RUSAL

# 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 2018

**Key highlights**

- The information presented in this Results Announcement only reflects the position of United Company RUSAL Plc ("UC RUSAL" or the "Company", together with its subsidiaries, the "Group") during the review period from 1 January to 30 September 2018 (the "Review Period").

- Adverse effect of the OFAC Sanctions resulted in extraordinary low sales volume reported by the Company in the second quarter of 2018. Compared to this low base level there was a one-off recovery of sales volume through the third quarter of 2018.

- Thus, the Company reported 33.6% growth in volumes of primary aluminium and alloys sold in the third quarter of 2018 upon the extension of Company's general licenses, after a significant reduction in the second quarter of 2018. Revenue in the third quarter of 2018 increased by 18.6% to USD2,918 million as compared to USD2,460 million in the third quarter of 2017. The result was an improvement of financial and operating indicators in the third quarter of 2018.

- Sales of primary aluminium and alloys for the nine months of 2018 decreased by 5.4% to 2,794 thousand tonnes, as compared to 2,955 thousand tonnes sold through nine months of 2017, while sales of alumina dropped by 4.5% to 1,457 thousand tonnes for the nine months 2018, as compared to 1,526 thousand tonnes sold through nine months of 2017. Revenue for the nine months of 2018 increased by 9.6% to USD7,915 million as compared to USD7,224 million for the nine months of 2017 which reflects higher average aluminium sales price, premiums and alumina prices.

- The third quarter of 2018 was characterized by the rising aluminium market deficit outside of China, as well as the decline in available aluminium stocks to lowest levels in ten years. The situation has caused upside price volatility at the highest levels.

- As a result of the above and due to the depreciation of Russian Rouble against US dollar in the third quarter of 2018, the Company profit for the third quarter of 2018 increased by 46.3% to USD597 million, as compared to USD408 million in the second quarter of the year. However the adjusted net profit (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) for the nine months of 2018 increased by 20.1% to USD873 million as compared to USD727 million for the nine months of 2017.

- Production cost per tonne in aluminium segment amounted to USD 1,658 and increased by 12.3% in the nine months of 2018 as compared to the same period of 2017 as a result of significant increase in electricity, key raw materials prices and railway transportation tariffs.

- On 6 April 2018, the Office of Foreign Assets Control ("OFAC") of the Department of Treasury of the United States of America (the "U.S. Treasury") designated, amongst others, the Company, to be added to its Specially Designated Nationals ("SDN") List (the "OFAC Sanctions").

- OFAC may authorize certain types or categories of activities and transactions that would otherwise be prohibited under the U.S. sanctions program by issuing a general license. As of the date of the report being published, OFAC has issued a number of general licenses. Currently there are two general licenses directly relating to the Company, as extended by OFAC on 21 September 2018 and on 12 October 2018:

  - General License 14B, authorizing all transactions ordinarily incident and necessary for maintenance or wind down of operations, contracts or other agreements (including the importation of goods, services, or technology into the United States) — expires on 12 December 2018;

  - General License 13E, authorizing all transactions and activities that are ordinarily incident and necessary (1) to divest or transfer debt, equity, or other holdings in the Company to a non-U.S. person, or (2) to facilitate the transfer of debt, equity, or other holdings in the Company by a non-U.S. person to another non-U.S. person — expires on 12 December 2018.

- Whilst the Company continuously monitors 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 of the Group. 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.

## Financial and Operating Highlights

| | Three months ended 30 September 2018 | 2017 | Change quarter on quarter, % (3Q to 3Q) | Three months ended 30 June 2018 | Change quarter on quarter, % (3Q to 2Q) | Nine months ended 30 September 2018 | 2017 | Change nine months on nine months, % |
|---|---|---|---|---|---|---|---|---|
| | *unaudited* | *unaudited* | | *unaudited* | | *unaudited* | *unaudited* | |
| **Key operating data** | | | | | | | | |
| *('000 tonnes)* | | | | | | | | |
| Aluminium | 940 | 931 | 1.0% | 939 | 0.1% | 2,810 | 2,762 | 1.7% |
| Alumina | 2,000 | 1,965 | 1.8% | 1,924 | 4.0% | 5,816 | 5,782 | 0.6% |
| Bauxite | 3,848 | 2,742 | 40.3% | 3,320 | 15.9% | 10,128 | 8,701 | 16.4% |
| **Key pricing and performance data** | | | | | | | | |
| *('000 tonnes)* | | | | | | | | |
| Sales of primary aluminium and alloys | 1,046 | 968 | 8.1% | 783 | 33.6% | 2,794 | 2,955 | (5.4%) |
| *(USD per tonne)* | | | | | | | | |
| Production cost per tonne in Aluminium segment[1] | 1,624 | 1,520 | 6.8% | 1,672 | (2.9%) | 1,658 | 1,477 | 12.3% |
| Aluminium price per tonne quoted on the LME[2] | 2,056 | 2,011 | 2.2% | 2,259 | (9.0%) | 2,158 | 1,924 | 12.2% |
| Average premiums over LME price[3] | 167 | 162 | 3.1% | 156 | 7.1% | 166 | 163 | 1.8% |
| Average sales price | 2,274 | 2,124 | 7.1% | 2,317 | (1.9%) | 2,304 | 2,051 | 12.3% |
| Alumina price per tonne[4] | 544 | 310 | 75.5% | 522 | 4.2% | 483 | 315 | 53.3% |

