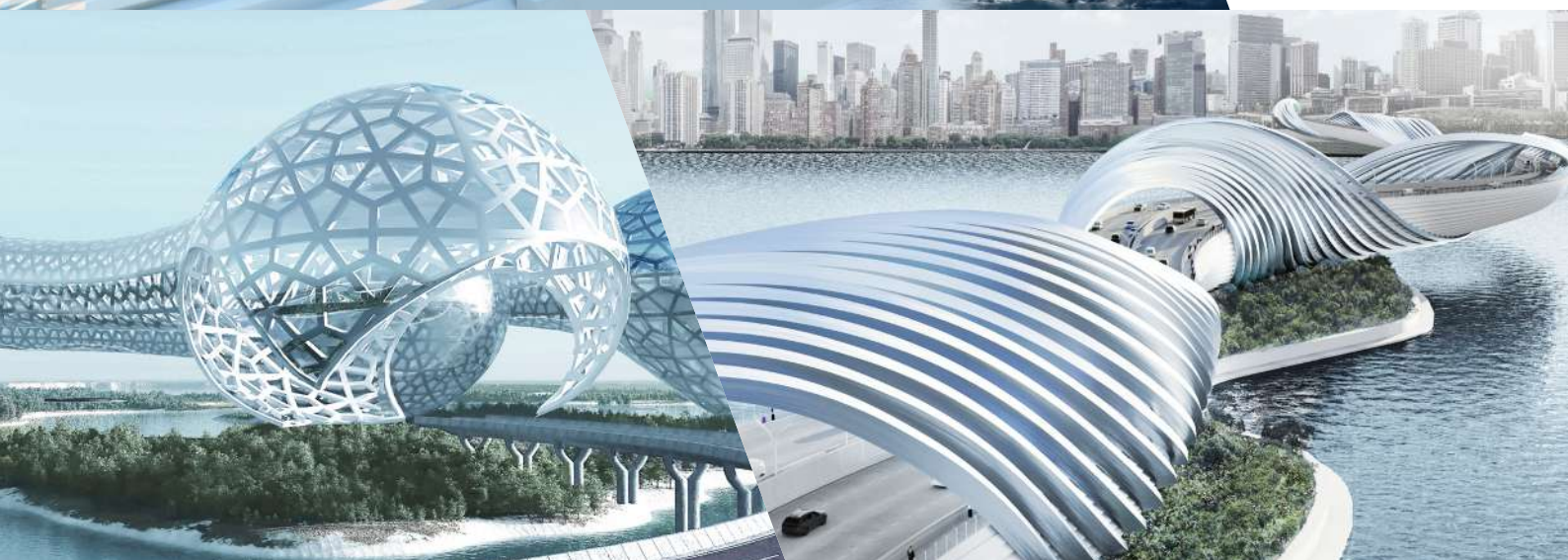




ANNUAL REPORT 2017



ALLOW
FOR A BETTER
FUTURE



WARNING

The information presented in this Annual Report only reflects the Company's position during the review period from 1 January 2017 to 31 December 2017 (the "Review Period") pursuant to the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") (unless otherwise specified). Accordingly, all forward-looking statements, analyses, reviews, discussions, commentaries and risks presented in this Annual Report (save for this Warning, the sub-section headed "Material events since the end of the year" in the "Management Discussion and Analysis" section and the "Recent Development of the Company" section, and unless otherwise specified) are based upon the financial information of the Company covering the Review Period only and not thereafter.

Shareholders and potential investors should be aware that on 6 April 2018, the Office of Foreign Assets Control of the Department of the Treasury of the United States of America (the "U.S. Treasury") designated, amongst others, certain persons and certain companies which are controlled or deemed to be controlled by some of these persons to be added to its Specially Designated Nationals List (the "OFAC Sanctions"). The designated persons/entities include Mr. Oleg Deripaska, a non-executive director of the Company, the Company, En+ Group Plc, a Jersey company listed on the London Stock Exchange and the Moscow Stock Exchange and a shareholder holding 48.13% equity interest in the Company, B-Finance Ltd., a BVI company, and Basic Element Limited, a Jersey company, each controlled by Mr. Deripaska, together with certain other companies owned or controlled or deemed to be controlled by Mr. Deripaska.

A press statement issued by the U.S. Treasury in respect of the OFAC Sanctions on 6 April 2018 states that: "All assets subject to U.S. jurisdiction of the designated individuals and entities, and of any other entities blocked by operation of law as a result of their ownership by a sanctioned party, are frozen, and U.S. persons are generally prohibited from dealings with them. Additionally, non-U.S. persons could face sanctions for knowingly facilitating significant transactions for or on behalf of the individuals or entities blocked today."

As stated in the announcement of the Company dated 9 April 2018, the Company's initial assessment is that it is highly likely that the impact of the OFAC Sanctions on the Group may be materially adverse to the business and prospects of the Group. The Company is currently in the process of conducting further evaluation to assess the impact of the OFAC Sanctions on the Group and is closely monitoring the development. Further announcements will be published by the Company as and when appropriate in accordance with the requirements of the Listing Rules and applicable laws.

Shareholders and potential investors should be aware that the information presented in this Annual Report (save for this Warning, the sub-section headed "Material events since the end of the year" in the "Management Discussion and Analysis" section and the "Recent Development of the Company" section, and unless otherwise specified) does not take into account the OFAC Sanctions or any potential impact which the OFAC Sanctions may have on the Company or the Group. Accordingly, the information presented in this Annual Report (save for this Warning, the sub-section headed "Material events since the end of the year" in the "Management Discussion and Analysis" section and the "Recent Development of the Company" section, and unless otherwise specified), including but not limited to all forward-looking statements, analyses, reviews, discussions, commentaries and risks, does not reflect the latest position (financial or otherwise) of the Group. Given the global nature of the business of the Group, the international politico-economic dimension of the OFAC Sanctions, and the potential cross-jurisdictional implications of the OFAC Sanctions, this matter is continually evolving. Shareholders and potential investors are therefore strongly advised to make reference to the latest announcements (i.e. announcements issued by the Company on and after 9 April 2018) issued by the Company before dealing in the Shares.

Shareholders and potential investors should exercise extreme caution when dealing in the Shares. If in doubt, they are strongly advised to consult their stockbrokers, bank managers, solicitors and/or other professional advisers before dealing in the Shares.

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

USD MILLION (UNLESS OTHERWISE SPECIFIED)	2017	2016	2015	2014	2013
REVENUE	9,969	7,983	8,680	9,357	9,760
ADJUSTED EBITDA	2,120	1,489	2,015	1,514	651
ADJUSTED EBITDA MARGIN	21.3%	18.7%	23.2%	16.2%	6.7%
RECURRING PROFIT/(LOSS)	1,573	959	1,097	486	(598)
EBIT	1,523	1,068	1,409	942	(1,804)
SHARE OF PROFITS/(LOSSES) FROM ASSOCIATES AND JOINT VENTURES	620	848	368	536	(467)
PRE TAX PROFIT/(LOSS)	1,288	1,354	763	147	(3,241)
PROFIT/(LOSS)	1,222	1,179	558	(91)	(3,322)
PROFIT/(LOSS) MARGIN	12.3%	14.8%	6.4%	(1.0%)	(34.0%)
ADJUSTED PROFIT/(LOSS)	1,077	292	671	17	(666)
ADJUSTED PROFIT/(LOSS) MARGIN	10.8%	3.7%	7.7%	0.2%	(6.8%)
BASIC EARNINGS/(LOSS) PER SHARE (IN USD)	0.080	0.078	0.037	(0.006)	(0.219)
TOTAL ASSETS	15,774	14,452	12,809	14,857	20,480
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	4,444	3,299	1,391	2,237	6,550
NET DEBT	7,648	8,421	8,372	8,837	10,109



ALUMI BY

According to the World Bank, hydropower
reduces global emissions by some

2.8 billion tonnes
of CO₂ every year.

01 CORPORATE PROFILE

NIUM CRAFTED HYDROPOWER

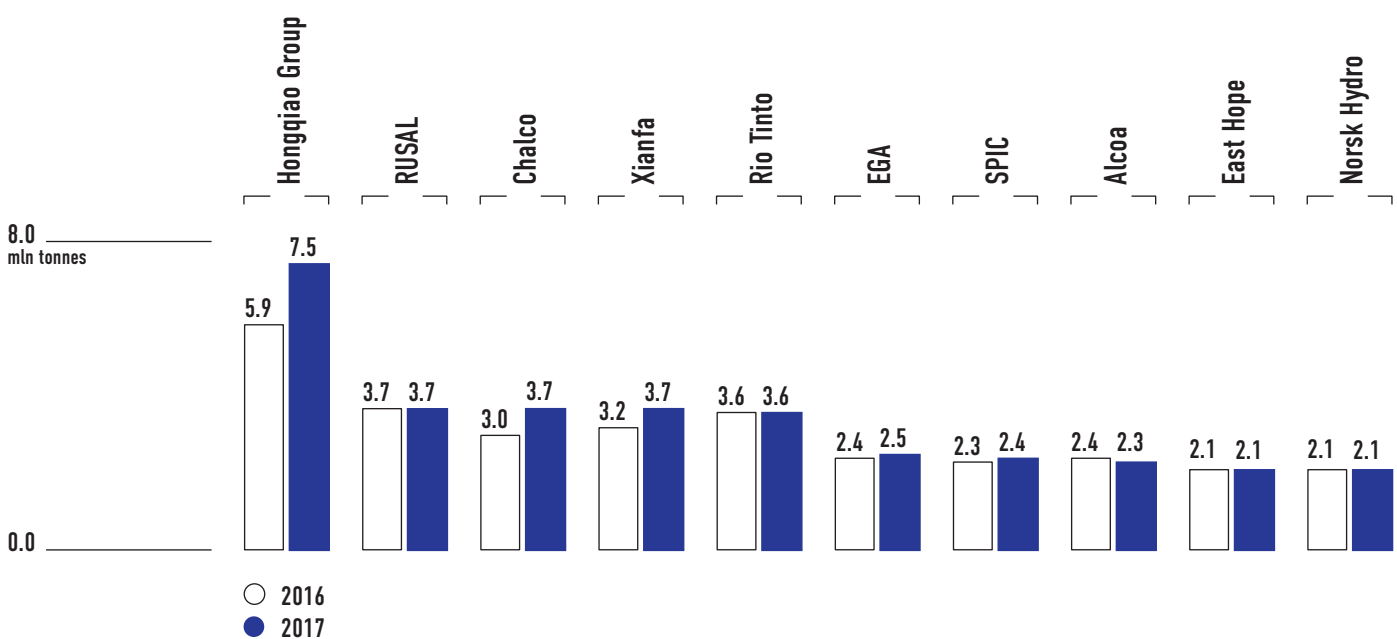
UC RUSAL benefits from access
to clean renewable hydropower
from the rivers of Siberia.

1

CORPORATE PROFILE

UC RUSAL is a low cost, vertically integrated aluminium producer with core smelting operations located in Siberia, Russia. In 2017, UC RUSAL remained among the largest producers of primary aluminium and alloys globally.

UC RUSAL's production chain includes bauxite and nepheline ore mines, alumina refineries, aluminium smelters and casting houses, foil mills, packaging and wheels production centers.



* China producers 2017 output wasn't published/publicly available at the time of Annual Report preparation, therefore Aladdin source was used for the volumes estimation

Source: Based on UC RUSAL's internal company report, and peer companies' publicly available results, announcements, reports and other information.

SECURED ACCESS TO GREEN, RENEWABLE ELECTRICITY.

Electricity is a key component of the aluminum production process. UC RUSAL's core smelting operations are favorably located close to the Siberian hydro power plants sourcing from them approximately 95% of the Group's total electricity needs. The Company has long term agreements with the region's hydro-power energy suppliers. Using renewable and environmentally friendly hydro generated electricity, UC RUSAL is targeting the best CO₂ footprint in the industry.

CAPTIVE RAW MATERIAL SUPPLIES.

UC RUSAL alumina production capacities are located in Russia and abroad. These operations cover over approximately 100% of the Group's total alumina needs.

Our alumina refineries bauxite needs are covered by up to 70% with supplies from the Group's bauxite mining operations. Our existing bauxite resource base is sufficient to supply for over 100 years of operations.

EFFICIENT MIDSTREAM, PROPRIETARY R&D AND INTERNAL EPCM EXPERTISE.

UC RUSAL aluminum smelting operations goes through regular upgrades. UC RUSAL has developed its own in-house R&D, design and engineering centers and operates RA-300, RA-400 and Green Soederberg smelting technologies. A new energy efficient and environmentally friendly RA-500, RA-550 smelting technology has been designed and currently RUSAL is testing it, targeting the best energy efficiency yields in the industry.

UC RUSAL is actively developing a groundbreaking inert anode technology. Introducing this state-of-art technology into the production process will lead to complete elimination of greenhouse gas and polyaromatic hydrocarbon emissions coupled with 10% cut in operational costs through reducing anode and energy consumption and over a 30% cut in Greenfield projects expenditure costs.

COST EFFICIENCY.

The efficient smelting technologies together with low cost input material and utilities mix secures the Company's global leadership on the cost curve.

FOCUS ON HIGHER MARGIN DOWNSTREAM BUSINESS.

UC RUSAL has a diversified product mix with a strong share of VAP in the portfolio (1.87 million tonnes per annum out of 3.96 million tonnes of total sales). The Company targets to increase the sales of VAP, to up to 60% of total sales by 2021 in particular, through improvements to its smelters located in Siberia.

DIVERSIFIED SALES GEOGRAPHY.

UC RUSAL's sales mix is represented by a diversified portfolio of regions. The Company delivers aluminium products to all key Global consuming regions (Europe, USA, South East Asia) and to the domestic market.

GROWTH POTENTIAL OF THE UC RUSAL PLATFORM.

The BEMO Project (UC RUSAL and Rushydro JV) includes the 3,000 megawatt BEMO HPP (the construction of which was completed in 2014) and Boguchansky aluminium smelter in the Krasnoyarsk region of Russia. The overall smelter project has a designed capacity of approximately 600 thousand tonnes per annum. Currently the 1st complex of the smelter was launched and is operating at capacity of 149 thousand tonnes per annum.

IMPLEMENTING ENVIRONMENTAL INITIATIVES.

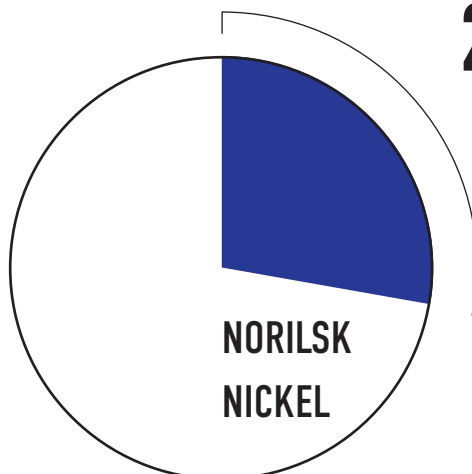
UC RUSAL was one of the first Russian companies that joined UN Global Compact. By following its environmental policy and undertaking to regularly review and update its provisions, the Company is constantly developing and improving its environmental management system and implementing its principles at all production facilities. In 2017 UC RUSAL has launched new low carbon aluminium brand, ALLOW, which features a significantly lower carbon footprint – specific volume of greenhouse emissions gas as compared to industry average (4t CO₂/t Al vs 13.4 CO₂/t Al of world average (scope 1 and 2 at the smelter).

KEY FACTS IN 2017, UC RUSAL ACCOUNTED FOR

DIVERSIFICATION OPPORTUNITIES THROUGH INVESTMENTS

- As at the Latest Practicable Date, UC RUSAL owns an effective 27.82% interest in Norilsk Nickel, the world's largest nickel and palladium producer and one of the leading producers of platinum and copper¹.
- UC RUSAL's 50/50 LLP Bogatyr Komir coal joint venture in the Ekibastuz coal basin, one of the largest coal basins in the CIS, provides UC RUSAL with a natural energy hedge.

UC RUSAL OWNS AN EFFECTIVE 27.82% INTEREST IN NORILSK NICKEL



UC RUSAL
27.82%



ABOUT

6.3%

of the world's alumina production

APPROXIMATELY

5.8%

of the world's aluminium output

GENERATED FROM THE FOLLOWING FACILITIES LOCATED AROUND THE WORLD:

10

aluminium smelters of which 9 are in Russia, and 1 in Sweden

9

alumina refineries of which 4 are in Russia, 1 in Ireland, 1 in Ukraine, 1 in Jamaica, 1 in Italy and 1 in Guinea

6

bauxite mines of which 2 are in Russia, 1 in Jamaica, 2 in Guinea and 1 in Guyana

1

nepheline mine in Russia

4

foil mills of which 3 are in Russia and 1 in Armenia

3

powder plants all of which are in Russia

2

silicon factories all of which are in Russia

1

wheels factory situated in Russia

KEY SHAREHOLDERS AND SHAREHOLDERS STRUCTURE

48.13%
En+

26.50%
SUAL Partners*

16.60%
Public Float

8.75%
Amokenga Holdings**

0.02%
Management

Notes:

* Including the shares held by the companies associated with SUAL Partners

** Amokenga Holdings is ultimately controlled by Glencore International AG

All percentage figures are approximate and rounded up

UCRUSAL's ordinary shares are listed on the Hong Kong Stock Exchange, on the Moscow Exchange and are

also listed on the Euronext Paris in the form of GDSs (Global Depository Shares).

MAP OF OPERATIONS

ARMENIA

01 Armenal

AUSTRALIA

02 QAL

GUINEA

03 Compagnie des Bauxites de Kindia (CBK)

04 Dian Dian Project

05 Friguia Bauxite & Alumina Complex

GUYANA

06 Bauxite Company of Guyana (BCGI)

IRELAND

07 Aughinish Alumina

ITALY

08 Eurallumina

JAMAICA

09 Windalco

KAZAKHSTAN

10 LLP Bogatyr Komir

NIGERIA

11 ALSCON

RUSSIA

12 Achinsk Alumina Refinery

13 Bogoslovsky Alumina Refinery

14 Boguchanskaya HPP (BEMO)

15 Boguchansky Aluminium Smelter (BEMO)

16 Boksitogorsk Alumina Refinery

17 Bratsk Aluminium Smelter

18 Irkutsk Aluminium Smelter

19 Kandalaksha Aluminium Smelter

20 Khakas Aluminium Smelter

21 Kia-Shaltyr Nepheline Mine

22 Krasnoturyinsk Powder Metallurgy

23 Krasnoyarsk Aluminium Smelter

24 Nadvoitsy Aluminium Smelter

25 North Urals Bauxite Mine

26 Novokuznetsk Aluminium Smelter

27 Sayana Foil

28 SAYANAL

29 Sayanogorsk Aluminium Smelter

30 Shelekhov Powder Metallurgy

31 Silicon (ZAO Kremniy), Shelekhov

32 SKAD wheels factory

33 Taishet Aluminium Smelter (project)

34 Timan Bauxite

35 Urals Alumina Refinery

36 Urals Foil

37 Urals Silicon

38 Volgograd Aluminium Smelter

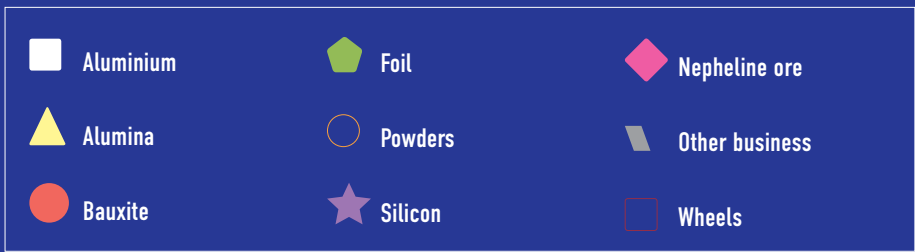
39 Volgograd Powder Metallurgy

SWEDEN

40 KUBAL

UKRAINE

41 Nikolaev Alumina Refinery



A high-speed train, likely a TGV, is shown in motion, blurred to suggest speed. The train is white with blue accents and the letters 'TGV' are visible on its side. It is traveling through a mountainous landscape with snow-capped peaks under a clear blue sky. The train is on a track that curves into the distance.

ALLO

Thanks to aluminium, new high speed rail technologies promise speeds of

> 600 km/h

without compromising safety.

02 CHAIRMAN'S STATEMENT

W T O O V E R C O M E S P A C E A N D T I M E

All types of vehicles from bicycles to spaceships are made from aluminium. This metal permits people to move at breakneck speeds across oceans, flying in the sky and even beyond our planet, heading into outer space.

2

CHAIRMAN'S STATEMENT



MATTHIAS WARNIG

Chairman of the Board

Dear Shareholders,

2017 was another year of growth for RUSAL. The Company demonstrated a very solid performance, taking full advantage of positive market trends whilst also a positive year for future growth. We are currently living in a time where the world is rapidly changing; digital technologies, artificial intelligence, internet of things and other attributes of Industry 4.0 are what will define the world of tomorrow. As such, in 2017 we took all these factors into account, dedicating a significant effort towards sharpening our long term strategy ensuring that RUSAL is well prepared to capture new growth opportunities and suitably hedged for any period of uncertainty or volatility as markets evolve.

2017 PERFORMANCE AND SHAREHOLDER DISTRIBUTIONS

In 2017, the aluminium market environment was highly favorable for the Company. We delivered strong earnings and cash flow while maintaining disciplined capital spending and cost controls. The Company met its debt reduction target with further deleveraging remaining one of key priorities. Importantly, we continued to make progress in

safety performance, with serious incidents and injury rates falling. The realization of large-scale investment projects continued according to our scheduled plan, while a number of new prospective ones also took shape.

Such a robust performance enabled us to approve an interim dividend of USD299.3 million (USD0.0197 per ordinary share) for 2017, which was paid on 10 October 2017.

OFAC SANCTIONS

On 6 April 2018, the Office of Foreign Assets Control of the Department of the Treasury of the United States of America designated, amongst others, certain persons and certain companies which are controlled or deemed to be controlled by some of these persons to be added to its Specially Designated Nationals List (the "**OFAC Sanctions**"). The designated persons/entities include Mr. Oleg Deripaska, a non-executive director of the Company, the Company, En+, a shareholder holding 48.13% equity interest in the Company, B-Finance Ltd., a BVI company, and Basic Element, each controlled by Mr. Deripaska, together with certain other companies owned or controlled or deemed to be controlled by Mr. Deripaska.

As stated in the announcement of the Company dated 9 April 2018, the Company's initial assessment is that it is highly likely that the impact of the OFAC Sanctions on the Group may be materially adverse to the business and prospects of the Group. The Company is currently in the process of conducting further evaluation to assess the impact of the OFAC Sanctions on the Group and is closely monitoring the development.

Given the global nature of the business of the Group, the international politico-economic dimension of the OFAC Sanctions, and the potential cross-jurisdictional implications of the OFAC Sanctions, this matter is continually evolving. The Company will make further announcements as and when appropriate in accordance with the Listing Rules and applicable laws.

Matthias Warnig

Chairman of the Board

27 April 2018

ALLO CON

THE AVERAGE ALUMINIUM
CONTENT IN A CAR

◎ 2028

● 2018

256kg

140kg



03 BUSINESS OVERVIEW

W FOR CLIMATE- SCIOUS DRIVING

Car parts made from aluminium reduce the car's weight by up to 24% which makes it possible to reduce fuel consumption.



3

BUSINESS OVERVIEW

ALUMINIUM

UC RUSAL owns 10* aluminium smelters which are located in two countries: Russia (nine plants), Sweden (one plant). The Company's core asset base is located in Siberia, Russia, accounting for some 94% of the Company's aluminium output in 2017. Among those, BrAZ and KrAZ together account for more than half of UC RUSAL's aluminium production.

During 2017, UC RUSAL continued to implement a comprehensive program designed to control costs and optimize the production process in order to strengthen the Company's position as one of the world's most cost-efficient aluminium producers.

The table below¹ provides an overview of UC RUSAL's aluminium smelters (including capacity) as at 31 December 2017.

1. The table presents total nameplate capacity of the plants, each of which is a consolidated subsidiary of the Group

*Note: 10 aluminium smelters in operation

ASSET	LOCATION	% OWNERSHIP	NAMEPLATE CAPACITY (APPROVED CAPACITY FOR 2017), KT	CAPACITY UTILIZATION RATE
SIBERIA				
BRATSK ALUMINIUM SMELTER	RUSSIA	100%	1,008	100%
KRASNOYARSK ALUMINIUM SMELTER	RUSSIA	100%	1,019	100%
SAYANOGORSK ALUMINIUM SMELTER	RUSSIA	100%	542	98%
NOVOKUZNETSK ALUMINIUM SMELTER	RUSSIA	100%	215	100%
KHAKAS ALUMINIUM SMELTER	RUSSIA	100%	297	98%
IRKUTSK ALUMINIUM SMELTER	RUSSIA	100%	419	100%
RUSSIA (OTHER THAN SIBERIA)				
KANDALAKSHA ALUMINIUM SMELTER	RUSSIA	100%	76	95%
URALS ALUMINIUM SMELTER	RUSSIA	100%	75	0%
VOLGOGRAD ALUMINIUM SMELTER	RUSSIA	100%	66	20%
NADVOITSY ALUMINIUM SMELTER	RUSSIA	100%	24	50%
OTHER COUNTRIES				
KUBAL	SWEDEN	100%	128	96%
ALSCON	NIGERIA	85%	24	0%
TOTAL UCR			3,893	95%

The mothballed VgAZ electrolysis production was started in 2017.

BEMO Project

The BEMO Project involves the construction of the 3,000 MW Boguchanskaya Hydropower Plant and the BEMO aluminium smelter in the Krasnoyarsk region in Siberia, which is expected to produce approximately 600 kt of aluminium per annum.

The construction of the BEMO aluminium smelter is divided into two stages (each one for 298 kt of aluminium per annum). The start-up complex of the first stage (149 kt of aluminium per annum, 168 pots) was launched in 2015 and the second stage of BEMO smelter (~300ktpa) is to be considered with strategic partner RusHydro after completion of the first stage and subject to market situation and availability of project financing.

The capital expenditure for the first stage of BEMO aluminium smelter (capacity 298 kt per annum), incurred and to be incurred, is currently estimated at approximately USD1,612 million (UC RUSAL's share of such capital expenditure is expected to be approximately USD806 million), of which approximately USD1,453 million has been incurred as of 31 December 2017 (of which UC RUSAL's share amounted to approximately USD726.6 million). Actual capital expenditure for the BEMO aluminium smelter in 2017 was USD129.48 million (of which UC RUSAL's share amounted to USD64.74 million).

Taishet

UC RUSAL is investing into new projects:

Aluminium Smelter

The construction of Taishet aluminium smelter originally commenced in 2006. Due to unfavorable market conditions, RUSAL decided to suspend the project in 2009. Following the evidence of economic recovery and improved market conditions in 2016, RUSAL's Board of directors decided to resume the construction and approved financing in the amount of USD72.5 million, for top-priority works at PC-1 (the first line) in the amount of approximately USD39 million for 2017. The project contemplates the construction of the aluminium smelter with designed production capacity of approximately 983,600 tonnes of aluminium per annum in the Irkutsk region in Siberia. The smelter is divided into two lines: PC-1 (the first line) with a capacity of 428,500 tonnes of aluminium per annum with 352 pots (RA 400) installed and PC-2 (the second line) with a capacity of 555,100 tonnes of aluminium per annum with 352 pots (RA 550) installed. PC-1 (the first line) is expected to consume 6.4 TWh of electricity per annum while the smelter operating at full capacity is designed to consume 14.2 TWh of electricity per annum. As at 31 December 2017, UC RUSAL invested USD829 million (excluding VAT) for both lines.

ALUMINA

The Group owns 9 alumina refineries as at the end of 2017. Nine of UC RUSAL's alumina refineries are located in six countries: Ireland (one plant), Jamaica (one plant), Ukraine (one plant), Italy (one plant), Russia (four plants) and Guinea (one plant). In addition, the Company holds a 20% equity stake in QAL, an alumina refinery located in Australia. Most of the Group's refineries have ISO 9001 certified quality control systems. Four refineries and QAL have been ISO 14001 certified for their environmental management and three refineries have received OHSAS 18001 certification for their health and safety management system.

The Company's long position in alumina capacity helps to secure sufficient supply for the prospective expansion of the Company's aluminium production capacity and allows the Company to take advantage of favorable market conditions through third-party alumina sales.

