc
Aby Wong Po Ying
Company Secretary

8 November 2019

As at the date of this announcement, the executive Directors are Mr. Evgenii Nikitin, Mr. Evgenii Vavilov and Mr. Evgeny Kuryanov, the non-executive Directors are Mr. Marco Musetti, Mr. Vyacheslav Solomin and Mr. Vladimir Kolmogorov, and the independent non-executive Directors are Mr. Kevin Parker, Mr. Nick Jordan, Mr. Christopher Burnham, Mr. Maxim Poletaev, Mr. Randolph N. Reynolds, Dr. Elsie Leung Oi-sie, Mr. Dmitry Vasiliev and Mr. Bernard Zonneveld (Chairman).

All announcements published by the Company are available on its website under the links: <http://www.rusal.ru/en/investors/info.aspx> and <http://rusal.ru/investors/info/moex>, respectively.