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 30 September 2018 | 2017 | Change quarter on quarter, % (3Q to 3Q) | Three months ended 30 June 2018 | Change quarter on quarter, % (3Q to 2Q) | Nine months ended 30 September 2018 | 2017 | Change nine months on nine months, % |
|---|---|---|---|---|---|---|---|---|
| | *unaudited* | *unaudited* | | *unaudited* | | *unaudited* | *unaudited* | |
| **Key selected data from the consolidated interim condensed statement of income** | | | | | | | | |
| *(USD million)* | | | | | | | | |
| Revenue | 2,918 | 2,460 | 18.6% | 2,253 | 29.5% | 7,915 | 7,224 | 9.6% |
| Adjusted EBITDA | 676 | 549 | 23.1% | 552 | 22.5% | 1,800 | 1,534 | 17.3% |
| margin (% of revenue) | 23.2% | 22.3% | NA | 24.5% | NA | 22.7% | 21.2% | NA |
| Profit for the period | 597 | 312 | 91.3% | 408 | 46.3% | 1,549 | 782 | 98.1% |
| margin (% of revenue) | 20.5% | 12.7% | NA | 18.1% | NA | 19.6% | 10.8% | NA |
| Adjusted Net Profit for the period | 338 | 262 | 29.0% | 218 | 55.0% | 873 | 727 | 20.1% |
| margin (% of revenue) | 11.6% | 10.7% | NA | 9.7% | NA | 11.0% | 10.1% | NA |
| Recurring Net Profit for the period | 623 | 436 | 42.9% | 440 | 41.6% | 1,594 | 1,122 | 42.1% |
| margin (% of revenue) | 21.4% | 17.7% | NA | 19.5% | NA | 20.1% | 15.5% | NA |

## Key selected data from consolidated interim condensed statement of financial position

| | As at 30 September 2018 | As at 31 December 2017 | Change nine months on year end, % |
|---|---|---|---|
| | *(unaudited)* | | |
| *(USD million)* | | | |
| Total assets | 15,978 | 15,774 | 1.3% |
| Total working capital[5] | 2,583 | 1,761 | 46.7% |
| Net Debt[6] | 7,468 | 7,648 | (2.4%) |

**Key selected data from consolidated interim condensed statement of cash flows**

| | Nine months ended 30 September 2018 *(unaudited)* | Nine months ended 30 September 2017 *(unaudited)* | Change nine months on nine months, % |
|---|---|---|---|
| *(USD million)* | | | |
| Net cash flows generated from operating activities | 742 | 1,181 | (37.2%) |
| Net cash flows (used in)/generated from investing activities | (280) | 112 | NA |
| of which dividends from Norilsk Nickel | 402 | 622 | (35.4%) |
| of which CAPEX[7] | (580) | (547) | 6.0% |
| Interest paid | (363) | (385) | (5.7%) |

**Overview of Trends in the Aluminium Industry and Business Environment**

Aluminium price along with the LME basket of metals was affected by investors sell-off during second half of the third quarter of 2018 on rising trade tensions between the US and China, which may continue to adversely impact the future economic growth and industrial activity. On contrast bulk materials prices including oil, coal, iron ore and alumina/bauxite stayed high amid strong physical market and strong economic activity in the key industrial regions.

Global aluminium industry performance continues to be challenged by key raw materials supply disruptions and ever soaring production costs. Despite some relief for the Companyunder existing contracts for the supply of metal and raw materials a substantial adverse business impact is still observed due to the OFAC sanctions. This along with existing significant aluminium and alumina market deficit outside of

[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.