The table below¹ provides an overview of UC RUSAL's alumina refineries (including capacity) as at 31 December 2017:

ASSET	LOCATION	% OWNERSHIP	NAMEPLATE CAPACITY, KT	CAPACITY UTILIZATION RATE
ACHINSK ALUMINA REFINERY	RUSSIA	100%	1,069	88%
BOKSITOGORSK ALUMINA REFINERY	RUSSIA	100%	165	0%
BOGOSLOVSK ALUMINA REFINERY	RUSSIA	100%	1,030	95%
URALS ALUMINA REFINERY	RUSSIA	100%	900	99%
FRIGUIA ALUMINA REFINERY	GUINEA	100%	650	0%
QAL	AUSTRALIA	20%	3,950	95%
EURALLUMINA	ITALY	100%	1,085	0%
AUGHINISH ALUMINA REFINERY	IRELAND	100%	1,990	97%
WINDALCO	JAMAICA	100%	1,210	48%
NIKOLAEV ALUMINA REFINERY	UKRAINE	100%	1,700	99%
TOTAL NAMEPLATE CAPACITY			13,749	78.2%
UC RUSAL ATTRIBUTABLE CAPACITY			10,589	73%

1. Calculated based on the pro rata share of the Group's ownership in corresponding alumina refineries (QAL)

With energy being a major cost item, all of the Alumina Division plants were involved in major energy savings programs during 2017, which allowed for overall specific energy consumption reduction per 1 tonne of alumina production from 20.73 GJ in 2016 to 20.33 GJ in 2017. In addition to that, a number of other important projects have been implemented to achieve cost savings and increase competitiveness including:

- ▶ **Achinsk Alumina Refinery. A program of partial substitution of costly bright coal by the ligneous coal for sintering purposes is ongoing. Residue disposal area #3 construction project were completed and commissioned in 2017.**
- ▶ **Urals Alumina Refinery. A capacity expansion program is complete. The construction of continuous digester module #2 with two new digester lines completed in 2017. New precipitator tanks commissioned in 2017, increasing capacity to 900 thousand tonnes from 864 thousand tonnes in 2016.**
- ▶ **Nikolaev Alumina Refinery. All stages of 1,700 thousand tonnes capacity increasing program were accomplished in 2017.**
- ▶ **Aughinish Alumina Refinery. Numbers of developmental and organizational activities were deployed for expected Dian-Dian blend, conceptual study was done. New ship loader was installed and commissioned.**
- ▶ **Winalco. The sands removal project was in its development and construction stage in 2017. Major repairs of Turbogenerators #2 and #3 were done in 2017. Decreased alumina output at Winalco Ewarton was caused by poor bauxite quality, unstable bauxite supply due to rain-falls, and emergency repairs of major equipment.**
- ▶ **Decreased alumina output at QAL was caused by poor bauxite quality and emergency repairs of major equipment.**

BAUXITE

The Group operates six bauxite mines. UC RUSAL's bauxite mines are located in four countries: Russia (two mines), Jamaica (one mine), Guyana (one mine) and Guinea (two mines and one project). The Company's long position in bauxite capacity helps to secure sufficient supply for the prospective expansion of the Company's alumina production capacity and allows the Company to take advantage of favorable market conditions through third-party bauxite sales.

In 2017, a complex of capital mining operations was carried out to open the Verkhne-Schugorskoe ore body in the volume of 1.380 million m³ in accordance with the development project.

In 2017 mining equipment renovation project has started at BCGI.

Intense construction activities regarding development of the new deposit Dian-Dian continued in 2017.

The table below provides an overview of UC RUSAL's bauxite mines (including capacity) as at 31 December 2017.

ASSET	LOCATION	% OWNERSHIP	ANNUAL CAPACITY MT	CAPACITY UTILIZATION RATE
TIMAN BAUXITE	RUSSIA	100%	3,200	99%
NORTH URALS BAUXITE MINE	RUSSIA	100%	3,000	79%
COMPAGNIE DES BAUXITES DE KINDIA	GUINEA	100%	3,400	92%
FRIGUIA BAUXITE AND ALUMINA COMPLEX	GUINEA	100%	2,100	0%
BAUXITE COMPANY OF GUYANA, INC.	GUYANA	90%	1,700	61%
WINDALCO	JAMAICA	100%	4,000	49%
DIAN-DIAN PROJECT	GUINEA	100%	—	0%
TOTAL NAMEPLATE CAPACITY			17,400	67%

Securing the supply of high quality bauxite at adequate volumes and cost competitive prices for its alumina facilities is an important task for the Company. Additional exploratory work is being undertaken to locate new deposits of bauxite in the Group's existing operational bauxite mining areas and in new project areas. Each of the Group's mining assets is operated under one or more licences.

As at 31 December 2017, the Group had JORC attributable bauxite Mineral Resources of 1,865.6 million tonnes, of which 491.1 million tonnes were measured, 733.7 million tonnes were indicated and 640.8 million tonnes were inferred. Due to the introduction of new field development projects on Timan and North Urals bauxite mine the reevaluation of resources was made.

ASSET	MEASURED MT	INDICATED MINERAL RESOURCES ⁽¹⁾ MT	INFERRED MT	TOTAL MT
TIMAN BAUXITE	10.5	168.6	15.4	194.5
NORTH URALS BAUXITE MINE	17.3	215.6	150.0	382.9
COMPAGNIE DES BAUXITES DE KINDIA	—	16.7	61.6	78.3
FRIGUIA BAUXITE AND ALUMINA COMPLEX	30.6	142.4	152.6	325.6
BAUXITE COMPANY OF GUYANA, INC.	1.1	39.4	44.2	84.7
WINDALCO	29.6	80.8	—	110.4
DIAN-DIAN PROJECT	402	70.2	217	689.2
TOTAL	491.1	733.7	640.48	1,865.6

Notes:

(1) Mineral Resources:

- are recorded on an un-attributable basis, equivalent to 100% ownership; and
- are reported as dry weight (excluding moisture).

Mineral Resources tonnages include Ore Reserve tonnages.

Energy assets

BEMO Project

BEMO HPP is the fourth step of the Angara hydroelectric power chain, the biggest major hydro-power plant completion project in Russia. Construction of the power plant was suspended in Soviet times due to the lack of financing and was resumed in May 2006 by UC RUSAL and RusHydro following the conclusion of their agreement to jointly implement the BEMO project comprising the BEMO HPP (the average annual electricity output reaching 17.6 billion kWh) and an aluminium smelter capable of producing 600,000 tonnes of metal per year.

The project's 79 meters high, 2,587 meters long composite gravity and rock-fill dam was completed at the end of 2011 and nine 333 MW hydropower units of the BEMO HPP were put into operation during 2012-2014. The total installed capacity of all nine hydro-units in operation amounts to 2,997 MW.

All nine 333 MW turbines and generators were supplied by OJSC Power Machines, under contracts worth more than RUB6 billion signed in December 2006 and September 2007, respectively. The turbines for the project are among the largest ever manufactured in Russia by weight and dimensions: each runner is 7.86 meters in diameter and weighs 155.6 tonnes.

The plant has started commercial supplies to the wholesale electricity and capacity market on 1 December 2012. Since its launch the BEMO HPP has generated 54.012 TWh of electricity. During 2017, the plant has supplied 13.287 TWh to the wholesale electricity and capacity market.

UC RUSAL's proportion of capital expenditure for the BEMO Project is 50%. The total capital expenditure for the BEMO HPP, incurred and to be incurred, is currently estimated to be approximately USD2,116 million¹ (UC RUSAL's share of this capital expenditure is expected to be approximately USD1,058 million), of which USD2,100 million had been spent as of 31 December 2017 (of which UC RUSAL's share amounted to USD1,050 million).

Mining Assets

UC RUSAL's mining assets comprise 15 mines and mine complexes, including bauxite mines (the resources of which are described above), two quartzite mines, one fluorite mine, two coal mines, one nepheline syenite mine and two limestone mines.

The Company jointly operates the two coal mines with Samruk-Energo, the energy division of Samruk-Kazyna under a 50/50 joint venture, Bogatyr Coal LLP. The long position in alumina capacity is supported by the Company's bauxite and nepheline syenite resource base.

Bogatyr Coal LLP

Bogatyr Coal LLP, which is located in Kazakhstan, is a 50/50 joint venture between the Company and Samruk-Energo.

Bogatyr Coal LLP, which produced approximately 40.41 mt of coal in 2017, has approximately 1.79 billion tonnes of JORC Proved and Probable Ore Reserves and has Measured Mineral Resources and Indicated Mineral Resources in aggregate of approximately 2.14 billion tonnes as at 31 December 2017. Bogatyr Coal LLP generated sales of approximately USD185 million in 2016 and USD250 million in 2017. Sales are divided approximately as to one third and two thirds, respectively, between Russian and Kazakh customers based on the quantities sold.

Investment in Norilsk Nickel

Norilsk Nickel is the world's largest palladium producer, the second nickel producer and one of the leading producers of platinum and copper. UC RUSAL held 27.82% shareholding in Norilsk Nickel as at the Latest Practicable Date.

UC RUSAL's shareholding in Norilsk Nickel allows for significant diversification of earnings, through Norilsk Nickel's exposure to PGMs² and bulk materials, as well as broadens UC RUSAL's strategic opportunities. The Company's objective is to maximize the value of this investment for all shareholders.

1. All capital expenditure amounts given above for the BEMO project are based on UC RUSAL's management accounts and differ from amounts disclosed in the consolidated financial statements, as the management accounts reflect the latest best estimate of the capital costs required to complete the project, whereas amounts disclosed in the consolidated financial statements reflect actual capital commitments as at 31 December 2017. All figures for the BEMO project are exclusive of VAT.

2. PGMs – platinum group metals.

Company profile²

Norilsk Nickel is the world leader in production of nickel and palladium. Norilsk Nickel's Resource Base in Taimyr and Kola Peninsula as at 31 December 2016, consists of 828 mt of Proved Ore Reserves and Probable Ore Reserves and 2,059 mt of Measured Mineral Resources and Indicated Mineral Resources. Its key assets are located in Norilsk region and Kola Peninsula in Russia, with foreign production assets located in Finland and South Africa.

In 2017, Norilsk Nickel produced 217 kt of nickel, 401 kt of copper, 2,780 koz of palladium and 670 koz of platinum. Compared to 2016, it is to be noted that:

- 1) Planned reduction in production of Nickel (-8%) mostly due to reduction of low-margin processing of third parties feed (for information: production of Nickel from own Russian feed increased

by 47% in 2017 compared to 2016, from 197 kt to 210 kt);

- 2) Growth in production of Copper (+11%) mostly due to processing of concentrate purchased from Rostec;
- 3) Increasing in PGM production (+6% Palladium, +4% Platinum) mostly due to the processing of concentrate purchased from Rostec, processing of work-in-progress material stored at Polar division and decrease of work-in-progress material in transit due to the completion of downstream reconfiguration.

Norilsk Nickel's metal sales are highly diversified by (i) regions: Europe, Asia, North and South America, Russia and CIS; and (ii) by products: nickel, copper, palladium, platinum, semi-products and other metals:

	REVENUE FROM METAL SALES	
	YEAR ENDED 31 DECEMBER 2017 USD MILLION	YEAR ENDED 31 DECEMBER 2016 USD MILLION
EUROPE	4,753	4,394
ASIA	1,939	1,723
NORTH AND SOUTH AMERICA	1,166	737
RUSSIAN FEDERATION AND CIS	557	792
	8,415	7,646

	REVENUE FROM METAL SALES	
	YEAR ENDED 31 DECEMBER 2017 USD MILLION	YEAR ENDED 31 DECEMBER 2016 USD MILLION
NICKEL	2,304	2,625
COPPER	2,281	1,839
PALLADIUM	2,346	1,888
PLATINUM	623	654
SEMI-PRODUCTS	424	216
OTHER METALS	437	424
	8,415	7,646

On November 20, 2017, Norilsk Nickel introduced an update of its new strategy in London and confirmed its key priorities – Assets Development:

- (1) Further focusing on Tier 1 Mining Assets and identifying the pipeline of perspective growth projects (Talnakh expansion, Maslovskoe Field, Baimskaya project, South Cluster);
- (2) Upgrade of Nickel Refinery at Kola MMC;
- (3) Infrastructure renewal cycle 2018-2022 (gas field and pipeline, power supply, logistics, etc.);
- (4) Implementation of large-scale environmental protection project (up to USD2.6 billion in 2018-2022 in Polar Division and Kola): decrease of SO₂ emissions in Polar Division by 75%, in Kola by 50%;
- (5) Comprehensive OPEX Reduction Programme; IT Infrastructure upgrade (Platform for Higher Operating Efficiency).

As well as Norilsk Nickel is at the final stage of Bystrinsky (Chita) Mining and Processing plant implementation located in Trans-Baikal Territory, Russia. Norilsk Nickel retains the control of the plant after the disposal of (a) 13.3% Project's stake to a consortium of Chinese investors and (b) 36.6% stake to CIS NRF Holdings Limited Norilsk Nickel. Potential IPO of Bystrinsky MPP is considered as a strategic option for further value creation of the asset.

Norilsk Nickel's Resource Base in Trans-Baikal Territory as of 31 December 2016, consists of 1,098 mt of ore (in terms of B+C1+C2 resource category for both Bystrinskoye and Bugdainskoye Field Reserves).

On February 7, 2018, Norilsk Nickel and Russian Platinum signed a framework agreement on strategic partnership. According to the agreement, the parties will establish a joint venture to develop disseminated ore deposits in the Norilsk Industrial District. The JV will be 50%-owned by Norilsk Nickel and 50%-owned by Russian Platinum. Norilsk Nickel will contribute to the JV its license for Maslovskoe deposit, while Russian Platinum will contribute its licenses for the South flank of Norilsk-1 and Chernogorskoe deposits.

Financial results¹

The market value of UC RUSAL investment in Norilsk Nickel increased to USD8,294 million as at 31 December 2017, from USD7,348 million as at 31 December 2016. Such an increase was caused by the positive trends in commodity markets pricing and favorable reaction by market partici-

pants on the implementation of reconfiguration strategy of Norilsk Nickel.

According to IFRS for the year ended 31 December 2017, Norilsk Nickel has the following key financial indicators:

USD MILLION (UNLESS OTHERWISE SPECIFIED)	2017	2016	CHANGE (2017/2016), %
REVENUE	9,146	8,259	+11%
EBITDA	3,995	3,899	+2%
EBITDA MARGIN	44%	47%	-3 P.P.
NET PROFIT	2,123	2,531	-16%
CAPITAL EXPENDITURES	2,002	1,714	+17%
NET DEBT	8,201	4,530	+81%
NET DEBT/EBITDA	2.1X	1.2X	+0.9X

During 2017 (according to Norilsk Nickel's consolidated financial statements for the year ended 31 December 2017) Net Working Capital significantly increased from USD455 million as of 31 December 2016, to USD2,149 million as of 31 December 2017, due to one-offs factors (optimization of capital structure, Palladium stockpile to

ensure security of supply, etc.). As a result, Norilsk Nickel's Net Debt as of 31 December 2017 increased by USD3,671 million. Norilsk management expects that these one-offs factors would be compensated in 2018 and Net Working Capital would be returned to its normalized level (~ USD1 billion).

1. Source: Bloomberg (Ticker GMKNRX for market value).

Settlement with Interros in relation to Norilsk Nickel

On 10 December 2012, Interros (which holds approximately 30.4% of Norilsk Nickel shares, according to the Norilsk Nickel's Annual Report 2016), UC RUSAL (27.82%), Crispian (4.2%²) and the respective beneficial owners of Interros and Crispian, namely, Mr. Potanin and Mr. Abramovich, entered into an agreement (the 'Agreement') to improve the existing corporate governance and transparency of the Norilsk Nickel group, to maximize profitability and shareholder value and to settle the disagreements of UC RUSAL and Interros in relation to Norilsk Nickel Group.

In 2015, Norilsk Nickel's commitments pertaining to special dividends were fulfilled in advance (special dividends were paid out during 2014-2015, including dividend per Norilsk Nickel's shareholder resolution resolved in the annual general meeting on 13 May 2015).

On 5 April 2016 the Company entered into the side letter among the parties to the Agreement pursuant to which the Agreement was further amended (the Amendments), among others, to the following effects on Dividend Policy and Capital Expenditure of Norilsk Nickel:

DIVIDEND POLICY OF NORILSK NICKEL

DIVIDEND POLICY AFTER THE AMENDMENTS (AS OF 5 APRIL 2016)

Starting 2017 and each subsequent year, the annual dividends payable by Norilsk Nickel shall be determined on the basis of the ratio of Norilsk Nickel's Net Debt to Norilsk Nickel's EBITDA as of 31 December of the preceding year as follows:

- 1) 60% of EBITDA if the ratio is 1.8 and less;
- 2) 30% of EBITDA if the ratio is 2.2 and more; and
- 3) if the ratio falls between 1.8 and 2.2, the percentage of EBITDA to be paid as dividends shall be calculated as follows:

$$X\% = 60\% - (\text{Net Debt}/\text{EBITDA} - 1.8)/0.4 * 30\%.$$

The minimal amount of the annual dividends payable by Norilsk Nickel in 2017 shall not be less than USD1.3 billion. In addition, earnings received by Norilsk Nickel from the sale of 100% of shares in Norilsk Nickel Africa (Pty) Limited (reduced by the amount of expenses associated with the sale and taxes) shall be paid as a dividend by Norilsk Nickel in 2017.

Starting 2018, the minimal amount of the annual dividends payable by Norilsk Nickel shall not be less than USD1 billion.

DIVIDEND POLICY BEFORE THE AMENDMENTS (EFFECTIVE SINCE 29 JUNE 2015)

- 1) The parties must ensure that annual dividend paid by Norilsk Nickel from 2016 onward ("Subsequent Agreed Dividend") shall be in an amount equal to 50% of EBITDA for the year preceding the year in which the dividends are paid, but no less than USD2 billion and to be calculated in US Dollars using the Bank of Russia's exchange rate for the date the board of directors of Norilsk Nickel passes a resolution on the recommended amount of the dividends.
- 2) The amount of Subsequent Agreed Dividend can be decreased at the discretion of the Managing Partner of Norilsk Nickel if the amount of dividends, actually distributed in preceding period(s) (starting from 2016), exceeds respective EBITDA Dividend (being 50% EBITDA for the previous year but no less than USD2 billion) — within the amount of such excess.
- 3) If during any year commercially reasonable opportunity emerges to distribute dividends more than twice a year and the investors agree with such payment schedule, there is a soft undertaking of the Managing Partner of Norilsk Nickel to schedule pay-outs of dividends more frequently than twice a year.

CAPITAL EXPENDITURE OF NORILSK NICKEL

The capital expenditures and/or expenses to purchase other non-current assets that can be incurred by Norilsk Nickel without triggering veto rights of the parties under the Agreement (and excluding capital expenditures associated with Bystrinskiy project and funded on the project-financing basis) are limited to USD4.4 billion in aggregate in 2016-2018. Preliminary decomposition of capital expenditures is expected to be as following:

- 1) **USD1.5 billion in 2016;**
- 2) **USD1.5 billion in 2017; and**
- 3) **USD1.4 billion in 2018.**

In addition to the above and to the capital expenditures associated with Bystrinskiy project, the following capital expenditures are excluded from the limits and can be incurred by Norilsk Nickel without triggering veto rights of the parties under the Agreement: expenditures related to modernization of facilities of (1) Nadezhinskiy metallurgical works and (2) Copper metal works aimed to decrease emission of sulphur dioxide until relevant expenditures do not exceed USD2 billion in aggregate. Such additional exemption from the scope of veto rights is applicable only if the ratio of Norilsk Nickel's Net Debt to Norilsk Nickel's EBITDA does not exceed 2.5x.

CORPORATE STRATEGY

As at 31 December 2017, UC RUSAL's strategy was to ensure its long-term sustainable development in challenging market environment through the following strategic moves:

1. Increasing low-cost and high-efficiency production capacities and sales of VAP products. Further strengthening position on key markets including CIS, Europe, Asia and the US markets.
2. Maintaining UC RUSAL's position as one of the most efficient and lowest cost producers.
3. Focus on innovations for core business and new products developments.
4. Sustainable and environmentally friendly aluminium.

GROUP-WIDE INITIATIVES

Innovations and Scientific Projects New Electronic Cells

The Company has commissioned a pilot site of eight new generation RA-550 cells at the Sayanogorsk Aluminium Smelter. Thanks to the design and technological solutions, the RA-550 has many advantages: high energy efficiency (consumes 10-15% less electricity than the previous generation), the cell design is lighter, more compact, and environmentally efficient. Stable operation of the RA-550 brings a number of innovative technical solutions to the high-tech technologies that shape the new standard in the industry: a fundamentally new configuration of the busbar with a two-line current supply, providing a symmetrical magnetic field and high MHD stability without a compensating loop; modular design of the busbar eliminating the restrictions on building reduction cells of greater power, up to 1,000 kA.

'The RA-550 project development period and its implementation, as well as operational maintenance meet the advanced world standards. As early as at this stage, the RA-550 technology can be recommended for implementation at new smelters with the amperage of 525 kA confirmed at the prototypes,' underlined Mr. Barry J. Welch, a reduction process leading expert.

Environmental approach

Environmental measures include the continued installation of Green Soderberg technology at the Company's facilities. The transition to Green Soderberg technology involves a number of activities, including construction of dry and wet two-stage gas-cleaning plants designed exclusively by RUSAL, implementation of an automated system to supply raw materials to reduction cells, state-of-the-art automation systems, innovative high-performance systems for gas removal from reduction cells, and substitution of machinery for manual labor. The newly developed systems for gas recovery from reduction cells increase gas removal efficiency in terms of the key contaminant – fluorine compounds (F, fluorides) and reduce emissions by 3.5 times, thus bringing the eco-friendliness of the Green Soderberg technology to baked anode technologies. Moreover, the dry and wet gas-cleaning complex, as the most efficient in global practices, allows for capturing both fluorides and sulphur (SO₂). Just a few smelters worldwide are equipped with the integrated gas cleaning systems with fluoride capture efficiency of more than 99% and SO₂ capture efficiency of at least 96.5%.

About 70% of capacity of Krasnoyarsk Aluminium Smelter has been switched to the Green Soderberg technology. Bratsk Aluminium Smelter had 62 reduction cells upgraded in Potroom 8, and gas recovery units installed in the 2nd potline. Pilot task areas consisting of six new Green Soderberg reduction cells were launched at Irkutsk and Novokuznetsk Aluminium Smelters. Green Soderberg technology is included in the Guide to the Best Available Technology of Aluminium Production approved by the order of Rosstandart.

To ensure raw material safety and maintain Green Soderberg status of Environmental Technology in terms of polyaromatic constituents of emissions, a technology has been developed for obtaining environmentally friendly pitch based on low-temperature dissolution of coal with oil ingredients and a low content of coke and by-product process (less than 30-40%). There are no world analogues of this technology.

A pilot line with an output of 180 t of green pitch a year has been built. A test batch of pitch and understud anode paste was produced. Understud anode paste made of green pitch was assessed from the environmental point of view on a single reduction cell. Benzo(a)pyrene emissions during the substitution of studs on the environmentally friendly anode paste controller were reduced by 77% compared to substitution of the standard pitch. Total benzo(a)pyrene on anode surface was reduced by 35%.

The company is making effort to achieve the minimal carbon footprint. To do this, we used mathematical and physical modelling to deduce the best design of an industrial inert anode, which was then tested for 120 days and confirmed the stability and performance of inert anodes in industrial conditions, specifically in reduction cell located at KrAZ. In order to expand the site and test the results for scaling, KrAZ commissioned two more reduction cells with inert anodes. For the same purpose, the casthouse was retrofitted and the inert anode production site was commissioned, which, in terms of productivity, can provide not only an experimental but also an industrial production scope of inert anodes.

Recycling

In order to increase the energy efficiency of aluminium production at relatively recoverable costs, energy efficient designs of pots are being tested and implemented at KrAZ, BrAZ, SAZ, NkAZ, and IrkAZ. Specific electricity consumption was reduced by over 200-400 kWh/t, while

cost of relining of reduction cells was reduced by 50-100 thousand rubles per one cathode using bulk materials. Moreover, the use of bulk materials provides more room for recycling. Bulk materials proved to have a recycling rate of up to 50%. Due to the introduction of bulk materials for 330 reduction cells at SAZ, we have already achieved an economic benefit of over RUB20 million.

The Company pays much attention to the utilization of solid waste from the production of aluminium sulphates and lining waste. To solve one of these problems, KrAZ launched a plant for sodium sulphate recovery at a commercial scale. It reduces the amount of storage on the mud disposal area with an increase in service life by 6-8 years. Further on, it will allow processing waste into commodity and avoid storing sulphates.

To avoid storing the spent lining, KrAZ completed the test of the technology for processing carbon lining and the pilot test of two-stage processing of coal foam (flotation tailings) resulting in 2 commercial products: cryolite and carbonaceous material concentrate. In order to process the spent lining, the laboratory developed a technology for neutralization with residual concentrations of CN-ion meeting the MRL requirements and fluorine conversion into CaF₂.

The technology encompasses processing red mud from alumina refineries and making scandium oxide as a by-product. This advancement boasts a fundamental difference from attempts by other companies' at starting an economically feasible production of scandium. At UC RUSAL, the red mud processing technique was embedded into the conventional alumina production system; it does not require any acidic, toxic or fire-hazardous chemicals and does not generate any wastewater. After scandium oxide is recovered, red mud can be further processed into a stand-alone product or can be taken to a bauxite residue disposal area using the ultra-dry technique, which reduces the capital cost of disposal areas by around 30%.

The pilot unit produced the first batch of scandium oxide in 2016 and the material's purity was over 99%. In 2016 and 2017, UC RUSAL then added a number of improvements to both the process and hardware parts, which has considerably increased the recovery rate, improved the quality of scandium concentrate and reduced the consumption of key chemicals used in the process.

After such improvements, currently, additional tests are being performed on the unit to confirm the continuous recovery technique.

Product Development

In terms of casting technology, the Company produced Al-Sc (2%) master alloy using hybrid (metallothermy + electrolysis) method in production-line conditions. Pilot batches have been produced and certified by potential consumers: KUMZ, JSC AMR, JSC Arkonik SMZ. Under the order of Aluminium Metallurg Rus JSC (Belaya Kalitva), we produced and shipped a commercial lot of Al-Sc master alloy of 800 kg.

Wire rod of aluminium alloys 8176 and 8030 was certified and approved by GOST. The Ministry for Construction of the Russian Federation approved a joint project involving the use of aluminium wire in construction of buildings and structures. The Ministry of Energy of the Russian Federation issued the Order on permission to use wire rod made of aluminium alloys for electrical purposes in residential buildings and structures.

New wire rod production technologies have been developed for types of wire rod intended for production of enamel wire and welding wire (production is mastered on the integrated casting and rolling-pressing unit). Pilot batches have been successfully certified by domestic consumers.

In the scope of activities to improve the quality of products, we developed the technology for production of slabs with low sodium content for the North American market. An industrial ultrasonic melt processing plant has been designed for casting, providing 25% savings of Al-Ti-B master alloy rod while maintaining a required fine-grained structure.

As part of the developing the field of new products, an agreement was signed with the leading producer of automotive wheels to design and produce lightweight wheels of UC RUSAL's alloys. Casting alloys of Zinalite were successfully studied in the laboratories of customers during the casting of brakes.

Formulas of new aluminium alloys for additive technologies with increased strength properties, heat resistance and corrosion resistance have been developed. Parameters of selective laser melting (SLS) and heat treatment of Al-Si-Cu, Al-Mg-Sc and Al-Mg-Cr-Zr were developed with a low porosity (0.2-0.5%). Mechanical properties of alloys exceed analogues by 20-40%.

To create lightweight rail tank cars for the transportation of nitric acid, a corrosion-resistant aluminium alloy of increased strength has been developed, which

makes it possible to reduce the tank car weight by 15-20% thanks to substitution for ADO alloy. Complex tests were carried out, which confirmed its efficiency.

Scandium-containing aluminium alloy with a scandium content of 0.1% (2.5 times less than commercial analogues while maintaining the same level of strength) was developed. Industrial technologies for the production of forgings and flat-rolled products have been developed. Forgings were taken by the consumer to produce a part designed for a bench testing and subsequent introduction in the design documentation.

In 2017, more than 50 pallets of home-design moulds were delivered for slab production in Wagstaff casting machines as part of the development of in-house casting equipment at Company's production facilities (KrAZ, BrAZ, SAZ). This completely covered the annual need of facilities in this type of casting equipment.

A fundamentally new design has been developed and pallets for the slab production for Profilglass have been manufactured. These pallets allow for the shipment of slabs without trimming the bottom part and, accordingly, increase the yield product ratio.

In the field of improving the alumina production technology, the Company used miniplant (pilot site) scale to verify the performance and consumption values of the alumina chloride technology for producing alumina from the high-siliceous raw materials of the Siberian region with OPEX of <USD200 per tonne. As a result of the test, for the first time this alumina chloride technology was used to produce smelter-grade alumina suitable for processing without restrictions at all operating reduction plants of the Company. The pilot plant is in the design phase.

The pilot plant for production of scandium oxide from red mud was introduced with technical solutions that allow reducing the total costs to USD570 per kg for industrial-scale production. The material balance is being calculated for the feasibility study of construction of an industrial facility.

We also prepared for implementation a high-margin technology for production of precipitated alumina (FDPA) from AGK's solutions with a production cost significantly lower than that of competitors. The quality is confirmed by the potential consumer by producing pilot batches of compound for insulation and cable sheath using industrial equipment with a full range of standard tests of cable products. The feasibility study for the construction of an industrial facility is in progress.

On a laboratory scale, a new technology for obtaining metallic gallium from spent liquor without deep de-aluminiumization stage has been developed, which makes it possible to reduce the cost of gallium by 25% with an increase in output by 20%. The company has implemented a number of research projects to increase the efficiency of existing alumina refineries:

- ▼ **A new autoclave train was commissioned at UAZ with specific steam consumption 40% lower than existing trains and performance 3 times higher;**
- ▼ **A line of agitation digestion with the capacity of 140 thousand tonnes of alumina per year (+ 10% of capacity) with a record-low specific CAPEX of USD30/t was designed;**
- ▼ **Together with Honeywell, the hardware and software suite of the advanced control system for calcining aluminium hydroxide has been implemented in all AGK's calcining furnaces, which allows saving up to 5% of the heating oil. End-to-End Automation 5-year project has been launched;**
- ▼ **CFD model has been created, which was used for upgrading the agitation digestion thickener at AGK: solid waste reduced by 37% gram and flocculant consumption reduced by 15%. Detailed procedures for modelling all types of alumina production equipment are currently being developed.**

Silicon Production Cost Reduction

Furnace 4 at JSC Kremny with the modified cell geometry achieved an increase in output by 10%.

Furnace 2 at JSC Kremny arrived at intermediate results of industrial testing of a new reducing agent – briquettes of partially carbonized brown coal. Following the preliminary test results, it was decided to introduce briquettes to substitute for 50% of expensive imported enriched coal.

Raw Material Self-Sufficiency

- ▼ **IrkAZ has implemented a project for upgrading the calcination furnace producing 72,000 tonnes of calcined petroleum coke per year, which will reduce the purchase of imported calcined coke by the same amount. The equipment was commissioned, the quality indicators fully meet the requirements and are not inferior to imported raw materials.**
- ▼ **A project of baked anode production is at the implementation stage at VgAZ. The project provides for producing 104 tonnes of baked anodes per year. The main process equipment has been delivered. The lining of the bake oven and installation of process equipment is in progress.**
- ▼ **Taishet Anode Plant is currently in the first stage of construction. It will include a new anode baking furnace for 217.5 thousand tonnes of baked anodes per year. All the main process equipment was purchased. The basic construction and installation work on the frame of the building of the baking area is completed.**

Reduction of Costs and Production Efficiency Growth

- The project for the upgrade of the electrode shop for the production of slotted anodes has been completed at SAZ. It will reduce the power consumption by 160 kWh per tonne of aluminium.**
- The steps to increase the share of use of brown coal in the coal dust fuel of AGK sintering kilns are continued: the project was implemented to convert the sintering kilns 11 and 12 to 100% use of brown coal.**

Expansion of Product Output

The Company continues to increase the share of value-added products. The following projects were implemented under the scope of objectives for 2017:

- KAZ. Installation of quenching furnaces. The quenching complex was commissioned. Since January 2018, a new type of product has been produced – the hardened wire rope in the amount of 6,800 tpa, which will allow cable plants of the Russian Federation to reduce the import purchases.**
- In the face of ever-increasing competition and tightening of consumer demand regarding the quality of metal, in order to increase the competitive advantages of our products and preserve the sales market, the following steps have been taken:**
- At SAZ: introduction of a casting house with a capacity of 120 ktpa, which allows production of a new innovative product create the competitive advantages of our products and preserve the sales market, the following steps have been taken:deraelting this type of products in the shape of ingots. The casthouse was commissioned for industrial operation in January 2017.**

- At IrkAZ: retrofitting of the casting line for production of ingots, which allows to improve significantly the quality of casting alloys in order to prevent the loss of the Japanese market of casting alloys amounting to 55 ktpa. Casting equipment line was commissioned in July 2017.**

- SAZ. Upgrading the process computer control of soaking pits. The project provides for upgrading the obsolescent process computer control equipment thus increasing the output of billets by 9 ktpy. The equipment has been commissioned.**

Environment

- In 2017, the Company's environmental management system was confirmed to meet the new version of ISO 14001-2015 – Environmental Management Systems – Requirements with Guidance for Use. The certificate DNV-GL has been awarded.**

Monitoring of Greenhouse Gas Emissions

- Implementation of GaBi software:**

According to the international standards and methodology, to calculate the carbon footprint of primary aluminium produced by UC RUSAL, the GaBi software suite was introduced to promote the company's strategy for low-carbon aluminium.

- Implementation of ASI standard.**

In December 2017, a large-scale project on the implementation of the Aluminium Stewardship Initiative (ASI) standard was launched. The implementation of the ASI standard in the Company will be carried out in stages. Pilot plants, which will be the start of implementation, were identified: Boksit Timana, UAZ, and IrkAZ. In December 2017, introductory visits were made to all pilot plants.

ENGINEERING AND CONSTRUCTION DIVISION

In the sphere of activity of operations and branches that are part of the Engineering and Construction Division, the following activities were completed in 2017.

For all Engineering and Construction Division project teams in 2017, training on the course 'Management of construction projects' using TPS tools were organized; the training under the program for project management of the Spider Project was conducted (176 people were trained in total). In order to improve the skills of managers and specialists of the construction projects of the Engineering and Construction Division, in conjunction with the SibFU Engineering and Construction Institute, modular training was also organized under the professional retraining program 'Industrial and Civil Construction'.

During 2017, 3,785 people improved their qualifications in the training centers of the Engineering and Construction Division.

On the basis of the SibFU Institute of Non-Ferrous Metals and Materials Science, the first 17 UC RUSAL masters completed the training, while another 15 heads and candidates of the Engineering and Construction Division continue their education.

In the framework of the program for obtaining the first higher education in the relevant bachelor's degree programs, 64 persons study within the scope of the university co-financing program. These are promising young workers - candidates for the position of supervisors.

In 2017, work was continued on the extension of experience with the use of TPS tools, implementation of projects for the adoption of the pull system and the development of suppliers and technical retooling. During 2017, we completely tooled up with our own equipment. The operations and branches of the Engineering and Construction Division implemented 178 events with investments of more than RUB14.7 million aimed at replacing the obsolete equipment and acquiring the new one, including devices for examining and diagnosing the existing equipment.

As part of the renovation of the special-purpose machinery used in the repair of the JSC RUSAL Achinsk equipment, a multifunctional mobile crane LIEBHERR with the carrying capacity of 500 tonnes was purchased in 2017.

As part of the 'Program to Improve the Reliability of Electrical Equipment of Aluminium Smelters':

1. On August 30, 2017, the high-voltage transformer ORD-66667/220/10 was installed and tested at the PJSC RUSAL Bratsk in Shelekhov main step-down substation No 2. This model was made for the first time with the use of aluminium high voltage winding and will provide reliable power supply to the PJSC RUSAL Bratsk potlines, including potrooms Nos 1, 2, 3, and 4.
2. In November 2017, a contract was made for the supply of trawls to transport the transformers with a carrying capacity of 160 tonnes to the branches of LLC RUS-Engineering in Krasnoyarsk and Bratsk.
3. In December 2017, 9 mobile laboratories were purchased to monitor and diagnose cable lines up to 10 kV by non-destructive methods with the use of ultra-low frequency and the determination of dielectric losses.

In 2017, an automatic moulding line (AML) was put into operation in Achinsk, which allows the Company's aluminium smelters to be provided with high-quality cast products, at their minimum cost of production. In 2017, AML cast more than 2,000 tonnes of products.

During 2017, the average operating time of pumps increased from 4,690 to 5,400 hours, while the number of pump repairs was reduced.

In Kamensk-Uralsky, to produce alumina in 2017, the repair of the railcar tilter was carried out at the earliest possible terms; with the standard installation time of 90 days, the repair was completed in 35 days; the old one was dismantled and the new rotor was installed; the total volume of metal structures during the repair amounted to 144 tonnes.

As part of the overhaul of the potcells, their life cycle was increased to 2,120 days, with a target of 2,033 days for 2017.

At the branch of LLC RUS-Engineering in Bratsk, in order to reduce the voltage drop by 35 mV in the bloom-cathode potcell block contact and, as a result, the decrease in the electric power consumption by 117.3 kW*h/t Al, in December 2017, it was carried out the installation of the units for heating and pouring of cathode block assemblies with cast iron; tests and trial casts were carried out.

In 2017, in the shop for the overhaul of potcells at the branch of LLC RUS-Engineering in Krasnoyarsk, the following items were developed, produced, and installed:

1. The portal machine for pouring the cathode block assemblies with cast iron, which allowed to stabilize the temperature boundaries when pouring at about 1,350 - 1,250 degrees and withdraw personnel from the danger zone.
2. The portal machine for the installation of cathode block assemblies, which allowed them to be positioned in the cathode shell without additional displacements and without the use of a crane during installation.

In total, 49 potcells with a lifetime of up to 36 months out of 1,263 potcells were switched off for major repairs in 2017, and this is the lowest historical indicator ever (3.88%).

In the course of 2017, programmes to retrofit 4 potcells in the RA-167 pilot area at JSC RUSAL Novokuznetsk were implemented. At the branch of PJSC RUSAL Bratsk, 6 green potcells of the S8BMe type were installed, while at JSC RUSAL Krasnoyarsk, 277 potcells of this type were installed. During 2017, 21 energy-efficient potcells of the ShPVVe type and 22 green potcells of the S8Ba type were installed at PJSC RUSAL Bratsk.

As a result of implementation of joint programs with the production facilities to improve the reliability of operation of the process equipment of the Aluminium Division, Alumina Division, and New Projects Directorate, in 2017, the operations and branches of the Engineering and Construction Division achieved a significant reduction in unscheduled downtime of the equipment by 31% or 33 thousand hours compared to the idle time of 2016, which in turn allowed to reduce costs and produce more products by the production facilities.

At the branch of the RUSAL Bratsk in Shelekhov, a technology was developed and work was performed on the installation of a new lining design of bake out kiln No 2 in 2017. This lining design will allow the production of calcined coke of the KEP-2 brand for the production of baked anodes.

In 2017, the branch of LLC RUS-Engineering, Sayanogorsk developed the design and produced the blower ramps for cooling the baked anodes on bake ovens. This allowed to reduce the temperature in oven chambers, reduce the baking rate, and increase the production volume of baked anodes by 7.9 thousand tonnes per year.

At the Krasnoyarsk branch of LLC RUS-Engineering, on the RUSAL Processing Machines (PROM) project, as part of the program to reduce the cost of purchases, mass production of special self-propelled machines for the processing of potcells was continued in 2017, which made it possible to abandon the acquisition of more costly self-propelled machinery abroad. In 2017, 43 units of production equipment were produced and put into production. In June 2017, solemn celebration was held for the issue of the 100th milestone machine for transportation of anodes MPA-RIK-01 for JSC RUSAL Sayanogorsk.

In total, 129 units of equipment were put into production since the establishment of the project; drawings for 26 models were developed; 40 Russian patents were issued and obtained, including 6 ones in 2017. Certification and registration for the serial production of machines in accordance with the Technical Regulations of the Customs Union 'On the safety of machinery and equipment' TR CU 010/2011 for 17 types of self-propelled machines, including 4 types in 2017.

In 2017, at PJSC RUSAL Bratsk in potroom No. 25, retrofit of 2 stud pulling cranes of the SZTM type was performed, with their restoration to the level of multifunctional cranes for maintenance of potcells; training of crane operators was carried out; work was standardized on the rearrangement of the anode stubs.

In 2017, at the Krasnoyarsk branch of LLC RUS-Engineering, within the project for production of metal structures (PRIM), 8,337.74 tonnes of metal structures and 1,820.87 tonnes of aluminium products were produced for the Taishtet Anode Plant, for the centralized distribution of alumina for PJSC RUSAL Bratsk, for the dry gas cleaning unit for the branch of PJSC RUSAL Bratsk in Shelekhov, metal structures are being produced for the 2nd start-up line for the Boguchansky Aluminium Smelter and for the 1st launching facility of the Taishtet Aluminium Smelter.

In 2017, for the second launch facility of the Boguchansky aluminium smelter, 95 sets of cathode shells out of 164 (58%) and 51 sets of busbars out of 161 (32%) underwent site joint; 5 process cranes produced by NKM were assembled.

In 2017, with the construction of the first start-up facility of the Taishtet Aluminium Smelter, metal structures of the potrooms were assembled in the volume of 4,000 (25%) tonnes out of 16,000 tonnes of total volume; concrete work was completed to a trans-border corridor in the volume of 21,000 m³ (50%) of the total volume of 42,000 m³; the construction of warehousing facilities was completely accomplished in 2017.

In 2017, the Engineering and Construction Division continued to implement major environmental activities in the Alumina Division related to the reconstruction of the gas cleaning equipment and the extension of the service life of mud disposal areas; the budget of the following facilities commissioned in 2017 amounted to more than RUB6 billion: gas cleaning of sintering kilns Nos 1 and 2 at the Achinsk Alumina Refinery, mud disposal areas at the Nikolaev Alumina Refinery, the Ural and Bogoslovsk aluminium smelters.

In Kamensk-Uralsky, in order to reduce emissions of silicon production in the shortest possible time for 14 months, the construction of a Gas Cleaning Plant (GCP) of SUAL-Silicon was completed, and in 2017, the equipment was put into operation.

In 2017, the operations and branches of the Engineering and Construction Division carried out significant work on the construction of new aluminium smelters at Taishet and BEMO plants, maintenance and repair of process equipment, participation in all environmental programs of the Company, at the same time, all the technical and economic indicators of the Division were met.

ENVIRONMENTAL AND SAFETY POLICIES

As an international market leader in one of the largest and fastest growing industries in the world, UC RUSAL's actions significantly affect the future of the industry and the global environment. UC RUSAL is the largest employer in the majority of the regions it operates in and holds itself accountable for the well-being of its staff and local communities alike. Furthermore, UC RUSAL is a public listed company with obligations to investors and shareholders who are confident about the future of the company.

Addressing all of these presents an enormous challenge, which is why UC RUSAL's mission towards sustainability is a fundamental part of its business strategy. UC RUSAL is focused on innovative development, modernization of production capacities, improving its environmental performance and reinforcing the Company's position as one of the best employers in the country.

Operating on five continents and being involved in the metal production and processing, mining and power generation industries, UC RUSAL shares responsibility for addressing regional and global environmental issues and finding cutting edge approaches to solving such problems. The Company considers its environmental protection activities to be an inherent part of its business as well as its contribution to public sustainable development projects.

As with other natural resources and mineral processing companies, the Group's operations create hazardous and non-hazardous waste, effluent emissions into the atmosphere, as well as water, soil and safety concerns for its workforce. The Group regularly reviews and updates its health, safety and environmental management practices and procedures to ensure where feasible that they comply, or continue to comply, with best international standards:

Our safety management system is approved by DNV as compliant with BS OHSAS standard.

In 2017, in addition to recertified facilities 4 additional facilities received approval from DNV about compliance of their safety management systems with requirements of BS OHSAS.

UC RUSAL's goal is to continuously improve its environmental performance, while taking into account practical possibilities and social and economic factors.

Key operating principles

Any management decisions at all levels in all areas of the Company's business would systematically abide by the following core principles:

- ▶ **Risk Management: define and assess environmental risks, set targets and plan work taking into account environmental risk management issues;**
- ▶ **Compliance: comply with environmental legislative requirements of the countries where UC RUSAL has operations, as well as comply with environmental covenants assumed by the Company;**
- ▶ **Measurability and evaluation: establish, measure and evaluate environmental indicators and assess compliance with environmental legislation in the countries where UC RUSAL operates and with environmental covenants assumed by the Company;**
- ▶ **Prevention: apply the best available techniques and methods to prevent pollution, minimize risks of environmental accidents and other negative impacts on the environment;**
- ▶ **Training: train employees of the Company to meet the environmental requirements applicable to their business areas to give employees a better understanding of the environmental consequences should such requirements not be met;**

- ▀ **Cooperation: note the opinions and interests of related parties, establish environmental requirements when selecting suppliers and contractors and assist them in complying with those requirements;**
- ▀ **Openness: openly demonstrate the Company's plans and results of its environmental activities, including through public reports issued by the Company.**
- ▀ **replacing and disposing of electrical equipment containing polychlorobiphenyls (PCBs);**
- ▀ **rehabilitating land which has been negatively impacted and assisting in the maintenance of biodiversity; and**
- ▀ **creating corporate systems to manage environmental aspects and risks.**

ENVIRONMENTAL STRATEGY

Key goals of UC RUSAL's environmental strategy include:

- ▀ **reducing emissions, including greenhouse gases;**
- ▀ **creating a closed-circuit water supply system for the main production processes of the Company's facilities;**
- ▀ **increasing the volume of treated and used waste products and their safe disposal;**

By following this environmental policy and undertaking to regularly review and update its provisions, the Company has tasked itself constantly developing and improving its environmental management system and implementing its principles at all production facilities, including all those which are in operation and those which are still under construction. In 2017, RUSAL ran a project to implement ASI standards¹ at its plants to apply international sustainable principles to the aluminium production chain.

As part of achieving its objectives of continuous development and improvement of the environmental management system, the Company pays special attention to certifying its factories for compliance with ISO 14001-2015, the international standard for environmental management systems. All UC RUSAL's aluminium smelters are certified as ISO 14001-2015 compliant.

1. The ASI Performance and Chain of Custody Standards have been developed and designed to be globally applied, and throughout the aluminium value chain to enable the aluminium industry to demonstrate responsibility and provide independent and credible assurance of performance, reinforce and promote consumer and stakeholder confidence in aluminium products, reduce reputational risks concerning aluminium and aluminium industry players; and address the expressed needs by downstream industrial users and consumers for responsible sourcing of aluminium. Further details can be obtained at <https://aluminium-stewardship.org/>.

The Group has also taken steps to lessen the environmental impact of its operations and comply with all applicable environmental laws and regulations.

Health & Safety: a core priority

UC RUSAL's activities to provide safe working conditions for employees and reduce occupational diseases and injuries are governed by the corporate Occupational Health and Safety Policy. The Company's efforts are integrated into the Occupational Health and Safety Management System, which is one of the crucial management systems in UC RUSAL's business.

The Company has the following health and safety objectives:

- ▶ **To strive for zero injuries, zero emergencies and zero fires;**
- ▶ **To ensure the compliance of equipment and production processes with legal and regulatory requirements for occupational health, industrial and fire safety;**
- ▶ **To ensure personnel safety and health in the workplace and improve workplace environment on an ongoing basis in order to increase the level of safety; and**
- ▶ **To prevent occupational diseases.**

The Occupational Health and Safety Management System is deployed at every production facility. It includes a risk management system, emergency response plans, budgeting of health and safety measures, personnel training based on national and corporate requirements, and a corporate e-learning system. Occupational health and fire safety measures are financed strictly on a timely basis to provide for identification of hazards and development of procedures to improve working conditions.

UC RUSAL pays special attention to establishing a constructive dialogue with state authorities and employees, business partners, the general public and expert organizations to jointly resolve health and safety issues. The Company's experts and managers participate in the legislative process through the Occupational Health, Safety and Environmental Committee of the Russian Union of Industrialists and Entrepreneurs, Russian Duma committees, federal ministries and services, the Russian Chamber of Industry and Commerce, the Russian Mining Trade Union, the Russian Association of Mining Industrialists, and other non-profit organizations and partnerships.

The universally accepted health and safety management systems is a system based on the OHSAS 18001:2007 international standard. Regular audits of this system at UC RUSAL are strengthened by numerous regular internal audits, which qualitatively and quantitatively assess key elements of the system, identify deficiencies and develop effective corrective measures to manage risks and prevent failures and injuries. According to 2017 data, the LTAFR (Lost Time Accident Frequency Rate) was 0.15 which is an improvement compared to 2016 (0.18) and the global average for the aluminium industry in 2015 (0.26).

In total, 44 internal audits of health and safety management systems were carried out at the Company's sites. Det Norske Veritas held re-certification audits at the production facilities and the Head Office, which confirmed the health and safety management systems' compliance with the requirements of OHSAS 18001:2007. As at the Latest Practicable Date, 14 production facilities of the Company, in addition to the Head Office, have OHSAS 18001 certificates.

A sustainable player, engaged in all relevant industry sustainability initiatives

Primary aluminium production leads to a high volume of GHG emissions. The main sources of GHG emissions are carbon anodes consumption due to carbon oxidation, perfluorocarbon emissions and indirect GHG emissions related to generation of power consumed. Indirect Emissions can be much higher than direct emissions from aluminium smelting and can be up to 5-10 times more in case of power generation from coal. The current average worldwide level of direct and non-direct energy emissions of aluminium production is 13.4¹ tCO₂eq/tAl. 2016 UC RUSAL level was 3.1 tCO₂eq/tAl.

In 2007, the Company signed a memorandum of understanding with the United Nations Development Program. The aim of the memorandum is to implement measures to minimize the Group's impact on climate change, by reducing the Group's greenhouse gas emissions. The Group is actively participating in the International Aluminium Institute's activities related to targeting the reduction of greenhouse gas emissions and energy efficiency. The Group has achieved significant reductions in greenhouse gas emissions. For instance, the Group's aluminium smelters reduced specific greenhouse gas emissions in 2017 by 61% compared to 1990 emissions levels.

To perform more accurate calculations, the Company has developed a number of methodologies for determining greenhouse gas emissions which take into account the features of Company production. The methodologies take into account the features of production UC RUSAL. An independent international verification BSI has confirmed that our methodologies comply with the requirements of national and international standards and regulations.

The Company has developed programs to achieve the specific direct GHG emissions reduction strategic goals at aluminium smelters and alumina refineries by 15% and 10%, respectively, by 2025 compared to 2014. (In 2017 aluminium smelters reduced specific direct GHG emissions by 2.2% and alumina refineries by 4% compared to 2014).

Since 2017, the Company has applied the internal price of carbon (20USD per ton of CO₂e) when developing new projects.

UC RUSAL has initiated in International Aluminium Institute in 2016 the project for development of international guidelines for standardization of approaches for aluminium carbon footprint reporting. The Aluminium Carbon Footprint Technical Support Document has been developed and approved by IAI board of Directors in October 2017 and officially published by IAI in February 2018. UC RUSAL will use this document as a guidelines to report own carbon footprint internally and externally. It will allow report comparable figures to customers and other interested parties.

UC RUSAL is actively participated in updating of 2006 IPCC Guidelines for National Greenhouse Gas Inventories for Aluminium industry.

In 2016 the Company has joined Aluminium Stewardship Initiative. The Aluminium Stewardship Initiative (ASI) is a global, multi-stakeholder, non-profit standards setting and certification organization. It is the result of producers, users and stakeholders in the aluminium value chain coming together with a commitment to maximizing the contribution of aluminium to a sustainable society. ASI's objectives are:

- ▶ **To define globally applicable standards for sustainability performance and material chain-of-custody for the aluminium value chain.**
- ▶ **To promote measurable and continual improvements in the key environmental, social and governance impacts of aluminium production, use and recycling.**
- ▶ **To develop a credible assurance and certification system that both mitigates the risks of non-conformity with ASI standards and minimizes barriers to broad scale implementation.**

UC RUSAL was the first Russian company that joined Carbon Pricing Leadership Coalition (CPLC) – initiative under World Bank that brings together leaders from government, private sector, academia, and civil society to expand the use of carbon pricing policies. RUSAL participates in the CPLC research on potential options for carbon pricing in Construction Value Chain to promote low-carbon decisions in building industry in particular.

The Group actively participated in the All-Russian Climate week (May-June 2017) first ever organized in frame of the Year of Ecology in Russia. 15 of RUSAL's projects were included in the official plan of activities. Later on RUSAL attended some events within Global Climate week in New York.

The Group participated in the UN climate negotiations as a part of the official Russian delegation. The Group's achievements on the environment and climate agenda, i.e. presentation of the new product ALLOW, were organized at the Russian pavilion at UN Climate Change Conference in Bonn in November 2017. The special "Low Carbon Aluminium Day" was attended by approximately 80 Conference participants. The exhibition of the Russian Federation that was organized in cooperation with RUSAL and presented state and corporate approaches for the environmental education met with great interest amongst the visitors.

Social Investments and Charity

The key social mission of UC RUSAL is to improve the quality of living for employees and the population of the countries and regions where the Company operates. The Company achieves this improvement through investment in the social infrastructure of the regions, the creation of new development drivers and social sustainability. Implementation of the Company's social projects is carried out in partnership with a wide range of stakeholders, including regional authorities, non-profit organizations, contractors and suppliers, medium and small businesses, and population of the cities where the Company operates.

Since 2004 the Company has developed the organizational infrastructure for local community support that consists of the interregional network of the corporate charitable fund The Center for Social Programs (CSP) and the social entrepreneurship training agency – The Center for Innovations in Social Sphere (CISS).

The Company operates and supports via CSP and CISS the following social programs and projects:

- ▶ **“RUSAL territory” program of regional development, which includes grant competitions, training project “School of urban changes”, facilitating strategies of urban and social development of cities;**
- ▶ **The program of corporate volunteering “Helping is Easy”, which includes grant competitions, New Year charitable marathon, the online-portal “Helping is easy”, and the National Council on corporate Volunteering;**
- ▶ **The “Yenisei Day”, a large-scale project of ecological volunteering in Krasnoyarsk Krai and republics Khakassia and Tuva;**
- ▶ **Social entrepreneurship Development Program, which offers six Tools of project support which are training, consulting, financial subsidies, interest-free loans, private investments, discount interest loans;**
- ▶ **Mass sports project “Go Skiing!”, which provides training of trainers, family ski holidays, children and youth Cup in ski races, operated in 10 cities;**

- ▶ **The large-scale social and cultural project “RUSAL Festival” which features regular festivals of cinema, theater, popular sciences, bicycle quests in 15 cities of Russia and the city of Yerevan in Armenia.**

The RUSAL Territory Program

“RUSAL territory” is a program of socio-economic development of the regions, which implies a comprehensive strategic approach to the implementation of the best projects of infrastructural changes in the scale of the whole city, a separate district, a house or yard. The program is designed to make people live comfortably and interestingly due to the emergence of new socio-cultural spaces, the modernization of social infrastructure and the conduct of cultural, educational and sporting events. During 7 years of the program, more than 200 social facilities were built, repaired and restored, and grants for implementation of 635 social projects of non-profit organizations and social institutions selected on a competitive basis were allocated.

The “RUSAL territory” program includes the annual competition of territorial development projects, which defines the best projects of territorial development, aimed at improving the quality of life, the formation of modern standards of urban architectural and cultural environment and the involvement of a maximum number of stakeholders in the process of improvements. Within the framework of the program CSP conducts social studies to identify current problems and points of territorial development and the educational project “School of urban changes” for local community representatives.

During the reporting period 50 new objects of social infrastructure were created and modernized, including the facilities and equipment in 24 educational organizations (schools, kindergartens, technical colleges, children's centers of arts and technical creativity), in five cultural institutions (libraries, cultural centers), three institutions of social protection, two youth organizations, medical facility in the hospital, two infrastructure facilities for people with disabilities, and five urban spaces.

In 2017 the development of the urban environment was continued as one of the priorities of the program. As a result, in Krasnoturyinsk a major urban project for the reconstruction of the Central Park continued by

landscaping adjacent to Promenade. In Sayanogorsk, the improvement of the "Park of Active recreation" and the square in Maina township continued. In Krasnoyarsk a new area for family recreation was created on the basis of the high school #152 and the infrastructure for recreation and educational activities for young people in the Kamenka Park was completed.

A few spaces for development of local communities were equipped. In Novokuznetsk, the coworking-center of social initiatives was established which became a cultural and public space for development of initiatives of active citizen and a platform for the laboratory of social initiatives known as the Social Lab "City for Life".