China, as well as continuous decline in available aluminium stocks to lowest levels in ten years, is expected to cause aluminium price volatility. Soaring raw material costs including alumina, power and carbon during the third quarter of 2018 made around 40% of global aluminium smelting capacity unprofitable at current prices.

Chinese aluminium production was cut by 1.6 million tonnes since beginning of 2018 and 9.52 million tonnes of alumina capacity compared to the same period in 2017 due to significant increase in production costs. As a result, Chinese aluminium production declined by 2% year-on-year YTD (for the 9 months of 2018) to 27.14 million tonnes and physical stocks declined by 0.7 million tonnes from its pick in the second quarter of 2018 to 1.57 million tonnes. Rising Chinese aluminium products export in the second quarter of 2018 was mainly driven by high arbitrage and available stocks coupled with slower demand in the third quarter of 2018. At the same time decline in aluminium inventories and production, significant growth in unprofitable smelting capacity as well as expected winter cuts across aluminium supply chain should positively impact Chinese aluminium balance in in the fourth quarter in 2018 and the first half of 2019.

**Outlook for 2018**

Current market conditions are largely affected by OFAC Sanctions imposed on 6 April 2018. Based on the current circumstances any forecast or outlook made or previously made should be deemed unreliable and may become irrelevant due to ongoing developments on the market at this period of time.

**Business review**

**Aluminium production**

Aluminium production for the nine months ended 30 September of 2018 totaled 2,810 thousand tonnes (+1.7% YoY), with Siberian smelters representing 94% of total aluminium output. Smelters utilization remained on average at 97%.

**Alumina production**

For the nine months ended 30 September of 2018 total alumina production increased by 0.6% YoY, totaling 5,816 thousand tonnes. Russian operations accounted for 36% of total output.

**Bauxite production**

For the nine months ended 30 September of 2018, bauxite output totaled 10,128 thousand tonnes (+16.4% YoY). Nepheline output increased by 5.6% YoY to 3,476 thousand tonnes.

## Financial Overview

### Revenue

| | Three months ended 30 September 2018 | Three months ended 30 September 2017 | Change quarter on quarter, % (3Q to 3Q) | Three months ended 30 June 2018 | Change quarter on quarter, % (3Q to 2Q) | Nine months ended 30 September 2018 | Nine months ended 30 September 2017 | Change nine months on nine months, % |
|---|---|---|---|---|---|---|---|---|
| | *(unaudited)* | *(unaudited)* | | *(unaudited)* | | *(unaudited)* | *(unaudited)* | |
| Sales of primary aluminium and alloys | | | | | | | | |
| *USD million* | 2,379 | 2,056 | 15.7% | 1,814 | 31.1% | 6,438 | 6,061 | 6.2% |
| *Kt* | 1,046 | 968 | 8.1% | 783 | 33.6% | 2,794 | 2,955 | (5.4%) |
| *Average sales price (USD/t)* | 2,274 | 2,124 | 7.1% | 2,317 | (1.9%) | 2,304 | 2,051 | 12.3% |
| Sales of alumina | | | | | | | | |
| *USD million* | 272 | 172 | 58.1% | 210 | 29.5% | 719 | 536 | 34.1% |
| *Kt* | 504 | 502 | 0.4% | 400 | 26.0% | 1,457 | 1,526 | (4.5%) |
| *Average sales price (USD/t)* | 540 | 343 | 57.4% | 525 | 2.9% | 493 | 351 | 40.5% |
| Sales of foil and other aluminium products (USD million) | 104 | 91 | 14.3% | 80 | 30.0% | 274 | 232 | 18.1% |
| Other revenue (USD million) | 163 | 141 | 15.6% | 149 | 9.4% | 484 | 395 | 22.5% |
| **Total revenue (USD million)** | **2,918** | **2,460** | **18.6%** | **2,253** | **29.5%** | **7,915** | **7,224** | **9.6%** |

Total revenue increased by USD691 million, or 9.6% to USD7,915 million in the nine months ended 30 September of 2018 from USD7,224 million in the corresponding period of 2017.