The competitive funding winners implemented several projects in the field of innovative, scientific and technical creativity for children and youth. The project "Children's Workplace Learning Center "City of Masters" was developed in Novokuznetsk. A specialized competence center "Construction of alloys and materials" was created at the school #22 in Krasnoyarsk. In Krasnoturyinsk two educational facilities were created – the "Neolab" center for technical creative classes and "MediaHub" center for training young people the skills in programming and development of mobile applications. In Krasnoturyinsk a club of technical creativity was opened, and in Severouralsk the workshop for technical work and creativity opened in the city school #13.

In Volgograd, a training ground was technically equipped for practical training in the children's Driving School in order to teach children safe behavior on the roads. In Severouralsk the construction of a children's Auto-city was completed. In Tayozhny township of Krasnoyarsk Territory the consulting room for social and home orientation of children with disabilities was equipped in the boarding school.

During the reporting period of the program, significant sports facilities were created: The "Snow Park" in Bratsk, the High Rope Courses "Vertical" and "Bike Park" for figure driving and bike-trial in Volgograd; sports court for all age categories in Krasnoturyinsk; interschool sports stadium in Kamensk-Uralsky, 3 open sports grounds in Shelekhov city. The repair and equipping was carried out at the ski base of the Children and Youth Sports School in Cheremukhovo township near Severouralsk.

The first in Sayanogorsk rehabilitation center was equipped for complex treatment of adults and children with disfunction of the central and peripheral nervous system and musculoskeletal apparatus.

School of Urban Changes

School of Urban Changes is the educational project that enhances the effectiveness of all implemented UC RUSAL's social programs. The School helps to prepare project teams that are able to develop and implement social projects aimed at the development of urban spaces and accessible environments in residential areas, the organization of cultural events and much more.

70 events of the School of Urban Changes took place in 11 cities to initiate actual projects, to increase the project culture of the contest participants, to involve stakeholders and new subjects in the processes of urban change. The schools were held in different formats which included lectures, workshops, master classes, group work, brainstorming sessions, strategic meetings, discussions, etc. More than 30 experts in the field of social design, management, construction and architecture, business trainers and consultants on development strategy, urban planning and strategic development, supported by more than 70 partners. The school aroused great interest among the representatives of authorities, heads of non-profit organizations, grantees, businessmen and mass media. In 2017, 2,635 people took part in the sessions of School of Urban Changes.

The results of the meetings in the framework of School of Urban Changes have become new ideas, projects and solutions for the development of urban spaces. In addition, the formation of communities of residents, local government representatives and urban professionals, who jointly develop a vision for local urban development. Such groups developed during the sessions of School of Urban Changes a number of social initiatives that include two projects in Kamensk-Uralsky – the "Iset-river Coast" on landscaping the recreational area on the ski-boat station and the Art-ground "Kamensk Arbat"; two projects in Krasnoturyinsk – the Promenade and the Sports ground; in Sayanogorsk – the "Center of Attraction" park, in Achinsk – the Youth park, Theatrical Alley, and others.

The “Helping is Easy” program

The “Helping is easy” program is aimed at the development of corporate and urban volunteer movement. Its task is to involve employees of UC RUSAL and partner companies, their families and communities of active residents in volunteer activities, participation in modern charitable events, initiation and organization of such events.

In 2017, the Company conducted two contests of volunteer projects “Helping is Easy” in the framework of the program, two contests of environmental volunteer projects “Green Wave”, the “Yenisey Day” environmental Marathon in Krasnoyarsk and Sayanogorsk, the VII annual New Year Marathon “We Believe in a Miracle, We Create a Miracle!”, and many other local volunteer activities.

As a result of the “Helping is Easy” contest the financial support was provided to 142 volunteer initiatives and projects aimed at working with socially unprotected groups, development of pro bono volunteering, conducting educational events for volunteers. A great request from the applicants for the competition in 2017 was to support initiatives on training and communication events for existing volunteer communities. Among the supported initiatives there were a number of projects, including the School of volunteers in Volgograd, the Festival of volunteer ideas and the “Volunteers 2.0” educational project in Krasnoturyinsk, the game training “Volunteers, to marks” in Novokuznetsk. All projects were characterized by an interesting, rich contents of activities and creative training approaches. A few projects of portable volunteer theaters were supported, among which there is a project of portable theater for children’s hospital in Krasnoyarsk where the volunteer clowns conduct performances to entertain young patients. A similar project was launched in Novokuznetsk under the name “Theater in Suitcase”. Another creative project was supported in Achinsk, where the young people with disabilities will arrange a portable puppet theater “Curly Hedgehog” and play roles in its volunteer performances. Besides these projects the allocated funding supported projects of mentoring in orphanages and social institutions.

Within the framework of the “Green Wave” contest of environmental volunteer projects, the support was provided to 78 initiatives of volunteer groups on landscaping and improvement of yards, streets, pedestrian alleys.

The New Year’s charitable Marathon was held in 2017 and united over 1,500 volunteers in 19 cities, most of whom represented the employees of the partner companies. The volunteer teams have organized more than 500 different charitable events and helped 8,700 people in need and 146 organizations. In 2017, the prize pool for the participating volunteer teams was increased to RUB3.5 million. The winning teams decided to direct their financial prizes to the charitable organizations in all cities of the project. The most massive events of the New Year marathon were charitable fairs aimed at raising funds for treatment and rehabilitation of severely ill children, supporting social institutions and charitable foundations from all over the country. As a result of the charitable fairs, the amount of RUB875,000 was raised and directed to the recipients.

In 2017, chaired by UC RUSAL the National Council for Corporate Volunteering continued working in partnership with more than 30 participating companies and organizations. Its task was to consolidate the accumulated experience and knowledge in the field of volunteering and foster the development of corporate volunteering in Russia.

In 2017, the ecological marathon “Yenisei Day” in Krasnoyarsk expanded the format by involving local residents through pilot eco-points set up on the banks of the river. Every weekend a group of volunteers worked on the embankment and offered visitors to collect the trash after picnic and place it to the garbage bins set in a few eco-points at the embankment. The responsible holidaymakers were awarded little memorable souvenirs for each collected garbage package.

In 2017 the volunteer youth councils continued active work at 11 plants. They took part and some of them won in the “Helping is Easy” and “Green Wave” contests.

Their 16 volunteer initiatives were among other winners of these grant competitions. The projects of youth councils are aimed at guidance of children in difficult life situations, as well as creative work with children in supported social institutions.

Development of social entrepreneurship

In 2017, UC RUSAL continued the development of social entrepreneurship in the regions where the Company operates.

The Company provided a complex of supportive measures for growth of social entrepreneurship, that include:

- ▀ **Educational program of the School of social entrepreneurship (SSE);**
- ▀ **Methodological, organizational and consulting support for newly beginning social entrepreneurs;**
- ▀ **Promoting mutual support of social entrepreneurs by creating a community of program participants and SSE graduates;**
- ▀ **Promotion of services and goods of social entrepreneurs in order to increase demand for them by state and municipal authorities and other regional organizations.**

In 2017, the Center of Innovations in the Social Sphere (CISS) operating the program, trained 177 new participants in the intramural SSE program held in Krasnoyarsk, Novokuznetsk, Kamensk-Uralsky and Krasnoturyinsk. The residents of the program actively participated in various local and national competitions for additional supportive measures. In 2017, the SSE graduates ran 42 business projects with social impact.

The SSE program developed into a format of extramural studies, and since March 2017 the CISS launched the online course, which made the SSE course available for participants from all Russian regions and other countries. In 2017, more than 700 people became partici-

pants of the SSE online course. The Center of innovations in the social sphere (CISS), operating the program, in 2017 received a license to conduct educational services which allowed the participants obtaining a certificate of qualification improvement upon completion of the SSE learning program.

In partnership with the Impact Hub Moscow, which is the community center for young social entrepreneurs and a part of the international network, the Company implemented in 4 cities (Kamensk-Uralsky, Krasnoturyinsk, Krasnoyarsk and Novokuznetsk) the "Social Impact Award" international competition, aimed at supporting and promotion of social entrepreneurship among the youth. Eighty-five young people took part in the preparatory training sessions; 12 projects from all the four cities were among the national top-fifty. Moreover, five of them reached the final and were awarded free training in the International Acceleration Program "90-Days Challenge" operated by the Impact Hub. On the stage of the final competition, the Company's SSE graduates showed the best results among participants from all over Russia. The winner was the "Kinesthetic-center" project from Novokuznetsk. This startup helps children and adults with disabilities and teaches relatives and professionals to care properly about the sick. The project developers organize seminars, conduct author's courses, individual and family consultations based on the concept of Kinesthesia that means the perception of body movements. The Creativity center established by the SSE graduate Anna Voshchikova in Kamensk-Uralsky for children and teenagers with cerebral palsy and autism was awarded in the "Open World" special nomination of the Social Impact Award presented by the Heinrich Böll Foundation.

UC RUSAL continues to search for the most promising innovative ideas and projects and works on their effective implementation in the social sphere and socio-economic development of the regions where the Company operates.

In 2017, the Company allocated more than USD23.9 million for social programs and charitable projects.

Coated aluminium roofs
and panels can reflect up to
95% of sunlight,
lowering energy consumption.



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04 MANAGEMENT DISCUSSION
AND ANALYSIS

ALLOW FOR OUR
CITIES AND TOWNS
TO MODERNIZE

RUSAL's low carbon aluminium will ensure that future metal consumption for construction within cities are more sustainable and environmentally friendly than what has come before.

4

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF TRENDS IN THE ALUMINIUM INDUSTRY AND BUSINESS ENVIRONMENT

Highlights for the full year 2017

- Global aluminium demand rose by 6% in 2017 to 64 million tonnes, amid coordinated economic growth in major regions of the world, including China, Europe and North America. In 2018, global demand is expected to build on the positive foundations of the past year to increase by 5% to 67.3 million tonnes. Robust demand growth left the global aluminum market balance in a deficit at around 1 million tonnes in 2017 and is expected to rise to above 2 million tonnes in 2018.
- Global aluminium supply is expected to grow by 2.8% in 2018 compared to 5.7% growth in 2017. In China there is strong evidence of the implementation of supply side reform in the Chinese aluminum industry in 2017 with more than 10 million illegal operating capacity and projects having been cut.
- As estimated significant part of aluminium smelters closed during current winter cuts season will not return to the market due to severe environmental regulation for smelters emissions in 26+2 cities, high restarting costs and current low profitability.
- Chinese semis exports stay under significant pressure from international anti-dumping initiatives and Introduction of new tariffs including for Chinese aluminium export to US under section 232 will potentially further increase from current 20-23 cents to 25-28 cents.
- The reported aluminium inventories in the world ex-China fell further to ~ 2.9 million tonnes at the end of 2017, down ~ 1.0 million tonnes from the level at the end of 2016 to historical low level for stock to consumption ratio of 36 days compared to 115 days peak in mid of 2015.

Global aluminium

The LME aluminium price rose 22.7% YoY in 2017 and reached USD2,256/t on January 2, 2018, nearly a six-year high, consolidating later at a new level of USD2,200/t as a result of widespread capacity cuts in China and a steady reduction of LME stocks - further evidence of a global market deficit. The rising cost inflation in China made a significant share of operating Chinese aluminium capacity barely breakeven by the end of 2017.

Aluminium demand

Global aluminium demand rose by 6% to 64.2 million tonnes in 2017. In the world excluding China, demand grew by 3.7% to 29.2 million tonnes, while Chinese demand increased by 7.8% to 34.9 million tonnes.

Despite high aluminium prices there is a slow process of restarting capacity capability outside of China due to lack of comparative power tariff and high restarting costs.

China continued to lead global growth in 2017, with its economy confounding expectations of a slowdown. Full year GDP increased by 6.9%, an upturn from the 6.7% pace of 2016 and well above the official target of 6.5%. The key driver of aluminium demand, industrial production, mirrored the improvement in the broader economy, accelerating to 6.6% growth in 2017, from 6% the prior year. There was broad based strength across the major aluminium consuming industrial sectors, with construction, manufacturing and transportation all remaining robust. Floor space under construction started in 2017, rose by 10.5%, while auto production rose by 2.1%, but growth in production of commercial vehicles was much sharper, up by 13.8%. Strong investment in the power sector, especially in green energy, also provided further impetus to aluminium demand.

In North America, underlying demand began the year cautiously before strengthening through the year. There was a welcome return to positive growth in industrial production in 2017, rising by 1.8% in the United States, following a contraction the prior year. Despite a 3.9% decline in North American motor vehicle production, aluminium demand from the sector grew strongly, amid rising intensity of use, especially in the rolled products sector. Construction activity remained solid, with housing starts rising by 2.4% to 1.1 million units, and pointing to a robust outlook for extrusions demand given the lag between starts and aluminium consumption in the build. In 2017 as a whole, primary aluminium demand rose by an estimated 2.6% to 6.8 million tonnes.

The recovery in the Eurozone economy was particularly impressive, with industrial activity improving throughout 2017. Manufacturing PMIs were illustrative of this trend, hitting multi-year highs in regional heavyweights Germany, France and Italy and even the UK shrugged off Brexit fears to increase through the year. The Eurozone manufacturing PMI ended the year at 60.6, its loftiest level since the currency group was formed. In a similar vein, the construction market built on strong growth in 2016, with further gains last year, which resulted in the production in construction index for Euro 28 countries also hitting multi-period highs. The pace of the auto market slowed slightly but vehicle output still rose by an estimated 1.4% across the region, although as in the US, intensity of use gains meant that sectoral aluminium demand ran well ahead of car production. This confluence of positive factors led to aluminium demand growth of 3.2% to 9.4 million tonnes in Europe (including Turkey but excluding Russia).

Japan's economy carried on the strong momentum from the end of the previous year to accelerate in 2017, driven by a recovery in the industrial sector. This led to industrial production growth estimated at 4.4%, after a minor contraction in 2016. A key component of this growth was automotive, with vehicle production accelerating by an expected 5.6% for the full year, bouncing back from a decline in 2016. The construction market fared less well, with housing starts contracting by a modest 0.1%, although sectoral aluminium demand still increased, benefiting from follow through from buildings that began construction the prior year. In addition to the strength of underlying domestic demand, Japan was boosted by a strong global economy, which was supportive of its exports. This was evident in the aluminium sector as well as the broader manufacturing sector.

Economic activity has remained strong in the ASEAN region, as GDP in major countries such as Thailand, Vietnam and Indonesia, grew at a rate of between 4 and 7%. The region as a whole continues to benefit from major macro drivers such as industrialization and urbanization, in addition to investment in downstream industry, including in aluminium. This will result in primary aluminium demand increasing to 6.5 million tonnes or 3.5% in the Asian region (ex China & India) in 2017.

The other major growth driver in the rest of Asia is India, and although its economy slowed in 2017, amid economic reforms, the rate of increase in GDP would still be the envy of most developed countries. GDP is expected to have grown by 6.2% over the year as a whole, although picking up speed in the final two quarters. Industrial production followed a similarly positive trend, pointing to an acceleration in growth in 2018. Even with a slowdown in the economy, primary aluminium demand still rose by an impressive 5.6% to 2.1 million tonnes in 2017.

In our home market of Russia, following two years of negative economic growth, GDP rose by an estimated 1.9% in 2017. A recovery in oil prices supported government revenues and this is fed through into increased government spending on infrastructure. This boosted demand across a range of end uses but especially in the electrical sector. A change in regulations to allow aluminium wiring in buildings during 2017 provides a bullish backdrop for further consumption growth. Primary aluminium demand in Russia grew by 10.9% to 0.8 million tonnes in 2017 and expected to rise to 0.90-0.95 million tonnes in 2018.

Global supply

Global aluminium supply rose by 5.7% to 63.5 million tonnes in 2017. In the world excluding China, supply grew by 1% to 27.2 million tonnes, while Chinese supply increased by 9.5% to 36.4 million tonnes.

In China there is strong evidence of the implementation of Supply Side reform in the Chinese aluminum industry in 2017 with more than 10 million illegal operating capacity and project cuts. As a result, according to Aladdiny data annualized Chinese aluminum production in November has dropped to 35.4 million tonnes from its maximum of 38.6 million tonnes in July of 2017.

The announcement by the Chinese regulator regarding winter capacity cuts which have now been implemented will result in an annualized production losses of approximately 1 million tonnes of metal, and 4.4 million tonnes of alumina, according to UC RUSAL estimates. As estimated significant part of aluminium closed smelters during current winter cuts season will not return to the market due to severe environmental regulation for smelters emissions in 26+2 cities, high restarting costs and current low profitability.

Larger losses may take place in carbon materials supply including anodes and coking coal, that would to exert an upward pressure on the costs bases for aluminium producers due to squeezes in raw materials supply chain.

Strong antipollution controls and environmental measures continue to be focused towards the energy intensive industries in China in 2018 with intention to further cap and reduce CO2 emissions. Several heavily aluminium producing provinces plan to curb CO2 emissions by 20-23% on average by 2020 from the 2015 level. Starting this year Chinese aluminum smelters start paying environmental tax potentially increasing production costs by 70-100 RMB/tonne for big producers.

In addition to China domestic regulatory measures, Chinese semis exports stay under significant pressure from international anti-dumping initiatives and possible introduction of new duties on Chinese semis exported to the US. This may result in a continued drop of exports of Chinese FRP and other aluminium semis products to United States, the second largest Chinese semis consuming market.

RUSAL'S ALUMINIUM PRODUCTION RESULTS

The Group's primary aluminium production for the year ended 31 December 2017 was practically flat as compared to the previous year and totalled 3,707 thousand tonnes (+0.6% YoY).

Production of VAP went up from 1.713 million tonnes in 2016 to 1.852 million tonnes in 2017, with the share of VAP increasing from 46.5% to 50.8% in 2017.

ASSET (KT)	INTEREST	YEAR ENDED 31 DECEMBER		CHANGE YEAR-ON-YEAR (%)
		2017	2016	
RUSSIA (SIBERIA)				
BRATSK ALUMINIUM SMELTER	100%	1,008	1,005	0.2%
KRASNOYARSK ALUMINIUM SMELTER	100%	1,019	1,024	(0.5%)
SAYANOGORSK ALUMINIUM SMELTER	100%	533	530	0.6%
NOVOKUZNETSK ALUMINIUM SMELTER	100%	215	213	1.0%
IRKUTSK ALUMINIUM SMELTER	100%	419	415	0.9%
KHAKAS ALUMINIUM SMELTER	100%	292	293	(0.2%)
RUSSIA (OTHER THAN SIBERIA)				
KANDALAKSHA ALUMINIUM SMELTER	100%	72	68	5.3%
NADVOITSY ALUMINIUM SMELTER	100%	12	13	(4.1%)
VOLGOGRAD ALUMINIUM SMELTER	100%	13	—	—
OTHER COUNTRIES				
KUBAL (SWEDEN)	100%	123	124	(0.8%)
TOTAL UCR		3,707	3,685	0.6%

ALUMINIUM DIVISION

The Aluminium Division comprises the smelters located in Bratsk, Krasnoyarsk, Irkutsk, Sayanogorsk, Novokuznetsk, Volgograd, Kandalaksha, Tayozhny, and Sundsvall (Sweden).

Development of the in-house technology of primary aluminium production

- The implementation of the project to improve high-amperage pot construction is in progress in SAZ pilot area: work is being performed on 16 RA-400 and RA-400 T pots, and on 8 RA-550 pots;
- The project to convert S-2/3 Soderberg pots to the RA -167 pre-bake technology continues at NkAZ: work is being performed on 15 pots, gas treatment unit and feed unit; target parameters were achieved; since September 2016, the pot basement structure using unshaped materials is being implemented in 100% of pots undergoing relining; the Eco-Soderberg pilot area was commissioned: 6 S8BME pots;
- The refining of 'Eco-Soederberg' technology continues in BrAZ pilot area: in 2017, 180 pots were equipped with an automatic raw materials feed system and a centralized alumina distribution system; cathode construction was changed on 22 pots during relining (switch to C-8Ba); 270 operating pots were equipped with the ARMF system; the total number of operating C-8Ba pots at the end of 2017 was 62;
- As of today, about 70% of capacity of Krasnoyarsk Aluminium Smelter has been switched to the Green Soderberg technology;
- In 2017, within the framework of decreasing the purchase of imported KEP-2 coke, a calcining facility (CF No 2) began operating at IrkAZ, with a planned output of KEP-2 calcined coke amounting to 72 thousand tonnes.

Energy efficiency:

- ▀ **Actions of the energy efficiency projects were successfully implemented at all aluminium smelters of the Aluminium Division. The implementation of energy efficiency actions in 2017 allowed to decrease the specific power consumption for the whole production facility in the aluminium smelters of the Aluminium Division by 417 kWh/t compared to 2013 (when the project started);**
- ▀ **Tests of energy efficient pot designs were successfully completed in KrAZ, BrAZ, SAZ, KhAZ, and IrkAZ test areas for further replication at production facilities of the Division. Introduction of the energy efficient structure in S-255 pots continues at SAZ in the course of relining; the successful OA-120 pot design is being further replicated at KrAZ.**

Increase in production of alloys:

- ▀ **Modernization in 2017 of the Befesa2 line at IrkAZ, increase of foundry alloys production capacity from 138 thousand t/year (in 2016) to 149 thousand t/year (in 2017).**
- ▀ **Start-up in 2017 of a new wire rod quenching complex, increasing the production of 6101 alloy from 4,050 t/year (2017) to 5,150 t/year (in the 2018 business plan).**
- ▀ **In 2017, a Properzi continuous horizontal casting line was commissioned at KhAZ with the planned capacity of up to 120 ktpa of 10-kg bars.**

Use of new mechanical equipment in potrooms:

- ▀ **In 2017, Limited Liability Company "Russian Engineering Company" (REC) produced 34 production machines, including new hi-tech anode treatment machines supplied to IrkAZ. Supply of small production machines continues (10 units were additionally delivered to KrAZ). Crane facilities are being developed in the following areas: Mechanization of the anode specialist's work in the Soderberg area, transition to radio control of cranes, expanding the functions of cranes in pre-baked anode potrooms.**

Health, safety, environment (HSE):

- ▀ **Production facilities of the Aluminium Division confirmed compliance of their respective HSE management systems with OHSAS 18001 following an external audit by DNV.**

ALUMINA PRODUCTION RESULTS

UC RUSAL's total attributable alumina output was 7,773 thousand tonnes in 2017 and 7,528 thousand tonnes in 2016. The increase of alumina output in 2017 by 245 thousand tonnes (3.3%) was due to implementation of production capacity increase program at UAZ and NGZ as well as a result of the more stable operation of AGK and BAZ.

Calculated based on the pro rata share of the Company's (and its subsidiaries') ownership in corresponding alumina refineries.

ASSET <i>(KT)</i>	INTEREST	YEAR ENDED 31 DECEMBER		CHANGE YEAR-ON-YEAR
		2017	2016	
IRELAND				
AUGHINISH ALUMINA REFINERY	100%	1,937	1,967	(1.5%)
JAMAICA				
WINDALCO (EWARTON WORKS)	100%	582	609	(4.4%)
UKRAINE				
NIKOLAEV ALUMINA REFINERY	100%	1,676	1,510	11.0%
ITALY				
EURALLUMINA	100%	—	—	—
RUSSIA				
BOGOSLOVSK ALUMINA REFINERY	100%	983	962	2.2%
ACHINSK ALUMINA REFINERY	100%	945	916	3.2%
URALS ALUMINA REFINERY	100%	894	804	11.2%
BOXITOGORSK ALUMINA REFINERY	100%	—	—	—
GUINEA				
FRIGUIA ALUMINA REFINERY	100%	—	—	—
AUSTRALIA (JV)				
QUEENSLAND ALUMINA LTD. ³	20%	756	760	(0.5%)
TOTAL PRODUCTION		7,773	7,528	3.3%

BAUXITE PRODUCTION RESULTS

UC RUSAL's total attributable bauxite output⁴ was 11,645 thousand tonnes in 2017, as compared to 12,187 thousand tonnes in 2016. The decrease in bauxite production

at Windalco is due to climatic conditions (off-season rainfall). In 2017, 43 new wagons had been shipped to CBK with immediate commissioning. In 2017 haulage equipment renovation project has started at BCGI.

The table below shows the contribution from each facility.

BAUXITE MINES (KT WET)	INTEREST	YEAR ENDED 31 DECEMBER		CHANGE YEAR-ON-YEAR (%)
		2017	2016	
JAMAICA				
ALPART	0%	—	69	(100%)
WINDALCO (EWARTON)	100%	1,954	2,054	(4.9%)
RUSSIA				
NORTH URALS	100%	2,360	2,367	(0.3%)
TIMAN	100%	3,163	3,065	3.2%
GUINEA				
FRIGUIA	100%	—	—	—
KINDIA	100%	3,124	3,538	(11.7%)
GUYANA				
BAUXITE COMPANY OF GUYANA, INC. GUYANA, INC.	90%	1,044	1,094	(4.6%)
TOTAL PRODUCTION		11,645	12,187	(4.4%)

4. Bauxite output data was:

- calculated based on pro-rata share of the Company's ownership in corresponding bauxite mines and mining complexes. The total production of the Company's fully consolidated subsidiary, Bauxite Company of Guyana Inc., is included in the production figures, notwithstanding that minority interests in each of these subsidiaries are held by third parties.
- reported as wet weight (including moisture).

Nepheline production results

UC RUSAL's nepheline syenite production was 4,332 thousand tonnes in 2017, as compared to 4,432 thousand tonnes in 2016.

The decrease of the production volume of nepheline mine in 2017 by 100 thousand tonnes compared to 2016 or 2.3% is largely explained by the mining works schedule.

NEPHELINE MINES (ACHINSK) <i>(KT WET)</i>	INTEREST	YEAR ENDED 31 DECEMBER		CHANGE YEAR-ON-YEAR (%)
		2017	2016	
KIYA SHALTYR NEPHELINE SYENITE	100%	4,332	4,432	(2.3%)
TOTAL PRODUCTION		4,332	4,432	(2.3%)

Foil and packaging production results

The aggregate aluminium foil and packag-

ing material production from the Company's foil mills increased by 19% to 101.06 thousand tonnes in 2017 from 84.72 thousand tonnes in 2016.

The table below shows the contribution from each facility.

FOIL MILLS <i>(THOUSAND TONNES)</i>	INTEREST	YEAR ENDED 31 DECEMBER		CHANGE YEAR-ON-YEAR (%)
		2017	2016	
DOMESTIC MARKET (RF and CIS)		47.11	38.97	21%
SAYANAL	100%	24.17	22.74	6%
INCLUDING CONVERTED FOIL		9.98	10.43	(4%)
URAL FOIL	100%	19.12	12.70	51%
SAYANA FOIL	100%	3.83	3.53	8%
EXPORT		53.95	45.74	18%
SAYANAL	100%	14.02	11.63	21%
URAL FOIL	100%	6.20	5.09	22%
ARMENAL	100%	33.72	29.01	16%
TOTAL PRODUCTION		101.06	84.72	19%

In 2017 Domestic market sales increased up to 21% to 2016 volume, either Export sales increased up to 18% to 2016 after US authorities launched the antidump-

ing investigation against Chinese foil producers. Also there is a 37% increase in sales volume of SRC (container) foil (5,995 tonnes in 2017).

OTHER BUSINESS (T) UNLESS OTHERWISE INDICATED	YEAR ENDED 31 DECEMBER		CHANGE YEAR-ON-YEAR (%)
	2017	2016	
SECONDARY ALLOYS	28,343	25,046	13.0%
SILICON	56,020	59,274	(5.5%)
POWDER	18,539	18,696	(0.8%)
FLUORIDES	0	0	—
COAL (50%) (THOUSAND T.)	20,204	17,525	15.3%
TRANSPORT (50%) (THOUSAND T. OF TRANSPORTATION)	6,222	6,236	(0.2)

Silicon production:

The decrease in the output in 2017 is mainly due to the planned maintenance of the main equipment: at JSC Kremny – capital repairs of 2 furnaces and at OOO SUAL-Kremny-Ural – 2 capital repairs and one average repair of furnaces.

In 2017, measures are being taken to improve the quality of the produced silicon within the scope of the programme for 100% supply of RUSAL aluminium smelters with own silicon: refining volumes are increased, requirements to the quality of incoming raw materials are increased, including additional processing of quartzite mined at the Company's mines.

The construction of the GTC at SUAL-Kremny-Ural has been completed, and pilot operation is underway. At JSC Kremny the design plans and specification for construction of GTC-1,2 received a positive review of the non-state expert examination. Construction permit is issued.

A special permit (license) for the extraction of quartzite at the Glukhov Mine (Ukraine) was obtained and is valid until 2037.