Revenue from sales of primary aluminium and alloys increased by USD377 million, or by 6.2%, to USD6,438 million for the nine months ended 30 September of 2018, as compared to USD6,061 million for the corresponding period in 2017, primarily due to 12.3% increase in the weighted-average realized aluminium price per tonne (to an average of USD2,304 per tonne in nine months of 2018 from USD2,051 per tonne in the nine months of 2017) driven by an increase in the LME aluminium price (to an average of USD2,158 per tonne in nine months ended 30 September of 2018 from USD1,924 per tonne in the corresponding period in 2017), which was partially offset by a 5.4% decrease in primary aluminium and allows sales volume.

Revenue from sales of alumina increased by 34.1% to USD719 million for the nine months ended 30 September of 2018 from USD536 million in the corresponding period of 2017 primarily due to an increase in the average sales price by 40.5%, which was partially offset by a decrease in the sales volumes by 4.5%.

Revenue from sales of foil and other aluminium products increased by USD42 million, or by 18.1%, to USD274 million for the nine months ended 30 September of 2018, as compared to USD232 million for the corresponding period in 2017, primarily due to an increase in sales of foil by USD23 million between the comparable periods following 12.3% increase in average sales price.

Revenue from other sales, including sales of bauxite and energy services increased by 22.5% to USD484 million in the nine months ended 30 September of 2018 from USD395 million in the same period of 2017 due to an increase 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 2018 and 2017:

| | **Nine months ended 30 September** | | | |
|---|---|---|---|---|
| | **2018** *(unaudited)* | **2017** *(unaudited)* | **Change, %** | **Share of costs, %** |
| *(USD million)* | | | | |
| Cost of alumina | 660 | 543 | 21.5% | 11.6% |
| Cost of bauxite | 364 | 340 | 7.1% | 6.4% |
| Cost of other raw materials and other costs | 2,192 | 1,878 | 16.7% | 38.6% |
| Purchases of primary aluminium from JV | 234 | 202 | 15.8% | 4.1% |
| Energy costs | 1,618 | 1,571 | 3.0% | 28.5% |
| Depreciation and amortisation | 372 | 351 | 6.0% | 6.6% |
| Personnel expenses | 441 | 430 | 2.6% | 7.8% |
| Repairs and maintenance | 54 | 51 | 5.9% | 1.0% |
| Net change in provisions for inventories | (12) | (3) | 300.0% | (0.2%) |
| Change in finished goods | (251) | (115) | 118.3% | (4.4%) |
| **Total cost of sales** | **5,672** | **5,248** | **8.1%** | **100.0%** |

Total cost of sales increased by USD424 million, or 8.1%, to USD5,672 million for the first nine months of 2018, as compared to USD5,248 million for the corresponding period of 2017. The increase was primarily driven by an increase in electricity prices, railway transportation tariffs and other raw material costs in the nine months ended 30 September of 2018 that was partially compensated by the lower volumes of primary aluminium and alloys sold and depreciation of Russian Rouble against US dollar between the comparable periods.

**Gross profit**

As a result of the foregoing factors, UC RUSAL reports a gross profit of USD2,243 million for the nine months ended 30 September 2018 as compared with USD1,976 million for the same period of 2017, representing gross margins over the periods of 28.3% and 27.4%, respectively.

**Adjusted EBITDA and Results from operating activities**

| *(USD million)* | **Nine months ended 30 September 2018** *(unaudited)* | **2017** *(unaudited)* | **Change nine months on nine months, %** |
|---|---|---|---|
| **Reconciliation of Adjusted EBITDA** | | | |
| Results from operating activities | 1,247 | 1,023 | 21.9% |
| Add: | | | |
| Amortisation and depreciation | 383 | 364 | 5.2% |
| Impairment of non-current assets | 166 | 139 | 19.4% |
| Loss on disposal of property, plant and equipment | 4 | 8 | (50.0%) |
| **Adjusted EBITDA** | **1,800** | **1,534** | **17.3%** |

Adjusted EBITDA, defined as results from operating activities adjusted for amortization and depreciation, impairment charges and loss on disposal of property, plant and equipment, increased to USD1,800 million in the nine months ended 30 September of 2018, as compared to USD1,534 million for the corresponding period of 2017. The factors that contributed to the increase in Adjusted EBITDA margin were the same that influenced the operating results of the Company.

Results from operating activities increased in the nine months ended 30 September of 2018 by 21.9% to USD1,247 million, as compared to USD1,023 million for the corresponding period of 2017, representing operating margins of 15.8% and 14.2%, respectively.