Powders:

The 2017 output showed practically no change year-on-year (-0.8%). And although the domestic construction market shrunk in 2017 by 7-10% from the previous year, RUSAL managed to increase its sales of aluminium powders and pastes (used as gas-forming agents in construction) and thus raise its market share to 81%. This growth became possible after the Company has promptly responded to the changing payment terms in the market. The Company also expanded and re-distributed its export sales, where sales coarse aluminium powders were reduced by 10% in favor of fine powders (+55%).

In 2017, the Powder Business Directorate of RUSAL Volgograd commissioned a new equipment – grinding and classifying unit VKV-777, which will produce special foaming agents in demand for the domestic and foreign manufacturers of Autoclaved Aerated Concrete.

One of the priority areas of aluminium powder industry is the implementation of the project for the development of special alloys and production of metallic powders for 3D printing (additive technologies). Under the scope of this project, the Powder Business Directorate of RUSAL Volgograd and SUAL PM produced pilot lots of AlSi10Mg powders and high-strength aluminium alloys.

In addition, the project for developing a new group of aluminium pigment products with wet grinding technology for the paint and varnish industry is now in development.

Secondary alloys:

The increase in production volumes is due to the involvement of 3XXX, 6XXX bars from the aluminium smelters located in the Siberian region. It required an additional melting furnace to be temporarily demothballed.

ALUMINIUM

Aluminium production results

The New Projects Directorate

The New Projects Directorate comprises the Volgograd aluminium smelter, Nadvoitsy aluminium smelter, Volkhov aluminium smelter (all in Russia), ALSCON (Nigeria), the aluminium sections of the Bogoslovsky and Ural smelters (in Russia), as well as the secondary alloys facility.

The current status of aluminium production facilities shut down in 2013 at BAZ, VAZ, UAZ, and Alsccon, in 2017 remains unchanged.

Nadvoitsy aluminium smelter: dismantling of steel structures of the reduction cells in Potroom 1 continues; Potroom 4 operates using its own electricity generated by the leased Onda HPP.

Volgograd aluminium smelter: in 2017, after signing of a free bilateral agreement for the supply of electricity, resumed the reduction process: from May to December, 122 capital repairs of cells in Potrooms 2 and 5 were completed, 120 reduction cells were commissioned. At the same time, remelting of solid metal continued in the Casthouse; 44,000 tonnes of high added value products were produced, of which 13,000 tonnes were produced from own raw aluminium and 31,000 tonnes were produced by remelting of hard metal. The area for production of anode paste produced 37.81 kt to meet the needs of the Kandalaksha Aluminium Smelter. Implementation of the project for management of production of baked anodes continues.

One of the areas of development of the New Projects Directorate is the search, development, and implementation of projects aimed at increasing the consumption of aluminium and aluminium alloys. The main areas for the implementation of new projects are the areas of mothballed production.

■ **The industrial site of NAZ was used to continue the project on managing the production of aluminium domestic heaters. The project is executed jointly with ELSO-GROUP (50/50). In April, the production facility was granted the status of a resident of the Priority Social and Economic Development Area. By the end of 2017, the yield ratio was up to 67%. Around 5,600 sections were cast. 1,000 sections were shipped to consumers in December. Casting is performed using Sanwave moulds. In 2017, 2 moulds were ordered and successfully tested at the manufacturer's plant (Costampress, Italy). The final test of moulds began at the Russian Radiator LLC on 25 January 2018 with the participation of the manufacturer.**

■ **OOO Bogoslovsky Cable Factory (BKZ). It was established in April 2017 as part of the long-term agreement for the exercise of rights of participants with ELKA-Cable. This was a joint venture for the production of cables and wires in Krasnoturyinsk. BKZ was granted the status of resident of the Priority Social and Economic Development Area in 2017. Within the scope of the project, the bulk of the equipment for the first stage of production was bought out – Drawing and twisting shop No 1. In August to December 2017, production of a semi-finished flexible cable (multiwire strand and conductor of various cross-section) was started, which until December 2018 will be the finished product of BKZ. In 2017, the output of semi-finished products amounted to 47.7 tonnes of aluminium. In 4Q 2017, the reconstruction of Shop No 2 was started; it is the main site of the future plant.**

The Aluminium Division and New Projects Directorate are in charge of primary aluminium production at the Company.

Coal production results

The aggregate coal production attributable to the Company's 50% share in Bogatyr Coal LLP increased by 15% to 20,204 kt in 2017, as compared to 17,525 kt in 2016. The increase in volume in 2017 as compared to 2016 was due to increased sales of coal to Kazakh customers resulting from increased regional demand.

Transportation results

Total coal and other goods carried by rail Bogatyr Trans LLC, attributable to a 50% share of the company decreased by 0.2% to 6,222 thousand tonnes in 2017, compared to 6,236 thousand in 2016. The decline in 2017 compared to 2016 was due to a decrease in the delivery of coal in Kazakhstan, which was partially offset by an increase in the transportation of coal in Russia.

FINANCIAL OVERVIEW

Revenue

	YEAR ENDED 31 DECEMBER 2017			YEAR ENDED 31 DECEMBER 2016		
	USD MILLION	KT	AVERAGE SALES PRICE (USD/TONNE)	USD MILLION	KT	AVERAGE SALES PRICE (USD/TONNE)
SALES OF PRIMARY ALUMINIUM AND ALLOYS	8,324	3,955	2,105	6,614	3,818	1,732
SALES OF ALUMINA	769	2,018	381	622	2,267	274
SALES OF FOIL AND OTHER ALUMINIUM PRODUCTS	323	—	—	240	—	—
OTHER REVENUE	553	—	—	507	—	—
TOTAL REVENUE	9,969			7,983		

Total revenue increased by USD1,986 million or by 24.9% to USD9,969 million in 2017 compared to USD7,983 million in 2016. The increase in total revenue

was mainly due to the growth of sales of primary aluminium and alloys, which accounted for 83.5% and 82.9% of UC RUSAL's revenue for 2017 and 2016, respectively.

	QUARTER ENDED 31 DECEMBER		CHANGE, QUARTER ON QUARTER, (4Q TO 4Q)	QUARTER ENDED 30 SEPTEMBER		CHANGE, QUARTER ON QUARTER, (4Q TO 3Q)	YEAR ENDED 31 DECEMBER		CHANGE, YEAR-ON-YEAR
	2017	2016		2017	2016		2017	2016	
<i>(USD MILLION)</i>									
SALES OF PRIMARY ALUMINIUM AND ALLOYS									
<i>USD MILLION</i>	2,263	1,659	36.4%	2,056	10.1%	8,324	6,614	25.9%	
<i>KT</i>	1,000	922	8.5%	968	3.3%	3,955	3,818	3.6%	
<i>AVERAGE SALES PRICE (USD/T)</i>	2,263	1,799	25.8%	2,124	6.5%	2,105	1,732	21.5%	
SALES OF ALUMINA									
<i>USD MILLION</i>	233	164	42.1%	172	35.5%	769	622	23.6%	
<i>KT</i>	492	570	(13.7%)	502	(2.0%)	2,018	2,267	(11.0%)	
<i>AVERAGE SALES PRICE (USD/T)</i>	474	288	64.6%	343	38.2%	381	274	39.1%	
SALES OF FOIL AND OTHER ALUMINIUM PRODUCTS (USD MILLION)	91	65	40.0%	91	0%	323	240	34.6%	
OTHER REVENUE (USD MILLION)	158	139	13.7%	141	12.1%	553	507	9.1%	
TOTAL REVENUE (USD MILLION)	2,745	2,027	35.4%	2,460	11.6%	9,969	7,983	24.9%	

Revenue from sales of primary aluminium and alloys increased by USD1,710 million, or 25.9% to USD8,324 million in 2017, as compared to USD6,614 million in 2016, primarily due to a 21.5% increase in the weighted-average realized aluminium price per tonne driven by an

increase in the LME aluminium price (to an average of USD1,968 per tonne in 2017 from USD1,604 per tonne in 2016), as well as an increase in the sales volumes by 3.6% and slight improvement in premiums above the LME prices in the different geographical segments (to an average of USD163 per tonne from USD159 per tonne in 2017 and 2016, respectively).

Revenue from sales of alumina increased by 23.6% to USD769 million for the year ended 31 December 2017 as compared to USD622 million for the previous year primarily due to an increase in the average sales price by 39.1%, which was partially offset by a decrease in the sales volumes by 11.0%.

Revenue from sales of foil and other aluminium products increased by USD83 million, or by 34.6%, to USD323 million in 2017, as compared to USD240 million in 2016 primarily due to a 20.1% increase in sales volumes of foil. The Company notes the growth in sales of other aluminium products (such as wheels) from SKAD operations, consolidated starting from April 2017.

Revenue from other sales, including sales of other products, bauxite and energy services increased by 9.1% to USD553 million for the year ended 31 December 2017 as compared to USD507 million for the previous year, due to a 6.5% increase in sales of other materials (such as anode blocks by 28.3%, aluminium powder by 12.4%, corundum by 20.0%).

Cost of sales

The following table shows the breakdown of UC RUSAL's cost of sales for the years ended 31 December 2017 and 2016, respectively:

	YEAR ENDED 31 DECEMBER		CHANGE, YEAR-ON-YEAR	SHARE OF COSTS
	2017	2016		
<i>(USD MILLION)</i>				
COST OF ALUMINA	728	751	(3.1%)	10.1%
COST OF BAUXITE	462	372	24.2%	6.4%
COST OF OTHER RAW MATERIALS AND OTHER COSTS	2,621	2,143	22.3%	36.5%
PURCHASES OF PRIMARY ALUMINIUM FROM JV	279	229	21.8%	3.9%
ENERGY COSTS	2,149	1,630	31.8%	29.9%
DEPRECIATION AND AMORTIZATION	472	434	8.8%	6.6%
PERSONNEL EXPENSES	582	491	18.5%	8.1%
REPAIRS AND MAINTENANCE	72	60	20.0%	1.0%
NET CHANGE IN PROVISIONS FOR INVENTORIES	2	(11)	NA	0.0%
CHANGE IN FINISHED GOODS	(184)	(69)	166.7%	(2.6%)
TOTAL COST OF SALES	7,183	6,030	19.1%	100.0%

Total cost of sales increased by USD1,153 million, or 19.1%, to USD7,183 in 2017, as compared to USD6,030 million in 2016. The increase was driven by an increase in volumes of primary aluminium and alloys sold as well as significant increase in electricity prices, railway transportation tariffs and other raw material costs in Russian Ruble in 2017.

Cost of alumina was almost flat in 2017 compared to 2016.

Cost of bauxite increased by 24.2% in 2017 compared to the previous year, primarily as a result of an increase in purchase volume and a slight increase in purchase prices.

Cost of raw materials (other than alumina and bauxite) and other costs increased by 22.3% in 2017 compared to the previous year, due to a rising raw materials purchase price (prices for raw pitch coke increased by 74.5%, raw petroleum coke by 18.1%, pitch by 46.7%, caustic soda by 47.8%).

Energy costs increased by 31.8% in 2017 compared to 2016, primarily due to 13.0% appreciation of Rus-

sian Ruble against US dollar between the comparable periods.

Distribution, administrative and other expenses

Distribution expenses increased by 18.6% to USD446 million in 2017, compared to USD376 million in 2016, primarily due to the increase in transportation tariffs as well as the continuing appreciation of the Russian Ruble against the US Dollar between the periods.

Administrative expenses, which include personnel costs, increased by 19.0% to USD632 million in 2017, compared to USD531 million in 2016 and primarily resulted from the appreciation of the Russian Ruble to the US Dollar within the comparable periods.

Gross profit

As a result of the foregoing factors, UC RUSAL reported a gross profit of USD2,786 million for the year ended 31 December 2017 as compared to USD1,953 million for the previous period, representing gross margins of the periods of 27.9% and 24.5%, respectively.

Adjusted EBITDA and results from operating activities

	YEAR ENDED 31 DECEMBER		CHANGE YEAR-ON-YEAR
	2017	2016	
(USD MILLION)			
RECONCILIATION OF ADJUSTED EBITDA			
RESULTS FROM OPERATING ACTIVITIES	1,523	1,068	42.6%
ADD:			
AMORTIZATION AND DEPRECIATION	488	453	7.7%
IMPAIRMENT/(REVERSAL) OF NON-CURRENT ASSETS	84	(44)	NA
LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	25	12	108.3%
ADJUSTED EBITDA	2,120	1,489	42.4%

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 USD2,120 million for the year ended 31 December 2017, as compared to USD1,489 million for the previous year. 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 by 42.6% to USD1,523 million for the year ended 31 December 2017, as compared to USD1,068 million for the previous year, representing operating margins of 15.3% and 13.4%, respectively.

Finance income and expenses

	YEAR ENDED 31 DECEMBER		CHANGE YEAR-ON-YEAR
	2017	2016	
<i>(USD MILLION)</i>			
FINANCE INCOME			
INTEREST INCOME ON THIRD PARTY LOANS AND DEPOSITS	16	18	(11.1%)
INTEREST INCOME ON LOANS TO RELATED PARTY — COMPANIES UNDER COMMON CONTROL	1	1	—
NET FOREIGN EXCHANGE GAIN	4	—	100.0%
TOTAL INCOME/EXPENSES	21	19	10.5%
FINANCE EXPENSES			
INTEREST EXPENSE ON BANK LOANS, COMPANY LOANS, BONDS AND OTHER BANK CHARGES, INCLUDING	(581)	(603)	(3.6%)
INTEREST EXPENSE	(477)	(530)	(10.0%)
BANK CHARGES	(104)	(73)	42.5%
INTEREST EXPENSE ON COMPANY LOANS FROM RELATED PARTIES — COMPANIES EXERTING SIGNIFICANT INFLUENCE	(2)	(7)	(71.4%)
INTEREST EXPENSE ON PROVISIONS	(6)	(7)	(14.3%)

	YEAR ENDED 31 DECEMBER		CHANGE YEAR-ON-YEAR
	2017	2016	
NET FOREIGN EXCHANGE LOSS	—	(105)	(100.0%)
CHANGE IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS, INCLUDING	(287)	(157)	82.8%
CHANGE IN FAIR VALUE OF EMBEDDED DERIVATIVES	(104)	(77)	35.1%
CHANGE IN OTHER DERIVATIVES INSTRUMENTS	(183)	(80)	128.8%
TOTAL INCOME/EXPENSES	(876)	(879)	(0.3%)

Finance income increased by USD2 million, or 10.5% to USD21 million in 2017 compared to USD19 million for the same period of 2016 due to an increase in foreign exchange gain which was partially offset a decrease in interest income on third party loans and deposits at several subsidiaries of the Group. Financial expenses was almost flat in 2017 compared to 2016 primarily due to a decrease in the interest expense on bank loans and net foreign exchange result that was partially offset by an increase in the net loss from the change in fair value of derivative financial instruments and an increase in bank charges.

Interest expenses in 2017 decreased by USD53 million to USD477 million from USD530 million in 2016 following the successful restructuring of the Group's loan portfolio. The same factor caused an increase in bank charges as a result of amortization of previously capitalized arrangement fees.

The net loss from the change in fair value of derivative financial instruments increased to USD287 million in 2017 from USD157 million for the same period of 2016 following significant LME and other commodities price improvement between the comparable periods that negatively affected the fair value of respective hedging instruments.

Share of profits of associates and joint ventures

	YEAR ENDED 31 DECEMBER		CHANGE YEAR-ON-YEAR
	2017	2016	
<i>(USD MILLION)</i>			
SHARE OF PROFITS OF NORILSK NICKEL, WITH	528	688	(23.3%)
EFFECTIVE SHAREHOLDING OF	27.82%	27.82%	
SHARE OF PROFITS OF OTHER ASSOCIATES	1	—	100.0%
SHARE OF PROFITS OF ASSOCIATES	529	688	(23.1%)
SHARE OF PROFITS OF JOINT VENTURES	91	160	(43.1%)

The Company's share in profits of associates for the years ended 31 December 2017 and 2016 amounted to USD529 million and USD688 million, respectively. Share in results of associates in both periods resulted primarily from the profit from the Company's investment in Norilsk Nickel, which amounted to USD528 million and USD688 million for 2017 and 2016, respectively.

The market value of the investment in Norilsk Nickel at 31 December 2017 was USD8,294 million as compared to USD7,348 million as at 31 December 2016.

Share of profits of joint ventures was USD91 million for the year ended 31 December 2017 as compared to USD160 million for the same period in 2016. 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).

Profit before income tax

UC RUSAL earned a profit before income tax in an amount of USD1,288 million for the year ended 31 December 2017, as compared to a profit before income tax in an amount of USD1,354 million for the year ended 31 December 2016 due to reasons set out above.

Income tax

Income tax expense decreased by USD109 million to USD66 million in 2017, as compared to USD175 million in 2016.

Current tax expenses increased by USD18 million, or 14.8%, to USD140 million for the year ended 31 December 2017, as compared to USD122 million for the previous year primarily due to increase in operating profit.

The deferred tax benefit was USD74 million in 2017 as compared with deferred tax expense of USD53 million in 2016 primarily due to reversal of certain tax provisions, change in fair value of derivative financial instruments and effect of reversal of impairment of non-current assets at several subsidiaries in different periods.

Profit for the period

As a result of the above, the Company recorded a profit of USD1,222 million in 2017, as compared to USD1,179 million in 2016.

ADJUSTED AND RECURRING NET PROFIT

	THREE MONTHS ENDED 31 DECEMBER		CHANGE QUARTER- ON- QUARTER, % (4Q TO 4Q)	THREE MONTHS ENDED 30 SEPTEMBER	CHANGE QUARTER ON QUARTER, % (4Q TO 3Q)	YEAR ENDED 31 DECEMBER		CHANGE, YEAR-ON-YEAR
	2017 UNAUDITED	2016 UNAUDITED				2017 UNAUDITED	2016 UNAUDITED	
<i>(USD MILLION)</i>								
RECONCILIATION OF ADJUSTED NET PROFIT								
NET PROFIT FOR THE PERIOD	440	645	(31.8%)	312	41.0%	1,222	1,179	3.6%
ADJUSTED FOR:								
SHARE OF PROFITS AND OTHER GAINS AND LOSSES ATTRIBUTABLE TO NORILSK NICKEL, NET OF TAX EFFECT	(101)	(163)	(38.0%)	(174)	(42.0%)	(496)	(667)	(25.6%)
CHANGE IN THE FAIR VALUE OF DERIVATIVE FINANCIAL LIABILITIES, NET OF TAX (20%)	66	5	1,220.0%	66	—	267	122	118.9%
(REVERSAL)/IMPAIRMENT OF NON-CURRENT ASSETS	(55)	(145)	(62.1%)	58	NA	84	(44)	NA
RESULT FROM DISPOSAL AND DECONSOLIDATION OF SUBSIDIARIES INCLUDING ITEMS RECYCLED FROM OTHER COMPREHENSIVE INCOME	—	(298)	(100.0%)	—	—	—	(298)	(100.0%)
ADJUSTED NET PROFIT	350	44	695.5%	262	33.6%	1,077	292	268.8%
ADD BACK:								
SHARE OF PROFITS OF NORILSK NICKEL, NET OF TAX	101	163	(38.0%)	174	(42.0%)	496	667	(25.6%)
RECURRING NET PROFIT	451	207	117.9%	436	3.4%	1,573	959	64.0%

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.

ASSETS AND LIABILITIES

UC RUSAL's total assets increased by USD1,322 million, or 9.1% to USD15,774 million as at 31 December 2017 as compared to USD14,452 million as at 31 December 2016. The increase in total assets is mainly resulted from the increase in the carrying value of the investment in Norilsk Nickel, inventories and property, plant and equipment.

Total liabilities increased by USD177 million, or 1.6%, to USD11,330 million as at 31 December 2017 as compared to USD11,153 million as at 31 December 2016. The increase was mainly due to the increase in the Company's trade and other payables and bonds outstanding that was partially offset by loans and borrowings reduction following the successful restructuring of the Group's loan portfolio.

CASH FLOWS

The Company generated net cash from operating activities of USD1,702 million for the year ended 31 December 2017 as compared to USD1,244 million for the previous year. Net increase in working capital and provisions comprised USD326 million for 2017 as compared to USD178 million for the previous year.

The Company generated net cash from the investing activities of USD2 million for the year ended 31 December 2017 as compared to USD104 million for the previous year primarily due to an increase in an acquisition of property, plant and equipment in amount USD822 million for 2017 as compared to USD558 million for the prior year.

The above mentioned factors allowed the Company to assign USD411 million of its own cash flows for the debt repayment that together with the interest payments of USD493 million, dividends paid in amount of USD299 million and settlement of derivative financial instruments of USD182 million represent the main components of the cash used in the financing activities with the total amount of USD1,421 million for 2017.

SEGMENT REPORTING

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

The core segments are Aluminium and Alumina.

	YEAR ENDED 31 DECEMBER			
	ALUMINIUM	2017* ALUMINA	ALUMINIUM	2016 ALUMINA
<i>(USD MILLION)</i>				
SEGMENT REVENUE				
KT	3,741	7,668	3,891	8,165
USD MILLION	7,847	2,338	6,708	2,071
SEGMENT RESULT	1,852	130	1,157	2
SEGMENT EBITDA ⁸	2,204	232	1,519	90
SEGMENT EBITDA MARGIN	28.1%	9.9%	22.6%	4.3%
TOTAL CAPITAL EXPENDITURE	350	260	336	146

* Starting 2017 the Company presents two metrics for Aluminium segment: (1) total segment information and (2) information on own aluminium production. The difference between two metrics relates to the intersegment margins, sales of third parties metal and related costs and other non-production costs and expenses. Segment information for the year ended 31 December 2017 presented above relates to own aluminium production, that is different from the relevant segment information presented in the Company's consolidated financial statements for the year ended 31 December 2017.

The segment result margin (calculated as a percentage of segment profit to total segment revenue per respective segment) for aluminium segment increased to 23.6% for the year ended 31 December 2017 from 17.2% for the year ended 31 December 2016, and increased to 5.6% compared to 0.1%, respectively, for the alumina segment. Key drivers for the increase in margin in the aluminium segment are disclosed in "Revenue", "Cost of sales" and "Adjusted EBITDA and results from operating activities" sections above. Detailed segment reporting can be found in the consolidated financial statements for the year ended 31 December 2017.

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

CAPITAL EXPENDITURE

UC RUSAL recorded a total capital expenditure of USD842 million for the year ended 31 December 2017.

UC RUSAL's capital expenditure in 2017 was aimed at maintaining existing production facilities.

	YEAR ENDED 31 DECEMBER	
	2017	2016
<i>(USD MILLION)</i>		
DEVELOPMENT CAPEX	356	192
MAINTENANCE		
POT REBUILDS COSTS	109	89
RE-EQUIPMENT	377	294
TOTAL CAPITAL EXPENDITURE	842	575

The BEMO project companies utilize 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.

PURCHASE, SALE OR REDEMPTION OF UC RUSAL'S LISTED SECURITIES

There has been no purchase, sale or redemption of UC RUSAL's listed securities during 2017 by UC RUSAL or any of its subsidiaries.

DECLARATION OF DIVIDEND

In August 2017 the Board of Directors of the Company approved an interim dividend in the aggregate amount of USD299.3 million (USD0.0197 per ordinary share) for the financial year ending 31 December 2017. The interim dividend was paid on 10 October 2017.

MATERIAL EVENTS SINCE THE END OF THE YEAR

16 January 2018	UC RUSAL and ENERGOPROM Group, a leading Russian company specialized in carbon and graphite production, announced the signing of a 5-year Contract for supply of cathode blocks in the total volume of 21.5 thousand tonnes per annum.	19 February 2018	UC RUSAL announced that it was notified by Zonoville Investments Limited, an associated company of SUAL Partners Limited, which is one of the major shareholders of the Company, that it had reached an agreement with Onexim Group to purchase its 6% stake in the Company.
17 January 2018	UC RUSAL launched the pilot operation of eight new generation RA-550 pots at RUSAL Sayanogorsk JSC. The total amount of investment in the project amounted to USD30 million.	23 February 2018	UC RUSAL announced its full results for the year ended 31 December 2017.
25 January 2018	UC RUSAL announced the pricing of a third Eurobond transaction with the following key terms: principal amount of USD500 million, tenor of 5 years and coupon rate 4.85% per annum.	23 February 2018	UC RUSAL announced executive changes. Vladislav Soloviev had been appointed as the President of RUSAL; Alexandra Bouriko had been appointed as the Chief Executive Officer of the Company, with the changes coming into effect from 15 March 2018.
05 February 2018	UC RUSAL announced its operating results for the fourth quarter 2017 and full year 2017.	23 February 2018	UC RUSAL announced that it proposed to seek the approval of the Shareholders, at the EGM by way of poll, of a Mandate in relation to the potential acquisition or disposal of shares in Norilsk Nickel pursuant to a settlement agreement with Interros which may constitute a very substantial acquisition or disposal of the Company.
19 February 2018	UC RUSAL announced that it received letter from Crispian Investments Limited with respect to 6,313,994 ordinary shares of Norilsk Nickel.		

14 March 2018	UC RUSAL updated Consolidated Financial Statements for the year ended 31 December 2017 following the publication of the Norilsk Nickel Financial Statements.	06 April 2018	Office of Foreign Assets Control of the Department of the Treasury of the United States of America (the "OFAC") designated, amongst others, certain persons and certain companies which are controlled or deemed to be controlled by some of these persons to be added to its Specially Designated Nationals List (the "OFAC Sanctions"). The designated persons/entities include Mr. Oleg Deripaska, a non-executive director of the Company, the Company, En+ Group Plc, a Jersey company listed on the London Stock Exchange and the Moscow Stock Exchange and a shareholder holding 48.13% equity interest in the Company, B-Finance Ltd., a BVI company, and Basic Element Limited, a Jersey company, each controlled by Mr. Deripaska, together with certain other companies owned or controlled or deemed to be controlled by Mr. Deripaska.
16 March 2018	UC RUSAL announced the delay in despatch of Circular. It is expected that the date of despatch of the Circular, together with the notice of EGM, will be postponed to a date falling on or before 30 April 2018.		
20 March 2018	UC RUSAL announced that on 19 March 2018 the holders of the certain U.S. dollar-denominated fixed rate notes and Rusal Capital D.A.C., a wholly-owned subsidiary of the Company, and the issuer of the notes agreed on certain amendments to the terms and conditions of the notes.		
05 April 2018	UC RUSAL announced that it applied for the delisting of its global depository receipts from Euronext Paris.	09 April 2018	UC RUSAL announced that the Company's initial assessment is that it is highly likely that the OFAC Sanctions may have a materially adverse impact on the business and prospects of the Group, and assessed that the OFAC Sanctions may result in technical defaults in relation to certain credit obligations of the Group, and the Company announced that it is evaluating the impact (if any) of such technical defaults on the financial position of the Group.

10 April 2018	UC RUSAL announced that on 10 April 2018, Glencore Plc, the holding company of Amokenga Holdings, announced, that it will not proceed with the Possible Share Transfer at this time in light of inclusion of UC RUSAL and En+ into the Specifically Designated Nationals List of the OFAC.	11 April 2018	UC RUSAL announced that on 10 April 2018, The London Metal Exchange ("LME") issued a notice to explain the decision, following OFAC Sanctions affecting UC RUSAL. According to the notice, effective from 17 April 2018, primary aluminum ingots from any of the Company's brands will not be allowed to be placed on warrant (delivered to LME-approved warehouses) unless the metal owner can demonstrate to the satisfaction of the LME that it will not constitute a breach of the OFAC Sanctions.
10 April 2018	UC RUSAL announced that Mr. Ivan Glasenberg, a non-executive director of the Company, and Mr. Philip Lader, an independent non-executive director of the Company, have tendered their resignations as directors of UC RUSAL with effect from 10 April 2018.	12 April 2018	UC RUSAL announced that Moody's Investors Service and Fitch Ratings have withdrawn all ratings of UC RUSAL and the notes issued by Rusal Capital D.A.C.
11 April 2018	UC RUSAL announced that Mr. Maksim Goldman and Mr. Daniel Lesin Wolfe, non-executive directors of the Company, have tendered their resignations as directors of UC RUSAL with effect from 10 April 2018.	13 April 2018	UC RUSAL announced that following the inclusion of the Company into the Specifically Designated Nationals List issued by the OFAC, the Company will not proceed with seeking the Shareholders' mandate for the Board in respect of a potential shoot out transaction as detailed in the Company's announcement dated 23 February 2018.
		19 April 2018	UC RUSAL was informed by Euronext Paris SA that the initial decision of the board of Euronext Paris SA approving the GDS Delisting is no longer valid.

LOANS AND BORROWINGS

The nominal value of the Group's loans and borrowings was USD7,072 million as at 31 December 2017, not including bonds, which amounted to an additional USD1,421 million.

Set out below is an overview of certain key terms of selected facilities in the Group's loan portfolio as at 31 December 2017:

FACILITY/LENDER	PRINCIPAL AMOUNT OUTSTANDING AS AT 31 DECEMBER 2017	TENOR/REPAYMENT SCHEDULE	PRICING
SYNDICATED FACILITIES			
PXF FACILITY	USD1.7 billion	Up to USD1.7 billion syndicated aluminium pre-export finance term facility – until 31 May 2022 equal quarterly repayments starting from July 2019	3 month LIBOR plus 2.5% p.a.
BILATERAL LOANS			
SBERBANK LOAN	USD4.2 billion	December 2024, quarterly repayments starting from March 2021	3 month LIBOR plus 3.75% p.a.
VTB CAPITAL PLC LOANS	USD95 million	December 2018, equal quarterly repayments starting from December 2015	3 month LIBOR plus 4.8% p.a.
GAZPROMBANK LOANS*	USD384 million EUR55 million	August 2022, equal quarterly repayments starting from December 2017	3 month LIBOR plus 3.5% p.a.
GAZPROMBANK (PROJECT FINANCE)	RUB2.5 billion	December 2021, equal quarterly repayments starting from December 2018	8.75% p.a.
MCB (CREDIT BANK OF MOSCOW)*	USD100 million	September 2019, bullet repayment at final maturity date	3 month LIBOR plus 3.0% p.a.
MCC (REPO TRANSACTIONS)	EUR 100 million	June 2018, bullet repayment at final maturity date	2.6% p.a. (after cross-currency swap)
TAISHET/VEB	USD31 million	December 2018, bullet repayment at final maturity date	4% p.a.

FACILITY/LENDER	PRINCIPAL AMOUNT OUTSTANDING AS AT 31 DECEMBER 2017	TENOR/REPAYMENT SCHEDULE	PRICING
BONDS			
RUBLE BONDS SERIES 07*	RUB1.3 billion	February 2018	12.0% p.a.
RUBLE BONDS SERIES 08	RUB52 million	April 2021, bullet repayment at final redemption date, subject to a bondholders' put option exercisable in April 2019	9.0% p.a.
RUBLE BONDS SERIES BO-01	RUB4.2 billion	April 2026, bullet repayment at final redemption date, subject to a bondholders' put option exercisable in April 2019	12.85% p.a.
EUROBOND	USD600 million	February 2022, repayment at final redemption date	5.125% p.a.
EUROBOND	USD500 million	May 2023, repayment at final redemption date	5.3% p.a.
PANDA BOND	CNY1.0 billion	March 2020, repayment at final redemption date, subject to a bondholders' put option exercisable in March 2019	5.5% p.a.
PANDA BOND	CNY500 million	September 2020, repayment at final redemption date, subject to a bondholders' put option exercisable in September 2019	5.5% p.a.

* As of the date of this Annual report repaid in full

The average maturity of the Group's debt as at 31 December 2017 was 4.2 years.

SECURITY

As of 31 December 2017, the Group's debt (save for unsecured loans from Gazprombank (project finance), and Bonds) is secured, among others, by assignment of receivables under specified contracts, pledges of shares and interests in certain operating and non-operating companies, goods, designated accounts, shares in MMC Norilsk Nickel (representing a 25% +1 share of MMC Norilsk Nickel's total nominal issued share capital).

KEY EVENTS

- On 24 May 2017, the Company entered into a new syndicated Pre-Export Finance Term Facility Agreement ("PXF") with the following key terms and conditions: amount of USD1.7 billion, interest rate 3M LIBOR+3% per annum and maturity of 5 years (repayment starting in 2 years). The proceeds of the facility were used for the purpose of refinancing the Company's debt. The Company agreed with the lenders a new approach to the calculation of certain covenants. Specifically, a Total Net Debt/EBITDA covenant is calculated with the exclusion of debt secured by MMC Norilsk Nickel shares and dividends from MMC Norilsk Nickel shares. In December 2017, the margin was reduced to 2.5% per annum.
- In June 2017 the Company executed amendments to existing facilities with VTB Capital plc reducing interest margin from 5.05% to 4.8%, releasing pledges of fixed assets and adjusting covenant package in line with the PXF.
- In August 2017 the Company executed amendments to Gazprombank facilities, reducing interest margin from 4.5% to 3.5%, extending final maturity and adjusting covenants in line with the PXF.

- In August the Company and Sberbank agreed to amend existing facilities secured by Norilsk Nickel shares, extending final maturity to 2024, reducing interest margin from 4.75% to 3.75% and bring covenant package generally in line with the PXF.

- In January 2018 the Company entered into a bilateral facility agreement with Nordea Bank AB (publ): USD200 million, 3 years, unsecured, with an interest rate - 1M LIBOR + 2.4% p.a., bullet repayment. The proceeds are applied for the partial prepayment of existing debt.

DEBT CAPITAL MARKETS

Russian Bonds

- On 3 April 2017 RUSAL Bratsk announced a new coupon rate in respect to the series 08 bonds at the level of 9% per annum. On 12 April 2017 the Company exercised a put option on the outstanding RUB-denominated bonds series 08.
- In February 2018 the Group has fully redeemed RUB bonds series 07 with principal amount of USD23 million.

Eurobonds

- In February 2017 the Company completed the debut offering of Eurobonds with the following key terms: principal amount of USD600 million, a tenor of five years and coupon rate of 5.125% per annum. The bonds proceeds, excluding related expenses, in the amount of USD597 million were applied for partial refinancing of RUSAL's pre-export finance facility.
- In May 2017 the Company completed the second offering of Eurobonds with the principal amount of USD500 million, a tenor of 6 years and coupon rate of 5.3% per annum. The bonds proceeds were applied for partial refinancing of RUSAL's pre-export finance facility and other debt.

■ 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, which is the lowest rate for unsecured US dollar-denominated debt in RUSAL's portfolio. The bonds proceeds were applied for partial prepayment of Group's existing debt

■ In March 2018 the Group has successfully executed consent solicitation on all three series of Eurobonds, getting bondholder approval on the harmonization of leverage covenants with the approach, used throughout the majority of Group's loans, and ensuring more flexibility with respect to its debt portfolio management

Panda Bonds

■ In February 2017 the Group registered Panda Bond Offering Circular for the total amount of RMB10 billion (c.USD1.5 billion) with the Shanghai Stock Exchange with the right to make placement in tranches with different maturities but not higher than 7 years.

■ In March 2017 the first tranche of RMB1 billion was placed for 3 years and 5.5% per annum.

■ In September 2017 the second tranche of RMB500 million was placed for 3 years and 5.5% per annum. The tranches are subject to put option after 2 years. The funds were used for working capital needs and refinancing of existing debt.

Ratings

■ In September 2017 Moody's improved the Company's rating to "Positive" from "Stable", and affirmed the long-term corporate family ratings at the level of Ba3.

■ In October 2017 Fitch upgraded Long-Term Rating of UC RUSAL plc to "BB-" from "B+", with the "Stable" outlook.

FINANCIAL RATIOS

Gearing

The Group's gearing ratio, which is the ratio of total debts (including both long-term and short-term borrowings and bonds outstanding) to the total assets, as at 31 December 2017 and 31 December 2016 was 53.8% and 62.0%, respectively.

Return on Equity

The Group's return on equity, which is the amount of net profit as a percentage of total equity, was 27.5% and 35.7% as at 31 December 2017 and 31 December 2016, respectively.

Interest Coverage Ratio

The Group's interest coverage ratio, which is the ratio of earnings before interest and taxes to net interest, for the years ended 31 December 2017 and 31 December 2016 was 3.8 and 3.6, respectively.

ENVIRONMENTAL PERFORMANCE AND SAFETY

Safety

For three years the coefficient of injuries in UC RUSAL has tendency for declining: 0.19 in 2014, 0.17 in 2015, 0.18 in 2016. In 2017 the coefficient of injuries is considerably improved, and equals to 0.15.

Environmental performance

Environmental levies for air emissions and the discharge of liquids and other substances amounted to USD7.2 million in 2016 and USD6.8 million in 2017. There have been no material environmental pollution incidents at any of the Group's sites or facilities during the year ended 31 December 2017.

EMPLOYEES

The following table sets forth the aggregate average number of staff (full time equivalents) employed by each division of the Group during 2016 and 2017, respectively.

DIVISION	YEAR ENDED 31 DECEMBER 2017	YEAR ENDED 31 DECEMBER 2016
ALUMINIUM	18,434	18,306
ALUMINA	21,026	20,349
ENGINEERING AND CONSTRUCTION	14,134	14,523
ENERGY	28	30
PACKAGING	2,156	2,111
MANAGING COMPANY	820	724
TECHNOLOGY AND PROCESS DIRECTORATE	1,179	968
OTHERS	4,199	4,077
TOTAL	61,976	61,088

REMUNERATION AND BENEFIT POLICIES

The remuneration paid by the Group to an employee is based on his/her qualification, experience and performance, as well as the complexity of his or her job. Wages for employees are generally reviewed annually and are revised in accordance with a performance assessment and local labor market conditions. Under the current collective agreement, remuneration of employees of the Company's smelters is subject to an annual increase offsetting inflation on a basis of the official data on the minimal living wage of working population and the consumer price index published by the State Statistics Committee of the Russian Federation.

UC RUSAL's Personnel Policy and the Corporate Code of Conduct govern the relationship between the Group and its staff. The Group's Corporate Code of Conduct strictly prohibits discrimination based on gender, race and/or religion and forbids any form of child, forced or indentured labor.

Aiming to set up the link between annual goals of the Company's employees and the Company's strategic vectors of development and to enhance the link between performance and monetary motivation the new Goal-setting System was developed.

In order to hierarchically structure the Managing Company's positions within the Group, to define principles and to systemize approaches to the basic part of employee's salary the Grading System was implemented.

As quality of the products is one of the Company's main priorities it was decided to incorporate in the monthly scorecard and the related variable pay system the relevant collective KPIs.

LABOR RELATIONS

About 60% of the Group's employees are unionized and 95% of employees are covered by collective agreements.

More than ten smelters of the Company took part in the Industrial Competition "The Most Socially Effective Smelter of the Russian Mining and Metallurgical Complex" and seven of them won. RUSAL Bratsk and RUSAL Sayanogorsk became the winners in the nomination of "The Most Socially and Economically Effective Collective Agreement", Boguchansky Aluminium Smelter – in the nomination of "Personnel Development", RUSAL Novokuznetsk and RUSAL Achinsk – in the nomination of "Health Protection and Safe Working Conditions", UAS-SUAL – in the nomination of "Nature Protection Activity and Resource-Saving".

Within the frames of the Industrial Tariff Agreement for the Russian Mining and Metallurgical Complex the agreement on the following changes to the article "Salary" has been concluded:

- ▶ **Increase of the minimum wage of the employees involved in non-core operations from 1.3 to 1.4 of the federal cost of living for the able-bodied population;**
- ▶ **Increase of the minimum wage of the employees involved in core operations from 1.5 to 1.7 of the federal cost of living for the able-bodied population until the end of 2019.**

CHANGES TO THE ORGANIZATIONAL STRUCTURE OF THE COMPANY

Aiming to extend the Company's expertise in development of new products, casting technologies and aluminium processing the Institute of Lightweight Materials and Technologies was established.

For the purposes of meeting the ISO 9001-2015 and the IATF 16949 requirements the Purchasing Quality Department was set up within the Quality Management Directorate.

In order to develop aluminium consumption in the Chemical Industry of the Russian Federation the relevant project unit was created within the Sales Directorate.

CREATING A NEW GENERATION OF HIGHLY-SKILLED PERSONNEL (FORMING AND DEVELOPING THE EXTERNAL TALENT POOL)

Target student enrolment programs and international educational programs were implemented: the programs were extended; procedures were developed for planning and employment of the external talent pool program graduates; plans for 2017-2018 were adjusted; target recruitment programs were revised; profession-focused events for school pupils were enhanced in presence regions.

In 2017, a scholarship programme for graduates of higher and secondary vocational educational institutions was continued. By the end of last year, 58 new contracts were signed for relevant disciplines.

Number of students learning under the Target Recruitment Program:

EDUCATIONAL INSTITUTIONS	NUMBER OF PERSONS			
	2014	2015	2016	2017
SIBERIAN FEDERAL UNIVERSITY (STUDENTS FROM KRASNOYARSK, SAYANOGORSK AND BRATSK)	31	51	44	51
IRKUTSK STATE TECHNICAL UNIVERSITY (STUDENTS FROM BRATSK AND IRKUTSK)	9	18	16	12
URAL FEDERAL UNIVERSITY (STUDENTS FROM KRASNOTURYINSK AND KAMENSK-URALSKY)	4	14	6	6
SIBERIAN STATE INDUSTRIAL UNIVERSITY (STUDENTS FROM NOVOKUZNETSK)	4	4	15	5
URAL STATE MINING UNIVERSITY (STUDENTS FROM SEVEROURALSK AND KAMENSK-URALSKY)	4	4	16	20
KAMENSK-URALSKY POLYTECHNICAL COLLEGE (STUDENTS FROM KAMENSK-URALSKY)	—	25	18	20
KRASNOYARSK INDUSTRIAL METALLURGICAL COLLEGE (STUDENTS FROM KRASNOYARSK)	11	5	11	15
VOLGOGRAD STATE TECHNICAL UNIVERSITY (STUDENTS FROM VOLGOGRAD)			9	11
VOLGOGRAD MANAGEMENT AND NEW TECHNOLOGIES COLLEGE			25	
TOTAL	63	121	135	165

An internship programme dubbed “New Generation” was launched in 2017 as part of the external talent pool development. The programme mainly aims to rejuvenate the Company’s workforce by attracting young specialists with a high potential. Participants were selected from among the best graduates of target educational institutions, with high average marks (at least 4.5 for white-collar personnel), English language skills, readiness to relocate etc. For each intern, a mentor is appointed who then develops an individual development plan and helps the intern adapt to a new environment, and set and achieve professional goals. Internship lasts for 6 months, during which participants tackle interesting and complicated projects and then defend them in front of their department and the head of HR. Provided the defence was successful, a decision may be made to offer full-time employment. In 2017, the programme attracted 195 participants, and over 80% of them have since become RUSAL’s employees. For next year, the plan is to admit over 200 new interns.

In 2017, the Company started a project entitled: ‘RUSAL Laboratory’ Corporate center of youth initiatives’ to improve quality of trainings for students with related occupations as well as to engage talented students in Company’s development projects. As of today the Company has reached an agreement with the Siberian Federal University, the Irkutsk National Research Technical University, the Siberian State Industrial University, the Volgograd Technical University and the Moscow Institute of Steel and Alloys to open the Laboratory.

In 2017, pupils were taken on tours to Company’s productions and provided with career guidance. During the year our productions were visited by over 1,000 pupils. Company’s productions actively participate in the education provided by related organizations by granting of available space to students for their production floor workshops and practical trainings. In 2017, over 1,000 students from supporting colleges and universities received their practical trainings.

In 2017, to provide career guidance and promote blue-collar jobs RUSAL trained 8 teams (16 juniors) and sent them to the ‘Professionals of the Future’ Championship of Corporations by the JuniorSkills procedure: 3 teams from Krasnoturyinsk, 4 – from Severouralsk and 1 from Shelekhov. Also in 2017 the ‘Robotics’ corporate programme was expanded for school pupils and college stu-

dents – 5 more schools and 4 more colleges were included. Equipment was purchased and coaches were trained for new sites.

Forming and developing the internal talent pool

In 2017, there were 1,628 people from the succession pool were trained (subjects are listed below), among them, there are new development projects – the ‘Proficiency School’ (156 people trained) and the ‘Apprenticeship School’ (330 people trained). In 2018, the projects are to be rolled out to other productions of UC RUSAL.

In 2017, BS-250 succession pool candidates were trained in managerial competences. There were 15 trainings held for 254 participants. Subjects of the trainings were: public presentations, target setting – tools and practice as well as inspiring leadership.

During 2017 there were 770 practical workshops arranged for succession pool candidates. There were 64 (8%) of the practical inter-divisional workshops among them.

In 2016, 919 reservists were trained in the following areas (including, without limitation): manager’s internal and external communications; strategic team building; corporate entrepreneurship business simulation; public performance under pressure, business result focus; leader and team; persuasive communication and basic managerial skills training.

Training personnel within functional academies

The Company continuously develops its personnel training systems through systematising and developing professional training of workers, managers, specialists and clerks, raising the relevancy of functional academies, and creating target modular programs for business objectives. The approach to the preparation of training in areas within functional academies was revised, experts for areas were defined, and topics of training were developed. Due to the new approach to developing topics for functional academies, employees raise their skills in accordance with the Company’s targets and strategy.

In 2017, the following training programs were developed (including, without limitation):

AREA	CONTENT	NUMBER OF TRAINEES
TECHNOLOGY	Aluminium production technology Operation and maintenance of slab casting systems ROBOGUIDE software Training of cold metal rolling operators SysCAD software STATISTICA software ANSIS mathematical simulation software Aluminium foil rolling processes	161
QUALITY MANAGEMENT	Quality tools: SPC, APQP, FMEA, MSA, 8D International quality standards: ISO 9001:2015, IATF 16949 Production process audit Internal quality standards	1,255
LABORATORY AND METROLOGY	Control of analysis result quality in analytical control laboratories Measurement methods: development, validation (including certification) and implementation in an analytical laboratory. Development, testing and application of standard material samples based on requirements of GOST 8.315-97 Metallographic control technologies Laboratory accreditation: requirements and preparation issues Analytical laboratory management system	67
ENERGY AND REPAIR	Electricity and capacity markets Vibration diagnostics Energy saving and energy management Operation and safe maintenance of electrical installations at industrial production facilities Energy trading	53
HEALTH, SAFETY AND ENVIRONMENT	Environment management system standard: ISO 14001:2015 Atmospheric air protection Ecologist atmosphere pollution calculation program and MPE Ecologist program Subsoil use practical training	55

AREA	CONTENT	NUMBER OF TRAINEES
INFORMATION TECHNOLOGY	Cisco ORACLE C# programming SAP Transportation Management Mitel MX-ONE TSE 5.0 system VMware vSphere: Install, Configure, Manage v.6 VPLEX Management IK-OPSYS	88
PROJECT MANAGEMENT	Project management Strategic thinking	458
THEORY OF INVENTIVE PROBLEM SOLVING (TIPS)	Improvement production by TIPS tools	81

Training process personnel at production facilities

Special programs and personnel development projects were implemented at production facilities in the following areas (including, without limitation):

- Operation of the A1212master inspection tool**
- Pressure Casting Industry 4.0**
- The technology of DC casting of aluminum alloys**
- Training in IA500, a new analytical tool**
- Assessment of non-metallic inclusions to improve quality of raw materials**
- Software for modelling of different types of welding in a magnetic field**
- Software for data panels to provide information on process operations quickly in KRAZ potrooms**
- Slab production. Implement a new process instruction**
- Training under a casting defect catalogue**
- Metal science. Aluminium alloys**
- Maintenance and operation of PROPERZI**
- Casting technology**

Educating the Company's employees in higher educational institutions according to bachelor, master and postgraduate programs

The Company implements modular programs of obligatory training for workers and office employees to obtain bachelor's degree in branches of the Ural Federal University, Siberian Federal University and Siberian State Industrial University in the following areas: electric installation and systems; metallurgical machines and equipment, non-ferrous metal science; non-ferrous, rare and precious metal sciences; casting technologies; and low-melting/high-melting metal science. In 2017, training programs were also started at the Ural State Mining University. As of 2017, over 110 employees of RUSAL are continuing their bachelor's programs.

Besides, training programs were implemented for managers to obtain master's degrees from the Siberian Federal University in non-ferrous metal science. The presidential skills-raising program was implemented for engineering personnel in the following areas: energy efficient and environmentally friendly technologies in aluminium production; problems and prospects; advanced resource-saving technologies of aluminium reduction; skills-raising for managers and specialists in relevant functional areas. In 2017, master's programs were also started at the Irkutsk National Research Technical University and at the Ural Federal University. As of 2017, over 80 employees of RUSAL are continuing their master's programs.

The basic chair of the Irkutsk National Research Technical University (IrNITU) was opened by SibVAMI together with RUSAL Bratsk in Shelekhov. Work was commenced to open the basic chair of IrNITU, by SibVAMI together with CJSC Kremny in Shelekhov. Besides, work was commenced to open the basic chair of the Siberian Federal University in Achinsk at Achinsk Alumina Refinery.

Distant learning system (DLS)

ITEM	2015	2016	2017
NUMBER OF PRODUCTION FACILITIES AND BUSINESS UNITS USING DLS	54	62	67
NUMBER OF TRAINEES THROUGH DLS	16,693	57,257	33,649
NUMBER OF COMPUTER TRAININGS (COURSES)	over 300	over 400	over 500
NUMBER OF EDUCATIONAL INSTITUTIONS PARTICIPATING IN THE DLS PROGRAM 'RUSAL - TO RUSSIAN SCHOOLS'	142	178	182

Other VR learning systems

The following simulators and training facilities were developed and launched in 2017:

- ▶ **Interactive simulator to disconnect Block 3 equipment at the CHP plant of BAZ (10 kV switchgear)**
- ▶ **Crust breaking machine simulator at SUAL-Kremny-Ural**

RUSAL ensures it fully complies with existing legislation and strives to meet the highest international standards of environmental and social responsibility, not only in its operating activities but also in reporting and providing sufficient information and feedback to all of its stakeholders.

All of the Company's CSR activities have specific, measurable strategic goals and annual KPIs, reflecting industry standard benchmarks for the sustained reduction of RUSAL's environmental footprint from its mining and metal production activities and improvement of conditions for the safety of its personnel. The table below presents the dynamics of the achieved values for a few of the Company's sustainability indicators:

Selected measurable indicators of UC RUSAL's social and environmental impact:

SOCIAL	2015	2016	2017	
102/G4-10. EMPLOYEES 2015-2017	60,758	61,088	61,976	
401-2/G4-LA2. EMPLOYEES PROVIDED WITH PRIVATE HEALTH INSURANCE	1,016	2,179	898	
404-1/G4-LA9. AVERAGE ANNUAL TRAINING HOURS PER EMPLOYEES, BREAK DOWN BY CATEGORY	Blue collar	18.3	13.5	14.8
	White collar	6.6	6.0	14.4
404-3/G4-LA11. PERCENTAGE OF EMPLOYEES WHOSE EFFICIENCY AND CAREER DEVELOPMENT ARE ASSESSED PERIODICALLY	55.7%	84.4%	78.5%	

ENVIRONMENTAL	2015	2016	2017	
303-1/G4-EN8. TOTAL WATER INTAKE VOLUME, BREAK DOWN BY WATER SOURCES, MILLION CUBIC M	Total water use	146.6	158.5	155.1
	surface sources	86.9	107.5	102.6
	ground water	18.3	17.3	24.4
	public network	28.0	19.9	18.3
	other sources	13.4	13.8	9.8
306-1/G4-EN22. TOTAL VOLUME OF DISCHARGE OF WASTEWATER, MILLION CUBIC M	26.5	29.1	33.0	
306-2/G4-EN23. TOTAL VOLUME OF WASTE; BREAK DOWN BY TYPES AND WAYS OF PROCESSING, THOUSAND TONNES	Generated	14,143.4	15,070.3	15,203.8
	Disposed	11,634.8	12,982.1	13,140
	Recycled	2,716.6	2,120.4	2,560
305-5/G4-EN19. SPECIFIC GHG EMISSIONS (IN 2015-2017), TONNES IN CO2 EQUIVALENT PER TONNE OF AL.	2.42	2.39	2.26	
103-2/G4-EN31. TOTAL INVESTMENTS AND EXPENSES FOR ENVIRONMENTAL SAFETY, USD MILLION	101.5	120	123.6	

BUSINESS RISKS

In order to reduce the negative effects of potential dangers and to ensure stable and sustainable business development, the Company pays particular attention to building an effective risk management system.

Risk management is a part of the competence of the risk management group created by the Board as a part of the Directorate for Control. The main internal documents governing activity in this area are:

- ▀ **The Risk Management Policy, which determines the general concept and employee obligations in the risk management process; and**
- ▀ **The Regulations on Risk Management, which organize the risk management process and include a description of the key tools and methods for identifying, assessing and mitigating risks.**

The key elements of the Company's risk management system are: defining and assessing risks, developing and implementing risk mitigation measures, risk management reporting, and assessing the performance of the risk management system.

KEY STEPS TAKEN IN RISK MANAGEMENT

- ▀ **Organizing independent risk audits at Company enterprises conducted by specialists of the Willis Group and the Ingosstrakh Engineering Center to reduce risks and optimize the Company's insurance program**
- ▀ **Preparation of an annual Corporate Risk Map by the Directorate for Control and its quarterly updating**
- ▀ **Performance of risk management system reviews and audits by the Directorate for Control**
- ▀ **Preparation of the UC RUSAL risk insurance programs**

MONITORING, REPORTING AND PERFORMANCE ASSESSMENT OF THE RISK MANAGEMENT SYSTEM

The Directorate for Control regularly reports on its activities to the Board and Audit Committee. As part of these reports, the Directorate for Control provides information on the risk management system, the results of preparing risk maps, new risks, and the mitigation of various types of risks.

The Audit Committee oversees how well management monitors compliance with the Company's risk management policies and procedures. Based on the reporting submitted, the Audit Committee and the Board review the Company's risk profile and the results of its risk management programs on a quarterly and annual basis respectively.

In 2017, the Company has identified the following risks which affect its business:

1. The Group operates in a cyclical industry that has recently experienced price and demand volatility, which has had and may continue to have a material adverse effect on the Group's performance and financial results.
2. The Group's competitive position in the global aluminium industry is highly dependent on continued access to inexpensive and uninterrupted electricity supply, in particular, long-term contracts for such electricity. Increased electricity prices, as well as interruptions in the supply of electricity, could have a material adverse effect on the Group's business, financial condition and results of operations.
3. The Group depends on the provision of uninterrupted transportation services and access to infrastructure for the transportation of its materials and end products across significant distances which is out of the Company's control, and the prices for such services (particularly rail tariffs) could increase.
4. The terms of the credit facility agreements impose certain limits on the Group's capital expenditure and payment of dividends. Failure by the Group to comply with the terms and conditions of these agreements may materially adversely affect the Group and its Shareholders.
5. The Group is exposed to foreign currency fluctuations which may affect its financial results.
6. En+ is able to influence the outcome of important decisions relating to the Group's business, which includes transactions with certain related parties.
7. The Group depends on the services of key senior management personnel and the strategic guidance of Mr. Oleg Deripaska.
8. Adverse media speculation, claims and other public statements could adversely affect the value of the Shares.
9. The Group's business may be affected by labor disruptions, shortages of skilled labor and labor cost inflation.
10. The Group relies on third-party suppliers for certain materials.
11. Equipment failures or other difficulties may result in production curtailments or shutdowns.
12. The Group is subject to certain requirements under Russian anti-monopoly laws.
13. The Group operates in an industry that gives rise to health, safety and environmental risks.
14. Ore Reserves and Mineral Resources data are estimates only and are inherently uncertain, and such Ore Reserves and Mineral Resources may be depleted more rapidly than anticipated.
15. The Group's licenses and concession rights to explore and mine Ore Reserves may be suspended, amended or terminated prior to the end of their terms or may not be renewed.
16. The Group is exposed to risks relating to the multi-jurisdictional regulatory, social, legal, tax and political environment in which the Group operates.

CONTINGENCIES

The Board has reviewed and considered the contingent liabilities of the Company and disclosed information concerning such contingent liabilities in note 24 to the consolidated financial statements. Accordingly, for detailed information about contingent liabilities, please refer to note 24 to the consolidated financial statements. Details of the amounts of provisions are also disclosed in note 20 to the consolidated financial statements.

Tax contingencies

The new controlled foreign company ("CFC") rules have been introduced in Russia starting from 1 January 2015. The rules apply to undistributed profits of non-Russian CFC controlled by Russian tax-resident shareholders. The Company is tax-resident in Cyprus and managed and controlled from Cyprus and the new CFC rules shall not directly apply to the Group in relation to any of its non-Russian affiliates. The CFC rules may apply to Russian tax-resident controlling shareholders of the Company, where such shareholder controls more than 25% or (10% where all Russian tax-resident shareholders together control more than 50%). The rules also introduce certain reporting requirements for such Russian tax-resident controlling shareholders of the Company in relation to non-Russian affiliates of the Group where such shareholders directly or indirectly control more than 10% of those affiliates.