**Finance income and expenses**

| (USD million) | Nine months ended 30 September 2018 (unaudited) | 2017 (unaudited) | Change, year-on-year |
|---|---|---|---|
| **Finance income** | | | |
| Interest income on third party loans and deposits | 15 | 8 | 87.5% |
| Interest income on loans to related party — *companies under common control* | 1 | 1 | 0.0% |
| Foreign exchange gain | — | 9 | (100.0%) |
| Change in fair value of derivative financial instruments, including: | 123 | — | 100.0% |
| *Change in fair value of embedded derivatives* | *11* | *—* | *100.0%* |
| *Change in other derivatives instruments* | *112* | *—* | *100.0%* |
| | 139 | 18 | 672.2% |
| **Finance expenses** | | | |
| Interest expense on bank loans and company loans, bonds and other bank charges, including | (366) | (480) | (23.8%) |
| *Interest expense* | *(344)* | *(376)* | *(8.5%)* |
| *Bank charges* | *(22)* | *(104)* | *(78.8%)* |
| Interest expense on company loans from related parties — *companies exerting significant influence* | (1) | (2) | (50.0%) |
| Interest expense on provisions | (3) | (4) | (25.0%) |
| Net foreign exchange loss | (132) | — | 100.0% |
| Change in fair value of derivative financial instruments, including | — | (214) | (100.0%) |
| *Change in fair value of embedded derivatives* | *—* | *(68)* | *(100.0%)* |
| *Change in other derivatives instruments* | *—* | *(146)* | *(100.0%)* |
| | **(502)** | **(700)** | **(28.3%)** |

Finance income increased by USD121 million, or 672.2% to USD139 million in the nine months of 2018 compared to USD18 million for the same period of 2017 primarily due to the net profit from change in fair value of derivative financial instruments for the nine months of 2018 as compared to significant net loss on this item for the nine months of 2017.

Finance expenses decreased by USD198 million or by 28.3% to USD502 million in the nine months of 2018 as compared to USD700 million for the corresponding period of 2017, primarily due to the reason described above as well as 23.8% decrease of interest expense and other bank charges between the comparable periods following the Company's successful efforts on improvement of the debt profile and interest rate margins.

**Share of profits of associates and joint ventures**

| | **Nine months ended 30 September** | | **Change, year-on-** |
|---|---|---|---|
| | **2018** | **2017** | **year** |
| *(USD million)* | *(unaudited)* | *(unaudited)* | |
| Share of profits of Norilsk Nickel, | 768 | 427 | 79.9% |
| *with Effective shareholding of* | 27.82% | 27.82% | |
| **Share of profits of associates** | **768** | **427** | **79.9%** |
| **Share of profits of joint ventures** | **41** | **68** | **(39.7%)** |

Share of profits of associates was USD768 million in the nine months ended 30 September 2018 and USD427 million for the corresponding period in 2017. This was resulted from the Company's investment in Norilsk Nickel, which amounted to profit of USD768 million and USD427 million for the nine months ended 30 September 2018 and 2017, respectively.

As stated in Note 10 to the consolidated interim condensed financial information for the three- and nine-month periods ended 30 September 2018, 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 2018. 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 2018 based on publicly available information reported by Norilsk Nickel.

The market value of the investment in Norilsk Nickel at 30 September 2018 was USD7,645 million as compared to USD8,294 million as at 31 December 2017.

Share of profits of joint ventures was USD41 million in the nine months of 2018 compared to a profit of USD68 million for the same period in 2017. 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 USD1,549 million for the nine months ended 30 September of 2018, as compared to USD782 million for the same period of 2017.

## Adjusted and Recurring Net Profit

| | Three months ended 30 September | | Change quarter-on-quarter, % | Three months ended 30 June | Change quarter on quarter, % | Nine months ended 30 September | | Change, year-on-year |
|---|---|---|---|---|---|---|---|---|
| | **2018** | **2017** | **(3Q to 3Q)** | **2018** | **(3Q to 2Q)** | **2018** | **2017** | |
| *(USD million)* | *unaudited* | *unaudited* | | *unaudited* | | *unaudited* | *unaudited* | |
| **Reconciliation of Adjusted Net Profit** | | | | | | | | |
| Net profit for the period | 597 | 312 | 91.3% | 408 | 46.3% | 1,549 | 782 | 98.1% |
| Adjusted for: | | | | | | | | |
| Share of profits and other gains and losses attributable to Norilsk Nickel, net of tax effect | (285) | (174) | 63.8% | (222) | 28.4% | (721) | (395) | 82.5% |
| Change in the fair value of derivative financial liabilities, net of tax (20%) | (17) | 66 | NA | (42) | (59.5%) | (121) | 201 | NA |
| Impairment of non-current assets, net of tax | 43 | 58 | (25.9%) | 74 | (41.9%) | 166 | 139 | 19.4% |
| **Adjusted Net Profit** | **338** | **262** | **29.0%** | **218** | **55.0%** | **873** | **727** | **20.1%** |
| **Add back:** | | | | | | | | |
| Share of profits of Norilsk Nickel, net of tax | 285 | 174 | 63.8% | 222 | 28.4% | 721 | 395 | 82.5% |
| **Recurring Net Profit** | **623** | **436** | **42.9%** | **440** | **41.6%** | **1,594** | **1,122** | **42.1%** |