Legal contingencies

The Group's business activities expose it to a variety of lawsuits and claims which are monitored, assessed and contested on an ongoing basis. Where management believes that a lawsuit or 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 financial statements (refer to note 20 of the consolidated financial statements). As at 31 December 2017, the amount of claims, where management assess outflows as possible approximate USD36 million (31 December 2016: USD60 million).

In January 2013, the Company received a writ of summons and statement of claim filed in the High Court of Justice of the Federal Capital Territory of Nigeria (Abuja) by plaintiff BFIG Group Divino Corporation ("BFIG") against certain subsidiaries of the Company. It is a claim for damages arising out of the defendants' alleged tortious interference in the bid process for the sale of the Nigerian government's majority stake in the Aluminium Smelter Company of Nigeria Plc ("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. The last hearing took place on 8 November 2017. The claim was struck out. BFIG may appeal.

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.

Based on a preliminary assessment of the claim, the Company does not expect the case to have any material adverse effect on the Group's financial position or its operation as a whole.

RECENT DEVELOPMENT OF THE COMPANY

On 6 April 2018, the Office of Foreign Assets Control (“**OFAC**”) of the Department of the Treasury of the United States of America (“**US Treasury**”) designated, amongst others, certain persons and certain companies which are controlled or deemed to be controlled by some of these persons to be added to its Specially Designated Nationals List (the “**OFAC Sanctions**”), which include Mr. Oleg Deripaska, a non-executive director of the Company, the Company, En+ Group Plc, a Jersey company listed on the London Stock Exchange and the Moscow Stock Exchange and a shareholder holding 48.13% equity interest in the Company, B-Finance Ltd., a BVI company, and Basic Element Limited, a Jersey company, each controlled by Mr. Deripaska, together with certain other companies owned or controlled or deemed to be controlled by Mr. Deripaska.

The US Treasury’s press release of 6 April 2018 (the “**US Treasury Release**”) states that: “OFAC’s actions were carried out pursuant to authority provided under Executive Order (E.O.) 13661 and E.O. 13662, authorities codified by the Countering America’s Adversaries Through Sanctions Act (CAATSA), as well as E.O. 13582. These actions follow the Department of the Treasury’s issuance of the CAATSA Section 241 report in late January 2018.” The US Treasury Release further states that: “All assets subject to U.S. jurisdiction of the designated individuals and entities, and of any other entities blocked by operation of law as a result of their ownership by a sanctioned party, are frozen, and U.S. persons are generally prohibited from dealings with them. Additionally, non-U.S. persons could face sanctions for knowingly facilitating significant transactions for or on behalf of the individuals or entities blocked today.”

In addition, OFAC issued two general licenses in connection with these designations authorising U.S. persons to engage in certain limited activities and transactions involving the Company or its subsidiaries (the "**Group**"). One of the licenses authorises, with certain limitations and exclusions, U.S. persons to engage in transactions and activities ordinarily incident and necessary to the maintenance or wind down of operations, contracts, or other agreements (including the importation of goods, services, or technology onto the US) involving the Group ("**License 12**"). The other license authorises, with certain limitations and exclusions, U.S. persons to engage in transactions and activities ordinarily incident and necessary to divest or transfer to a non-U.S. person, or to facilitate the transfer by a non-U.S. person to another non-U.S. person, of debt, equity, or other holdings in three entities, including the Company and EN+ Group Plc ("**Licence 13**").

The Company assesses that the OFAC Sanctions may result in technical defaults in relation to certain credit obligations of the Group, and the Company is currently evaluating the impact (if any) of such technical defaults on the financial position of the Group.

The Company is currently in the process of conducting further evaluation to assess the impact of the OFAC Sanctions on the Group and is closely monitoring the development. Further announcements will be published by the Company as and when appropriate in accordance with the requirements of the Listing Rules and applicable laws.

The minimum design service
life of aluminium structures
is **80 years.**





05 PROFILES OF DIRECTORS
AND SENIOR MANAGEMENT

ALUMINUM PROVIDES A BRIDGE TO A SUSTAINABLE FUTURE

Aluminium can be used
in any climatic condition.
It is weather-proof,
corrosion-resistant and
immune to the harmful
effects of UV rays.

5

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

VLADISLAV SOLOVIEV, AGED 44 (PRESIDENT, EXECUTIVE DIRECTOR)

Vladislav Soloviev was appointed as a non-executive Director of the Company in October 2007. In April 2010, he was appointed as the First Deputy Chief Executive Officer and executive Director of the Company. In November 2014, Mr. Soloviev was appointed as the Chief Executive Officer of the Company and ceased to be the First Deputy Chief Executive Officer of the Company. As the Chief Executive Officer of the Company, Mr. Soloviev was responsible for the management of the production and supply-chain across all divisions; financial management and corporate finance; sales and marketing; supervising the legal, human resources and public relations functions and implementation of production system in the members of the Group. Mr. Soloviev was appointed as the President of the Company and ceased to be the Chief Executive Officer of the Company with effect from 15 March 2018.

From 2008 until April 2010, Mr. Soloviev was Chief Executive Officer of En+ Management LLC. From 2007 to 2008, Mr. Soloviev was the head of the Company's Finance Directorate following the Company's formation. Before that, he was the director of the Company's accounting depart-

ment. Prior to joining the Company, Mr. Soloviev was Deputy Director of the department of tax policy and worked as adviser to the Minister for taxes of the Russian Federation, where he was responsible for implementing amendments to tax laws. From 1994 to 1998, he held various top positions in UNICON/MC Consulting and was in charge of auditing oil and gas companies. From 1 January 2008 until January 2015, Mr. Soloviev was a director of En+. Mr. Soloviev serves on the board of directors of Norilsk Nickel. Mr. Soloviev was appointed as the chief executive officer and the chairman of the Executive Committee of RUSAL Global in December 2014. Mr. Vladislav Soloviev served as a member of the board of directors of En+ from 1 January 2018 until 30 April 2018.

Mr. Soloviev was born in 1973. In 1995, he graduated from the Higher School of the State Academy of Management with Honors, and in 1996, he graduated from the Stankin Moscow Technical University. In 2004, Mr. Soloviev graduated from the Finance Academy under the Government of the Russian Federation and was awarded an MBA degree by Antwerp University in Belgium.

Save as disclosed in this Annual Report, Mr. Soloviev was independent from and not

related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

SIEGFRIED WOLF, AGED 60 (EXECUTIVE DIRECTOR)

Siegfried Wolf was appointed to the Board with effect from 24 June 2016. Mr. Wolf has served as the Business Development Director of RUSAL Global Management B.V., a Company's subsidiary, since February 2016. Since March 2010, Mr. Wolf has served as a Member of the Supervisory Board of Banque Eric Sturdza SA. Since April 2010, Mr. Wolf has served as the Chairman of the Supervisory Board of GAZ Group. Since August 2010, Mr. Wolf has served as the Chairman of the Supervisory Board of Russian Machines. Mr. Wolf has also served as a Member of the Supervisory Board of each of Continental AG and Schaeffler AG since December 2010 and December 2014, respectively. Since February 2012, Mr. Wolf has served as the Chairman of the Supervisory Board of SBERBANK Europe AG. Since June 2015, Mr. Wolf has served as a Member of the Supervisory Board of each of MIBA AG and Mitterbauer Beteiligungs AG. Mr. Wolf holds a degree in Technical Engineering from the University of Applied Sciences.

Save as disclosed in this Annual Report, Mr. Wolf was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

NON-EXECUTIVE DIRECTORS

OLEG DERIPASKA, AGED 50 (NON-EXECUTIVE DIRECTOR)

Oleg Deripaska was an executive Director of the Company since March 2007. From January 2009 until November 2014 he was the Chief Executive Officer of the Company, and the Chief Executive Officer and Head of the Moscow Branch of RUSAL Global. In November and December 2014, Mr. Deripaska was appointed as the President of the Company and the president of Rusal Global,

respectively. Mr. Deripaska was re-designated as a non-executive Director of the Company and ceased to be the President of the Company with effect from 15 March 2018.

From April to December 2010, Mr. Deripaska held the position of chief executive officer of En+ Management LLC. From December 2010 till July 2011, Mr. Deripaska held the position of chairman of the board of directors of En+. From June 2013 until April 2014 he was the chief executive officer of En+ and then he served as a President of En+ until March 2018.

As the President of the Company, Mr. Deripaska was responsible for strategy and corporate development; external communications (public, government, international); supervision of the investment in Norilsk Nickel; succession planning; investor relations; research and development (including the supervision of such projects and the development of production systems) and coordination of initiatives on development of internal market.

Having raised his initial capital by trading in metals, Mr. Deripaska acquired shares in the Sayanogorsk aluminium smelter and became its director general in 1994. In 1997, Mr. Deripaska initiated the creation of the Sibirsky Aluminium Group LLC, which was Russia's first vertically integrated industrial group. Between 2000 and 2003, Mr. Deripaska was the director general of RA, which was set up as a result of the combination of the aluminium smelters and alumina refineries of Sibirsky Aluminium and the Sibneft Oil Company. From October 2003 to February 2007, he held the position of chairman of the board in RA. Since October 2002, Mr. Deripaska has been a director of Basic Element. From December 2001 to December 2002 and since September 2003, he has held the position of chairman of the supervisory board of Company Bazovy Element LLC, as well as from October 1998 to March 2001 and from March 2009 to July 2012, he had held the position of general director of that same company. Mr. Deripaska has been the chairman of the board of OJSC Russian Machines (formerly RusPromAvto LLC) from 10 November 2006 until 29 June 2010. Mr. Deripaska was a member of the OJSC Russian Machines board since 29 June 2010 until 11 February 2013. He was a director of Transstroy Engineering & Construction Company

LLC from April 2008 to April 2009 and chairman of the board of directors of En+ since 23 December 2010. Mr. Deripaska has been a member of the board of directors of OJSC "AKME-Engineering" since 23 October 2009. From 31 July 2010 to 6 June 2013, Mr. Deripaska was a member of the board of directors of Norilsk Nickel.

Mr. Deripaska was born in the city of Dzerzhinsk in 1968. In 1993, he graduated with distinction from the Physics Department of Lomonosov Moscow State University, and in 1996 he received a degree from Plekhanov Academy of Economics. Mr. Deripaska is vice president of the RSPP and chairman of the executive board of the Russian National Committee of the International Chamber of Commerce. He is also a member of the Competitiveness and Entrepreneurship Council, an agency of the Russian Government. In 2004, Russian President Vladimir Putin appointed Mr. Deripaska to represent the Russian Federation on the Asia-Pacific Economic Cooperation Business Advisory Council. In 2007, he was appointed chairman of the Russian section of the Council. He sits on the board of trustees of many institutions including the Bolshoi Theater and the School of Economics at Lomonosov Moscow State University and is co-founder of the National Science Support Foundation and the National Medicine Fund. His charity foundation, Volnoe Delo, supports a wide range of projects including initiatives to help children, improve medical care and increase educational opportunities throughout Russia.

Mr. Deripaska received the Order of Friendship in 1999, a state award from the Russian Federation. He was named businessman of the year in 1999, 2006 and 2007 by Vedomosti, a leading Russian business daily published in partnership with The Wall Street Journal and The Financial Times.

Save as disclosed in this Annual Report, Mr. Deripaska was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders.

MAXIM SOKOV, AGED 39 (NON-EXECUTIVE DIRECTOR)

Maxim Sokov has been re-designated as a non-executive Director with effect from 20 August 2014. Previously, Mr. Sokov was appointed to the Board as an executive Director with effect from 16 March 2012. From 1 May 2014, Mr. Sokov ceased to be an employee of the Company and any of its subsidiaries but remained an executive Director of the Company. Prior to 1 May 2014, Mr. Sokov was employed by RUSAL Global Management B.V. as an advisor on the management of strategic investments from 1 July 2013. Mr. Sokov was the director for corporate strategy of the Company from 2010 till 2012, during which period he focused on new opportunities for the Company to develop and diversify its businesses, and strengthen the Company's competitive advantages to increase its market value. He ceased to be the director for management of strategic investments of the Company and the general director of Limited Liability Company "United Company RUSAL Investment Management" with effect from 1 July 2013. He became the First Deputy CEO of En+ Group Plc on 5 July 2013 and was appointed as the CEO of En+ Group Plc on 28 April 2014. In March 2018, he ceased to be the CEO of En+ Group Plc and was appointed as the president of that company. Mr. Sokov was a member of the board of directors of EuroSibEnergo Plc until 13 December 2017. Mr. Sokov is also a member of the board of directors of each of PJSC "MMC "NORILSK NICKEL" and En+ Group Plc. Also, since December 2017, he serves as a board member at Public Joint Stock Company of Far-Eastern Shipping Company (a member of FESCO Group).

From 2009 to 2011, Mr. Sokov also served on the board of directors of OJSC OGC-3. Mr. Sokov joined the Group in 2007 and prior to 2010 he held various leading managerial positions in strategy and corporate development at the Moscow Branch of RUSAL Global Management B.V. and the legal department of LLC RUSAL Management Company, where he was responsible for mergers and acquisitions. Prior to joining the Group, Mr. Sokov worked at the Moscow office of Herbert Smith CIS Legal Services.

Mr. Sokov was born in 1979 and graduated with honors from the Russian State Tax Academy under the Russian Ministry of Taxes, in 2000, majoring in law. Mr. Sokov also graduated from New York University School of Law with a master's degree in 2002.

Save as disclosed in this Annual Report, Mr. Sokov was independent from and not related to any other Directors, members of senior management, substantial shareholder or controlling shareholder of the Company as at the end of the financial year.

**MAKSIM GOLDMAN
NON-EXECUTIVE DIRECTOR
(CEASED TO BE A DIRECTOR WITH EFFECT
FROM 10 APRIL 2018)**

As referred to in the announcement of the Company dated 11 April 2018, due to the OFAC Sanctions, Mr. Maksim Goldman resigned as a Director with effect from 10 April 2018. Reference may be made to his profile information in the Company's annual report for the financial year ended 31 December 2016, which was updated as at the latest practicable date of the Company's annual report for the financial year ended 31 December 2016.

**DMITRY AFANASIEV, AGED 48
(NON-EXECUTIVE DIRECTOR)**

Dmitry Afanasiev was appointed as a member of the Board on 26 March 2007. He is the chairman of Egorov, Puginsky, Afanasiev & Partners, a Russian law firm that provides legal services to the Company. Prior to co-founding the firm in 1993, he worked at Schnader Harrison Segal & Lewis LLP and Wolf Block Schorr and Solis-Cohen LLP. He specialises in corporate transactions, dispute resolution and public policy. He has represented the interests of the Russian Federation and leading multinational and Russian corporations. He was a board member of MMC Norilsk Nickel in 2009 and of CTC Media Inc. between 2011 and 2012.

Mr. Afanasiev was born in 1969. He studied law at the Leningrad State University, the University of Pennsylvania and the St. Petersburg Institute of Law. He was awarded a medal by the Federal Chamber of Advocates of the Russian Federation for professional excellence and received a commendation from the President of Russia for achievements in defending human rights. He is a member of the Russian Council for International Affairs, expert council under the Presidential Commissioner for Entrepreneurs' Rights, the general council of Business Russia, a national non-profit association, and a founding member of the Russian-American Business Council.

Save as disclosed in this Annual Report, Mr. Afanasiev was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

IVAN GLASENBERG
NON-EXECUTIVE DIRECTOR
(CEASED TO BE A DIRECTOR WITH EFFECT
FROM 10 APRIL 2018)

As referred to in the announcement of the Company dated 10 April 2018, due to the OFAC Sanctions, Mr. Ivan Glaseberg resigned as a Director with effect from 10 April 2018. Reference may be made to his profile information in the Company's annual report for the financial year ended 31 December 2016, which was updated as at the latest practicable date of the Company's annual report for the financial year ended 31 December 2016.

GULZHAN MOLDAZHANOVA, AGED 51
(NON-EXECUTIVE DIRECTOR)

Gulzhan Moldazhanova was appointed as a member of the Board on 15 June 2012. Ms. Moldazhanova has been the chief executive officer of "Company Bazovy Element" LLC since July 2012. She is a member of the board of Basic Element, a company which is ultimately beneficially owned by Mr. Oleg Deripaska. She has also been a member of the board of En+ since June 2012. Ms. Moldazhanova was appointed to the supervisory board of STRABAG SE on 13 January 2016, after having already been a member of that board from August 2007 until April 2009. Ms. Moldazhanova ceased to be a member of the supervisory board of STRABAG SE on 8 February 2017. Between 2009 and 2011, Ms. Moldazhanova was the chief executive officer of ESN Corporation. Between 2004 and 2009, Ms. Moldazhanova was managing director, deputy chief executive officer and then chief executive officer of "Company Bazovy Element" LLC. Prior to that, Ms. Moldazhanova worked as the deputy general director for strategy at Rusal Management Company between 2002 and 2004 and deputy general director for sales and marketing at Open joint-stock company "Russian Aluminium Management" from 2000 and until 2002. Between 1995 and 1999, Ms. Moldazhanova held various positions in Siberian Aluminium including accountant, financial manager and commercial director. Ms. Moldazhanova graduated from the Kazakh State University with an honors degree in physics in 1989, received a doctorate in 1994 from Moscow State University and subsequently graduated from the Russian State Finance Academy. She also holds an EMBA from the Academy of National Economy and the University of Antwerp (Belgium).

Save as disclosed in this Annual Report, Ms. Moldazhanova was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

DANIEL LESIN WOLFE
NON-EXECUTIVE DIRECTOR
(CEASED TO BE A DIRECTOR WITH EFFECT
FROM 10 APRIL 2018)

As referred to in the announcement of the Company dated 11 April 2018, due to the OFAC Sanctions, Mr. Daniel Lesin Wolfe resigned as a Director with effect from 10 April 2018. Reference may be made to his profile information in the Company's annual report for the financial year ended 31 December 2016, which was updated as at the latest practicable date of the Company's annual report for the financial year ended 31 December 2016.

EKATERINA NIKITINA, AGED 44
(NON-EXECUTIVE DIRECTOR)

Ekaterina Nikitina was appointed as a member of the Board with effect from 14 June 2013. Ms. Nikitina has been Human Resources Director of En+ Management LLC, a wholly owned subsidiary of En+, since March 2013. Prior to joining En+ Management LLC, Ekaterina Nikitina served as Human Resources Director of the Company since April 2011. From 2009 to 2011, she was the Human Resources Director of "Company "Bazovy Element" LLC, a diversified investment company, more than 50% controlled by Mr. Oleg Deripaska (currently a Non-executive Director). From 2006 to 2008, she was Deputy Human Resources Director of "Company "Bazovy Element" LLC. Ms. Nikitina had also been a Board Member of "EuroSibEnerg" Plc from 15 March 2013 till 12 December 2017. Ms. Nikitina had also been a director of Strikeforce Mining and Resources Plc (another subsidiary of En+) from 19 March 2013 until 3 June 2014. Ms. Nikitina held the position of Chairman of the Remuneration Committee of "EuroSibEnerg" Plc (a subsidiary of En+). From March 2013 to August 2014, she served as a Board Member of LLC "EN+ LOGISTICA".

Ms. Nikitina was appointed as Chief Executive of Oleg Deripaska's Social Innovations Fund "Volnoe Delo" from 1 June 2017 and joined the Board of Directors of the Fund.

Ms. Nikitina also served on the boards of Ingosstrakh Joint Stock Insurance Company Ltd." (March 2010–May 2011); "KraMZ" Ltd. (June 2014 – effective); Vostsibugol Limited Liability Company (March 2013 – April 2015); Glavstroy-SPb LTD (April 2012 – October 2014); "Glavmosstroj Corporation" Limited Liability Company (August 2009 – April 2011).

Ms. Nikitina graduated from the Frunze Simferopol State University (Romano-Germanic Philology) in 1996 and also took a course at the Management Consulting School at the Academy of National Economy under the Government of the Russian Federation in 1999.

Save as disclosed in this Annual Report, Ms. Nikitina was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

OLGA MASHKOVSKAYA, AGED 43 (NON-EXECUTIVE DIRECTOR)

Olga Mashkovskaya was appointed as a member of the Board with effect from 30 September 2013. Ms. Mashkovskaya has been the Deputy Chief Executive Officer for Finance at "Company "Bazovy Element" LLC since July 2012 and at Basic Element (a company of which Mr. Oleg Deripaska, currently a non-executive Director, is the ultimate beneficial owner) since July 2012. Ms. Mashkovskaya is responsible for the management and implementation of Basic Element's financial operations. Ms. Mashkovskaya is also a board member of the following legal entities which Mr. Oleg Deripaska has an interest in: En+ Group Plc, LLC "Voenno-promyshlennaya kompaniya" and LLC "GlavstroySPb". From 1997 to 2009, she held various positions at Basic Element, from an accountant to a director of finance for the company's energy assets. Before joining Basic Element, Ms. Mashkovskaya spent three years as the Chief Financial Officer of ESN Group. Ms. Mashkovskaya graduated from the Finance Academy under the Government of the Russian Federation with a degree in International Economic Relations. She also received an Executive MBA from Kingston University (England) and a

degree in National Economy and Public Administration from the Russian Academy of National Economy and Public Administration under the President of the Russian Federation.

Save as disclosed in this Annual Report, Ms. Mashkovskaya was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

MARCO MUSETTI, AGED 48 (NON-EXECUTIVE DIRECTOR)

Marco Musetti was appointed as a member of the Board with effect from 15 December 2016.

Mr. Musetti has been a Senior Officer at Renova Management AG, an investment management company based in Zurich, Switzerland since 2007. He currently serves as Managing Director Investments of Renova Management AG. Mr. Musetti has also been serving as a member of the board of directors of Sulzer AG since 2011 and on the board of directors of Schmolz + Bickenbach AG since 2013.

Mr. Musetti was a member of the board of directors of CIFC Corp. from January 2014 to November 2016. Mr. Musetti was COO and deputy CEO of Aluminium Silicon marketing (Sual Group) from 2000 to 2007, Head of Metals and Structured Finance Desk for Banque Cantonale Vaudoise from 1998 to 2000, and Deputy Head of Metals Desk for Banque Bruxelles Lambert from 1992 to 1998.

Mr. Musetti holds a Master of Science in Accounting and Finance from London School of Economics and Political Science, United Kingdom, and a Major degree in Economics from University of Lausanne, Switzerland.

Save as disclosed in this Annual Report, Mr. Musetti was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

PHILIP LADER INDEPENDENT NON-EXECUTIVE DIRECTOR (CEASED TO BE A DIRECTOR WITH EFFECT FROM 10 APRIL 2018)

As referred to in the announcement of the Company dated 10 April 2018, due to the OFAC Sanctions, Mr. Philip Lader resigned as a Director with effect from 10 April 2018. Reference may be made to his profile information in the Company's annual report for the financial year ended 31 December 2016, which was updated as at the latest practicable date of the Company's annual report for the financial year ended 31 December 2016.

ELSIE LEUNG OI-SIE, AGED 78 (INDEPENDENT NON-EXECUTIVE DIRECTOR)

Dr. Elsie Leung was appointed as a member of the Board on 30 November 2009. From 1997 to 2005 Dr. Leung was the Secretary for Justice of the Hong Kong Special Administrative Region, as well as a member of the Executive Council of Hong Kong. Dr. Leung was admitted as a solicitor of the Supreme Court of Hong Kong in 1968. She was a partner of P. H Sin & Co., a Hong Kong law firm, which amalgamated with the law firm lu, Lai & Li Solicitors & Notaries in 1993. Dr. Leung was a senior partner with lu, Lai & Li Solicitors & Notaries from 1993 to 1997. In 2006, she resumed practice at lu, Lai & Li Solicitors & Notaries. Dr. Leung has served on several government boards and committees, including the Independent Police Complaints Council, Equal Opportunities Commission, Social Welfare Advisory Committee and Inland Revenue Board of Review. Dr. Leung was appointed as a Delegate of the People's Congress of Guangdong Province in 1989. In 1993, she was appointed as a Delegate of the 8th National People's Congress as well as a Hong Kong Affairs Adviser. Since 2006, she has been the deputy director of the Hong Kong Basic Law Committee of the Standing Committee of the National People's Congress of the People's Republic of China. Dr. Leung was born in 1939. Dr. Leung is a qualified Solicitor in England and Wales and obtained a Master of Law degree from the University of Hong Kong in 1988. Dr. Leung was appointed as an independent non-executive director of China Resources Power Holdings

Company Limited, a company listed on the Hong Kong Stock Exchange, with effect from 22 April 2010. Dr. Leung was an independent non-executive director of Beijing Tong Ren Tang Chinese Medicine Company Limited, a company listed on the Hong Kong Stock Exchange, from 7 May 2013 to 12 September 2017. Dr. Leung became an independent non-executive director of China Life Insurance Company Limited, a company listed on the Hong Kong Stock Exchange, Shanghai Stock Exchange and New York Stock Exchange, with effect from 20 July 2016, and was appointed as an independent non-executive director of PetroChina Co. Ltd., a company listed on the Hong Kong Stock Exchange, Shanghai Stock Exchange and New York Stock Exchange with effect from July 2017.

Dr. Leung was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

MATTHIAS WARNIG, AGED 62 (CHAIRMAN, INDEPENDENT NON-EXECUTIVE DIRECTOR)

Matthias Warnig was appointed as a member of the Board with effect from 15 June 2012 and was appointed as the Chairman of the Board with effect from 1 October 2012. Mr. Warnig, since 2006 until 23 May 2016, has been the Managing Director of Nord Stream AG (Switzerland). Since September 2015 he holds a position of the CEO of Nord Stream 2 AG (Switzerland). Since 2003 to 2015, he has been a member of the Board of Directors of "BANK "ROSSIY". Since 2010 to 2015, Mr. Warnig has been a member of the Supervisory Board of VNG – Verbundnetz Gas Aktiengesellschaft (Germany). Mr. Warnig has been a member of the Supervisory Council of VTB Bank (PJSC) since 2007. Since 2011 to 2015, he has been President of the Board of Directors of GAZPROM Schweiz AG (Switzerland) and starting 2015 continues to serve as a member of the Board. He has also been the Chairman of the Board of Directors of Transneft since June 2011 until 2015 but still remains as a director of this company. Since September 2011, Mr. Warnig has been an independent director of Rosneft

and he has been the Vice-chairman of the Board of Directors of Rosneft since July 2014. Since November 2013, he has also been the President of the Board of Directors of Gas Project Development Central Asia AG (Switzerland). From 1997 to 2005, he was the Member of the Executive Board of Dresdner Bank. From early 1990s to 2006, he held other different positions at Dresdner Bank, including president, chairman of the board and chief coordinator. In 1981, Mr. Warnig graduated from the Higher School of Economics (Berlin) majoring in national economy.

Mr. Warnig was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

**MARK GARBER, AGED 60
(INDEPENDENT NON-EXECUTIVE DIRECTOR)**

Mark Garber was appointed as a member of the board with effect from 14 June 2013. Mr. Garber has been the Senior Partner and the Chairman of the board of Garber Hannam & Partners Group and the board member of GHP Asset Management Limited Liability Company since 2009. GHP Group is a financial group focusing on wealth management, real estate investment, direct investments, merger and acquisitions and financial advisory. From 2000 to 2012, Mr. Garber was the Senior Partner and a Board Member of Fleming Family & Partners. From 1998 to 2000, he was the Chairman of the Board of Directors of Fleming UCB. He was the co-founder of UCB Financial Group and of Sintez Cooperative and was the Chairman of the Board of Directors of UCB Financial Group from 1995 to 1998 and the Partner of Sintez Cooperative from 1987 to 1995.

Mr. Garber graduated from the Second Moscow State Medical Institute named after N.I. Pirogov in 1981 and obtained a PhD in Medical Sciences in Moscow Research Institute of Psychiatry in 1985.

Mr. Garber was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

**DMITRY VASILIEV, AGED 55
(INDEPENDENT NON-EXECUTIVE DIRECTOR)**

Dmitry Vasiliev was appointed as a member of the Board with effect from 26 June 2015. He is currently the managing director of the Institute of Corporate Law and Corporate Governance (Moscow, Russia) and serves on the board of directors of LLC "RKS-Holding" (independent non-executive director) and the Non-Commercial Partnership "National Pension Association". He previously served as a member of the board of directors of more than 20 Russian and foreign companies and funds, including JSC "Avtokran" (2010—2013), JSC "Mosenergo" (2003—2006), JSC "Gazprom" (1994—1995) and Investment Fund "SICAF-SIF BPT ARISTA S.A. (Luxembourg) (2009) and on the supervisory board of JSC "RKS-Management" (as independent non-executive director).