Adjusted Net 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 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 | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | **Aluminium** | **Alumina** | **Aluminium** | **Alumina** |
| *(USD million)* | *(unaudited)* | *(unaudited)* | *(unaudited)* | *(unaudited)* |
| Segment revenue | | | | |
| *kt* | *2,725* | *5,634* | *2,794* | *5,719* |
| *USD million* | *6,238* | *2,039* | *5,724* | *1,675* |
| Segment result | 1,461 | 209 | 1,331 | 67 |
| Segment EBITDA[8] | 1,719 | 290 | 1,598 | 140 |
| Segment EBITDA margin | *27.6%* | *14.2%* | *27.9%* | *8.3%* |
| Total capital expenditure | 188 | 223 | 219 | 216 |

In the nine months ended 30 September 2018 and 2017, respectively, segment result margins (calculated as the percentage of segment result to total segment revenue) from continuing operations were 23.4% and 23.3% for the aluminium segment, and 10.3% and 4.0% for the alumina segment. Key drivers for the increase in margin in the aluminium segment are disclosed in "Cost of sales" and "Results from operations and Adjusted EBITDA" 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 2018.

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

**Capital expenditure**

| (USD million) | Nine months ended 30 September 2018 (unaudited) | 2017 (unaudited) |
|---|---|---|
| **Development capex** | 288 | 224 |
| **Maintenance** | | |
| Pot rebuilds costs | 75 | 80 |
| Re-equipment | 217 | 243 |
| **Total capital expenditure** | **580** | **547** |

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.

**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 2018 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 2 November 2018 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 USD310 million and USD768 million for the three- and nine-month periods ended 30 September 2018 and USD183 million and USD427 million for the three- and nine-month periods ended 30 September 2017, respectively, other comprehensive income of USD nil million for both the three- and nine-month periods ended 30 September 2018 and USD nil million and USD28 million loss for the three- and nine-month periods ended 30 September 2017, respectively, the foreign currency translation loss of USD181 million and USD537 million for the three- and nine-month periods ended 30 September 2018 and foreign currency translation gain of USD78 million and USD185 million for the three- and nine-month periods ended 30 September 2017, respectively, and the carrying value of the Group's investment in the investee stated at USD3,099 million as at 30 September 2018 and USD3,664 million as at 30 September 2017. Had we been able to complete our review procedures in respect of interests in associates, matters might have come to our attention indicating that adjustments might be necessary to this consolidated interim condensed financial information.

***Qualified Conclusion***

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 September 2018 and for the three- and nine-month periods ended 30 September 2018 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 2018 was approved by the Directors of UC RUSAL on 2 November 2018, 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. Bernard Zonneveld (chairman of the committee, independent non-executive Director, with relevant professional qualifications and knowledge related to accounting and financial management), Dr. Elsie Leung Oi-sie (independent non-executive Director) and Mr. Dmitry Vasiliev (independent non-executive Director).

On 2 November 2018, the Audit Committee has reviewed the financial results of the Company for the nine months ended 30 September 2018.

**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.

**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 2017 and interim report for the six months ended 30 June 2018 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*

5 November 2018

*As at the date of this announcement, the executive Directors are Mr. Evgenii Nikitin, Mr. Sergei Popov and Mr. Evgenii Vavilov, the non-executive Directors are Mr. Marco Musetti, Mr. Vyacheslav Solomin, Mr. Timur Valiev, and the independent non-executive Directors are Mr. Matthias Warnig (Chairman), Dr. Elsie Leung Oi-sie, Mr. Philippe Bernard Henri Mailfait, Mr. Bernard Zonneveld, Mr. Dmitry Vasiliev and Mr. Jean-Pierre Thomas.*

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