Mr. Vasiliev works as the Managing Director of the Institute of Corporate Law and Corporate Governance since April 2009. Mr. Vasiliev serves on the supervisory board of the Non-Commercial Partnership "National Pension Association" since December 2013. He served on the board of directors of U.S.-Russia Foundation for Economic Advancement and the Rule of Law (USRF) since 13 January 2012 till 4 December 2015. He served as independent non-executive director of the supervisory board of JSC "RKS-Management" since 28 June 2013 till December 2015 and serves again as independent non-executive director of JSC "RKS-Management" since 22 November 2017 and served as independent non-executive director of the supervisory board of the LLC "RKS – Holding" since 28 June 2013 till 22 November 2017. Mr. Vasiliev served on the supervisory board of the Public Joint Stock Company Bank "Financial Corporation Otkrytie" (as independent non-executive director) since February 2013 until 22 December 2017.

From January 2007 to April 2009, Mr. Vasiliev was the Managing Director of JP Morgan PLC (London, UK) (investment banking for Russia/CIS countries). From 2002 to 2007, he was the First Deputy of General Director (CEO) on Strategy and Corporate Governance of JSC "Mosenergo" (Mos-

cow, Russia). From 2001 to 2003, he was a senior researcher in the area of state governance and anticorruption measures (in particular, research on risks of corruption and conflict of interest during bankruptcy proceedings in Russia) of Carnegie Center (Moscow). From 1999 to 2003, he was the chairman of the board of directors of the Association for Protection for the Investors Rights (API) (Moscow, Russia). From 2000 to 2002, he was the executive director of the Institute of Corporate Law and Corporate Governance (Moscow, Russia). From 1994 to 1996, he was first the Deputy Chairman and Executive Director of the Federal Commission for the Securities Market of the Russian Federation (FCSM) and then the Chairman from 1996 to 2000. From 1991 to 1994, he was the Deputy Chairman of the Russian Federation State Property Committee (Ministry of Privatization). In 1991, he was the Deputy Chairman of St-Petersburg's Property Fund (St-Petersburg, Russia). From 1990 to 1991, he was the Director of the Privatization Department of the Committee of the Economic Reform of StPetersburg, Mayor Office. From 1985 to 1990, he was a junior researcher of the Academy of Science of USSR (Leningrad, USSR).

Mr. Vasiliev graduated from the Leningrad Institute for Finance and Economics (Leningrad, USSR) in 1984. He has also completed the International Institute for Securities Market Development: the program of comprehensive professional panels and workshops regarding the development and regulation of securities market (Washington, DC, USA) in 1994. In 2007, he obtained the status of "FSA approved person for Investment Advisory" by passing the exam of the Securities & Investment Institute (London, UK). Mr. Vasiliev has two state awards of the Russian Federation: the Medal "For the Service to the Motherland", level II (1995) and the Medal "To 850 years of Moscow" (1997).

Mr. Vasiliev was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

BERNARD ZONNEVELD, AGED 61 (INDEPENDENT NON-EXECUTIVE DIRECTOR)

Bernard Zonneveld was appointed as a member of the Board with effect from 24 June 2016.

Since February 2017, Mr. Zonneveld was appointed Non-Executive Partner of Capitalmind, a corporate finance advisory firm of the Netherlands.

From August 2014 till 1 January 2015, Mr. Zonneveld served as the Head of ING Eurasia at ING Bank's Commercial banking division in Amsterdam. In May 2007 Mr. Zonneveld was appointed as Managing Director/Global Head of Structured Metals & Energy Finance at ING Bank's Commercial banking division in Amsterdam. Mr. Zonneveld joined ING Group in 1993 and since then he has held various senior positions, including Managing Director/Global Co-Head of Commodities Group, Managing Director/Global Head of Structured Commodity Finance and Product Development and Director/Head of Structured Commodity & Export Finance. He has served as Chairman of the Netherlands-Russian Council for Trade Promotion, a member of the Dutch Trade Board, a member of the Russian committee and a member of the Board of the Netherlands-Ukraine Council for Trade Promotion. He holds a master's degree in business law from Erasmus University in Rotterdam.

Mr. Zonneveld was an independent non-executive director of Vimetco N.V., a company whose global depository receipts are listed on the London Stock Exchange, from July 2007 to June 2013.

Mr. Zonneveld was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company.

The table below provides membership information of the committees on which each Board member serves.

BOARD COMMITTEES DIRECTORS	AUDIT COMMITTEE	CORPORATE GOVER- NANCE & NOMINA- TION COMMITTEE	REMUNERA- TION COMMITTEE	HEALTH, SAFETY AND ENVIRON- MENTAL COMMIT- TEE*	STANDING COMMITTEE	MARKETING COMMIT- TEE*	NORILSK NICKEL INVEST- MENT SUPERVI- SORY COMMITTEE
MAKSIM GOLDMAN (CEASED TO BE A DIRECTOR WITH EFFECT FROM 10 APRIL 2018)			X		X		X
DMITRY AFANASIEV							X
IVAN GLASENBERG (CEASED TO BE A DIRECTOR WITH EFFECT FROM 10 APRIL 2018)		X			X		X
DANIEL LESIN WOLFE (CEASED TO BE A DIRECTOR WITH EFFECT FROM 10 APRIL 2018)	X				X		X
MATTHIAS WARNIG					C		C
PHILIP LADER (CEASED TO BE A DIRECTOR WITH EFFECT FROM 10 APRIL 2018)	X	C	X	X			

BOARD COMMITTEES DIRECTORS	AUDIT COMMITTEE	CORPORATE GOVER- NANCE & NOMINA- TION COMMITTEE	REMUNERA- TION COMMITTEE	HEALTH, SAFETY AND ENVIRON- MENTAL COMMIT- TEE*	STANDING COMMITTEE	MARKETING COMMIT- TEE*	NORILSK NICKEL INVEST- MENT SUPERVI- SORY COMMITTEE
ELSIE LEUNG OI-SIE	X		C				
OLEG DERIPASKA							X
DMITRY VASILIEV	X	X					
GULZHAN MOLDAZHANOVA						C	
MAXIM SOKOV					X		X
VLADISLAV SOLOVIEV				X			X
MARK GARBER		X	X	C			X
OLGA MASHKOVSKAYA	X						
EKATERINA NIKITINA		X	X				
BERNARD ZONNEVELD	C	X	X	X			
SIEGFRIED WOLF							
MARCO MUSETTI						X	

Notes

C – Chairman X – member

* – These committees also consist of other non-Board members

SENIOR MANAGEMENT

(THE COMPOSITION AS AT 31 DECEMBER 2017)

ALEXANDRA BOURIKO, AGED 40 **(CHIEF FINANCIAL OFFICER (UNTIL 15 MARCH 2018) /** **CHIEF EXECUTIVE OFFICER (FROM 15 MARCH 2018))**

Alexandra Bouriko was appointed as RUSAL's CFO in October 2013. She was responsible for the financial planning, auditing and preparation of financial reports and the execution of the company's investment programs. Alexandra Bouriko was appointed as the Chief Executive Officer of the Company and ceased to be the Chief Financial Officer of the Company with effect from 15 March 2018.

From June to October 2013, Alexandra Bouriko served on the Board of UC RUSAL.

From November 2012 to October 2013, Alexandra Bouriko had been the Deputy CEO of En+. She was responsible for En+ Group operational management, enhancement of business effectiveness and improvement of the Group's financial performance.

Prior to joining En+ Group, Alexandra Bouriko spent 16 years with KPMG in Russia and Canada; since 2005 she held the position of Partner at KPMG.

At KPMG, Alexandra Bouriko worked with major Russian and international companies with focus on metals, mining, oil and gas industries. Alexandra played key roles in audits of IFRS, US GAAP and Russian GAAP financial statements of major Russian groups. Alexandra was in charge of IPO planning and preparation of major Russian metals and mining companies on London Stock Exchange and Hong Kong Stock Exchange.

Alexandra graduated from the economic faculty of the Lomonosov Moscow State University. She is a member of the Canadian Institute of Chartered Accountants and the American Institute of Certified Public Accountants.

Save as disclosed in this Annual Report, Ms. Bouriko was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

ALEXEY ARNAUTOV, AGED 43 **(DEPUTY CEO, DIRECTOR FOR NEW PROJECTS)**

Alexey Arnautov was appointed as the Head of New Projects Directorate in February 2014.

Prior to that appointment Mr. Arnautov held an office of Director of the Aluminium Division West since July 2010. From March 2009 until July 2010 Mr. Arnautov assumed the role of acting director of the Aluminium Division of the Moscow Branch of RUSAL Global. Prior to that appointment, Mr. Arnautov was financial director of the Aluminium Division from April 2006. From November 2004 until April 2006, he was the director of the financial department of the ECD. From 1998 to 2000, he held several positions in the financial services in Sibneft Oil Company. He began his professional career in Noyabrskneftegaz in the Far North of Russia in 1996.

Born in 1974, Mr. Arnautov graduated from the Donbass State Academy of Construction and Architecture with a degree in engineering and construction in 1996. He received a degree with honors from the International Academy of Entrepreneurship in 1998 and an MBA in Economics from the Institute of Business and Economics at California State University in 2004.

Mr. Arnautov was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

EVGENY NIKITIN, AGED 52 **(HEAD OF ALUMINIUM DIVISION)**

Evgeny Nikitin was appointed RUSAL's Head of Aluminium Division in January 2014.

Before that he held an office of Director of Aluminium Division East since October 2013.

Prior to that appointment Mr. Nikitin was the Managing Director of KrAZ, one of the world's largest aluminium production facilities. From 2007 to 2010, he was managing director of the SAZ after beginning his career with RUSAL as a pot operator back in 1993.

Evgeny Nikitin was born on 11 March 1966. He graduated from the Moscow State Technical University of Civil Aviation (MSTUCA) in 1989 and from Lomonosov Moscow State University with a degree in Business management (MBA) – production systems in 2009.

Mr. Nikitin was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

ROMAN ANDRYUSHIN, AGED 43 (HEAD OF RUSSIA AND CIS SALES)

Roman Andryushin was appointed Head of Russia and CIS Sales Directorate in February 2014.

Roman Andryushin is responsible for marketing and sales of a wide range of the Company's products in Russia and CIS, as well as for incentivising domestic industries to grow their aluminum consumption and search of new sales markets, including development of new products by the Company.

From 2007 until 2014 Roman worked in capacity of the Chief Operating Officer with RUSAL Marketing GmbH, RUSAL's Swiss office responsible for international sales of the Company's metal. In this position he was involved in creation of an efficient sales organization, relations with key customers, optimization of supply chain, increase of value-added products sales and immediately responsible for operational management of RUSAL's export sales.

In 2003 - 2007 Roman Andryushin worked as CFO with ZAO 'Komi Aluminium' (which at the time was a joint venture of RUSAL and UAL for bauxite mining and alumina production), CFO of the Rolling Division of RUSAL and CFO of Alcoa Russia.

In 1996 - 2002 Mr. Andryushin held a few key positions with the Belaya Kalitva metallurgical complex.

Roman Andryushin graduated with honors from the Novocherkassk State technical University, Economics and Management Department. Later he obtained an E M B A degree from Lorange Institute of Business, Switzerland and an MBA from University of Wales, Great Britain. He also holds a Ph.D. in economics.

Mr. Andryushin was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

DMITRY BONDARENKO, AGED 39 (DIRECTOR, PRODUCTION DEVELOPMENT)

Dmitry Bondarenko has been RUSAL's Director for Production Development since 2010. He oversees the development and introduction of RUSAL production system. He is also responsible for organization of production and logistics as well as for the quality management system.

Between 2009 and 2010 Dmitry Bondarenko was Head of Production Department of RUSAL's Aluminium division. From 2001 through 2009, Mr Bondarenko was the lead expert at GAZ Group Managing Company LLC, where he was in charge of introducing the Toyota Production System.

Dmitry Bondarenko graduated with honors from the Nizhny Novgorod State Technical University, majoring in Design of Technical and Technological Complexes.

Mr. Bondarenko was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

**ANTON BAZULEV, AGED 46
(DIRECTOR, INTERNATIONAL PROJECTS)**

Anton Bazulev was appointed as the Director, International Projects in January 2017.

He is responsible for the political support of international activities, trade policy development and strategic relations with stakeholders including government bodies and industry associations in the countries of presence and major markets.

From 2013 to 2016, Anton Bazulev was the Director of External Relations, United Metallurgical Company (OMK).

From 2004 to 2013, Anton Bazulev was the Director for External Communications with the largest Russian steel company Novolipetsk (NLMK) responsible for the corporate profile with both international and Russian stakeholders with government relations, investor relations and PR functions under direct supervision.

From 2001 to 2004, Mr. Bazulev headed the Government Relations Department with the industry organization "Russian Steel" uniting all major producers steel in Russia and was an Assistant to Vice-President of Cherkizovsky Group, a largest Russian meat processor.

From 1993 through 2001, Anton Bazulev served in the Ministry of Foreign Affairs of Russia in various positions specialized in economic and multi-lateral diplomacy with EU, OECD, Council of Europe and served in the first Permanent Mission of Russia to NATO (1996-2001) in Brussels, Belgium.

Anton Bazulev graduated from Moscow State University majoring in international economic, social and political geography.

Mr. Bazulev was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

**VICTOR MANN, AGED 59
(TECHNICAL DIRECTOR)**

Victor Mann has been Technical Director of the Company since 2005, being in charge of research and development, engineering, design, process management, technical development and modernization of production facilities, and start-up and commissioning of green-field and upgraded capacities.

In 2002 - 2005 Victor Mann was Head of RUSAL's Engineering and Technology Center.

In 1998 - 2002 he was Deputy Technical Director of the Krasnoyarsk smelter.

In 1991 - 1998 Victor Mann was promoted from Design Engineer to Head of Automation with the Krasnoyarsk smelter.

Victor Mann was awarded the Order of Merit for the Fatherland and is on the list of Honorable Metallurgists of Russia.

Mr. Mann was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

**STEVE HODGSON, AGED 51
(DIRECTOR, SALES AND MARKETING)**

Steve Hodgson was appointed as Director for Sales and Marketing in September 2012. He is responsible for developing Company's positions in the key aluminium markets, building and strengthening the Company's global customer relations.

From June 2010 until September 2012 Mr. Hodgson was Director for International Sales.

Before taking up that role, from 2007 until 2010 Mr Hodgson was CEO and President of the Bauxite and Alumina Division of Rio Tinto Alcan. During that period he also held the post of President of the Australian Aluminium Council. Prior to that, he was the Managing Director of Rio Tinto's Diamond Division.

From 2004 to 2006, he was Managing Director of RUSAL's Alumina Division following a successful two years with RUSAL as its Head of Sales, based in Moscow.

From 1997 to 2002, Mr Hodgson was head of the International Sales and Marketing arm of Comalco (later renamed Rio Tinto Aluminium). Mr Hodgson started his career with Comalco in New Zealand as a process engineer and rose to become the manager of the Metal Products Division and, later, the head of the Metal Products Division of Anglesey Aluminium Metal Ltd. in North Wales.

Steve Hodgson holds an honors degree from the School of Engineering, Auckland University, New Zealand.

Mr. Hodgson was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

YAKOV ITSKOV, AGED 51 (HEAD OF ALUMINA DIVISION)

Yakov Itskov was appointed RUSAL's Alumina Division director in September 2014.

From January 2013 until September 2014 Mr. Itskov was the Company's Director of Procurement and Logistics.

Prior to that, Yakov Itskov worked as a Head of RUSAL's International Alumina Division from February 2010. The International Alumina Division includes the western bauxite mining and alumina production facilities: the Guineabased Friguia Alumina Refinery and Compagnie des Bauxites de Kindia, the Bauxite Company of Guyana, Aughinish Alumina in Ireland, Eurallumina in Italy, Alpart and Windalco in Jamaica and Queensland Alumina in Australia. The key objective of the International Alumina Division is the mining of bauxite and production of high quality alumina for the Company's smelters and sales in the global market. This requires considerable flexibility and an ability to meet each customer's specific demands.

Yakov Itskov became the first Vice President of RussNeft in 2009 and held that position until 2010. From 2008 to 2009, he was General Director of BazelDorStroy LLC and between 2007 and 2008 he was the General Director of Project and Construction Company Transstroy LLC. He was also the Managing Director of Basic Element LLC from 2006 until 2007 and, prior to this, he was the General Director of Soyuzmetallresurs CJSC from 2001 to 2006.

From 2000 to 2001, Mr Itskov was the Deputy Commercial Director of Open Joint Stock Company «RUSSIAN ALUMINIUM».

Yakov Itskov holds a degree in Mining Machines and Complexes from Moscow State Mining University. He also holds a PhD in Economics.

Mr. Itskov was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

PETR MAXIMOV, AGED 45 (GENERAL COUNSEL)

Petr Maximov has headed the Legal Directorate since July 2012. Before he joined the Group, Mr. Maximov was the Deputy CEO for Legal and Corporate Matters in Novorossiysk Sea Trade Port. From 2005 to 2009, he was a Corporate Assets Director in charge of a Legal Department in EastOne (Interpipe) Investment Group. Mr. Maximov was a member of the Board of Directors of TNK-BP Ukraine and EastOne Group UK.

From 2004 to 2005, he headed the Legal Department of COACLO AG Investment Company and was a member of the Board of Directors of JSC «Mikhailovsky GOK». From 1995 to 2004, Mr. Maximov worked in a number of global leading law firms, namely: Milbank, Tweed, Hadley & McCloy; Coudert Brothers; Debevoise & Plimpton; and Squire, Sanders & Dempsey.

In 2001 Mr. Maximov graduated with an LL.M. degree from Columbia University School of Law, New York, USA. In 1999 he graduated from the Moscow State University with a Diploma in Law (*magna cum laude*). In 1994 he graduated from the Moscow Technical College with a Diploma in engineering (*magna cum laude*).

Mr. Maximov is an expert in M&A deals, international investments and corporate governance. He managed purchases and disposals of some of the largest assets in Russia and abroad. His corporate law studies have been published by a number of international legal newsletters and magazines.

Mr. Maximov was independent from and not related to the Directors, any other member of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

**OLEG MUKHAMEDSHIN, AGED 44
(DIRECTOR FOR STRATEGY, BUSINESS DEVELOPMENT
AND FINANCIAL MARKETS)**

Oleg Mukhamedshin was appointed as the Director for Strategy, Business Development and Financial Markets in 2012. Prior to his current position, Mr Mukhamedshin worked as the Head of Equity and Corporate Development, Director for Financial Markets, and Director for Capital Markets from 2007 to 2011.

Oleg Mukhamedshin is responsible for developing and implementing the Company's strategy covering M&A and growth projects, debt and equity capital markets, as well as maintaining investor relations.

In 2009-2011, he led the restructuring of UC RUSAL's USD16.6 billion debt in and its USD2.2 billion IPO on the Hong Kong Stock Exchange and Euronext Paris in 2010. Under his leadership, UC RUSAL was the first company to launch a Russian Depository Receipts program.

From 2006 to 2008, Oleg Mukhamedshin was involved in the preparation and implementation of the Company's major M&A transactions, including the acquisition of a 25% stake in MMC Norilsk Nickel, its merger with SUAL and Glencore's bauxite and alumina assets.

From August 2004 through to March 2007, Mr Mukhamedshin was UC RUSAL's Deputy CFO, overseeing corporate finance.

From 2000 to August 2004, Oleg Mukhamedshin was Director of Department for Corporate Finance.

Prior to joining UC RUSAL, Oleg Mukhamedshin worked in various executive roles in the corporate finance departments of leading Russian natural resources companies including TNK (now TNK-BP). Between 1999 and 2000, he was an advisor to the principal shareholder of the Industrial Investors Group. From 1994 to 1995, he worked with the investment bank PaineWebber to help establish the Russia Partners Fund, one of the first international direct investment funds in Russia.

Oleg Mukhamedshin was born in 1973.

Oleg Mukhamedshin graduated from the Moscow State University, Economics Department, with Honors.

Mr. Mukhamedshin was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

**ALEXEY BARANTSEV, AGED 58
(HEAD OF ENGINEERING AND CONSTRUCTION
BUSINESS)**

Alexey Barantsev has been in charge of RUSAL's Engineering and Construction Business since the end of May 2012. He is responsible for repair and maintenance activities across the Company's plants, management of construction, modernization and new technology implementation projects.

From 2008 to 2011 Alexey Barantsev held positions of General Manager with Glavstroy-Management CJSC and TRANSSTROY Engineering & Construction Company Ltd.

In 2008, he was First Deputy CEO in Production with Russian Machines OJSC.

In July 2007, Alexey was Head of Operational Development and First Deputy Chairman of the Management Board GAZ Management Company LLC.

In January 2007, he was appointed Head of Auto-components Division and Production and Restructuring Director with GAZ Group, First Deputy Chairman of the Management Board GAZ Group Management Company LLC.

In mid-2006, he was transferred to the position of First Deputy Chairman of the Management Board - Head of the Nizhny Novgorod unit of RusPromAvto Management Company LLC, which was subsequently renamed to GAZ Management Company LLC.

In 2005, Mr. Barantsev graduated from the Russian Presidential Academy of National Economy and Public Administration and was awarded an MBA degree.

Starting since October 2005 he worked as Deputy CEO/Executive Director with RusPromAvto Management Company LLC.

In July 2002, he was appointed Deputy CEO GAZ OJSC, and a month later became CEO of the plant.

In February 2002, he was appointed Deputy CEO for new construction projects with Russian Aluminium Management OJSC.

In July 2000, he was appointed Managing Director of the Bratsk aluminium smelter.

In August 1998 he was appointed Executive Director of the Krasnoyarsk aluminium smelter. One month later he became General Manager of the smelter.

In February 1992, Alexey started his career at the Bratsk aluminium smelter as Deputy Head of Procurement Unit. Later he became Deputy Head of Procurement for Operations, Bratsk smelter. In 1994 he was transferred to the position of Head of Reduction Shop No. 2. In February 1996 he was appointed Technical Director of the smelter.

In 1985, Alexey Barantsev graduated from the Irkutsk technical university.

Mr. Barantsev was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

SERGEY GORYACHEV, AGED 44 (HEAD OF PACKAGING DIVISION)

Sergey Goryachev has been managing assets of UC RUSAL's Packaging Division since 2013. In 2010 he was appointed Chief Operating Officer of the Packaging Division and in 2011 he performed duties of a Director of Packaging Division.

Prior to that, Sergey Goryachev worked as the first Deputy CEO of GROSS – Group of Alcohol-producing companies (originally ROSSPIRT-PROM) and beforehand at other positions for eight years.

Sergey Goryachev holds a degree in Geology from the Moscow State Mining University and a financial degree from the Financial University under the Russian Government. He also holds a PhD in Economics.

Mr. Goryachev was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

NATALIA BEKETOVA, AGED 44 (DIRECTOR, HUMAN RESOURCES)

Natalia Beketova was appointed as the Director, Human Resources in September 2015.

Her responsibilities include personnel management, developing the company's talent pool in line with RUSAL's aims and objectives, and the creation of a candidate talent pool. She is also responsible for facilitating social and motivational programs for RUSAL employees.

Mrs. Beketova joined RUSAL from Procter&Gamble, where she held many senior positions during her 20 year tenure. From 2010 she was HR Director for Eastern Europe (Russia, Kazakhstan, Ukraine, and Belarus). From 2007 she was in charge of Procter&Gamble's training and development division for the CEEMEA region and was based in the company's European HQ in Geneva.

Natalia Beketova graduated from the Tula State Pedagogical University named after L.N.Tolstoy with honors.

Mrs. Beketova was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

VERA KUROCHKINA, AGED 47 (DIRECTOR OF PUBLIC RELATIONS)

Ms. Kurochkina has been the Director of the Public Relations Directorate of the Moscow Branch of RUSAL Global since late March 2007. She is responsible for the development and the implementation of the external and internal communications strategy of the Company and for establishing co-operational ties with industrial and non-commercial associations.

Ms. Kurochkina is also responsible for key media relations projects, event management, advertisements, charity and social programs. Since 10 January 2012, she has also been the Deputy Chief Executive Officer, Public Relations of Basic Element. Ms. Kurochkina had also been a member of the board of directors of Joint Stock Company Agency "Rospechat" since 22 June 2012 until 17 June 2013.

From 2006 to 2007, Ms. Kurochkina was the public relations director of "RUSAL Managing Company" LLC. Prior to 2006, she headed "RUSAL Managing Company" LLC's mass media relations department. From 2001 to 2003, she was the public relations and marketing director at LUXOFT, a large Russian software developer.

From 2000 to 2001, Ms. Kurochkina managed a group of projects at Mikhailov & Partners, a strategic communications agency, and from 1998 to 2000, she was a marketing and communications manager at PricewaterhouseCoopers.

Ms. Kurochkina holds a Master's degree from the Peoples' Friendship University of Russia in Moscow, from which she graduated with Honors in 1993. She also holds a Master's degree from the Finance Academy of the Russian Government.

Save as disclosed in this Annual Report, Ms. Kurochkina was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

OLEG VAYTMAN, AGED 48 (DIRECTOR, GOVERNMENT RELATIONS)

Oleg Vaytman was appointed as a Director for Government Relations of the Moscow Branch of RUSAL Global in February 2012. He is responsible for the Company's relationships with federal and regional authorities, the Russian Parliament, the government and public organizations.

Prior to joining the Group, Mr. Vaytman was Director of Moscow Representative Office of JSC "KazMunayGas" from 2009 till February 2012. In 2007-2008, Mr. Vaytman was Vice-president of RBI-Holdings. Between 2003 and 2007, Mr. Vaytman worked at TNK-BP and held the positions of Vice-President (Regional and Social Policy), Vice-President (Head of the New Projects Division). In 2002-2003, he was Vice-President (Relations with public authorities) of JSC "Sidanco". From 2000 to 2002 Mr. Vaytman was Head of the regional office of the Social Insurance Fund of the Russian Khanty-Mansiysk. Between 1998 and 2000, he held the position of Deputy Director General for Economic Affairs of the territorial fund of obligatory medical insurance of the Khanty-Mansi Autonomous District.

Mr. Vaytman was born in 1969 and graduated from Magnitogorsk Mining and Metallurgical Institute majoring in economics. Moreover, Mr. Vaytman graduated from the Tax Academy of the Russian Federation Ministry and has a diploma of the Thunderbird University (Phoenix, USA). He also graduated from the Academy of National Economy under the RF Government.

Mr. Vaytman was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

**MAXIM BALASHOV, AGED 47
(DIRECTOR, NATURAL MONOPOLIES RELATIONS)**

Maxim Balashov has been in charge of Natural monopolies relations since October 2012. He is responsible for developing and implementation of the Company's strategy, cost optimization and efficiency improvement in energy supply and railway transportation.

From 2010-2012, Mr. Balashov was Head of Power Supply Unit, Industry and Infrastructure Department of the Russian Government Office.

From 2008-2010, he was Deputy and then Head of Department for the Development of the Electrical Energy Industry at the Ministry of Energy of the Russian Federation.

From 2004-2008, Mr. Balashov was Deputy Head of the Department for structural and investment policy for industry and energy at the Ministry of Industry and Energy of Russian Federation.

From 2002-2004, he was Head of the Electrical energy Unit of the Department of natural monopolies restructuring at the Ministry of Economic Development of the Russian Federation.

From 2000-2002, Mr. Balashov was a Leading Specialist, Senior Specialist and Consultant at the Unit of Power Supply and Industry in the Property Department of the Ministry of Property of the Russian Federation.

Prior to this, he was the CFO of Asia Trading House from 1994-1999 and Sales Director of Garant from 1993-1994.

He has been recognized as an Honorary worker of the Energy Industry.

Maxim Balashov graduated from the Power engineering Faculty of the Bauman's Moscow Technical University and Faculty of accounting and audit of the Central University of Professional Development.

Mr. Balashov was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

**ALEKSEY GORDYMOV, AGED 46
(DIRECTOR, BUSINESS SUPPORT)**

Aleksey Gordymov was appointed as RUSAL's Head of Business Support in November 2017. In this position Aleksey will supervise supplies of RUSAL's operations and support of the sales team through streamlining logistics and transportation as well as deliveries of key raw materials and consumables.

Aleksey Gordymov worked as Deputy Head of Alumina Division from 2014 to 2017. From 2008 to 2014, he was the Head of Bauxite & Alumina Supply Department. Prior to that, Aleksey was the Head of Procurement in the International Alumina Division in Moscow's headquarters.

Between 2005 and 2008, Mr. Gordymov ran Alumina Company of Guinea in West Africa, Bauxite Company of Guyana and UC RUSAL Jamaica.

Aleksey Gordymov studied and majored in transportation, metals & mining and economics.

Mr. Gordymov was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

SERGEY ZAKHARTSEV, AGED 41 (RESOURCE PROTECTION DIRECTOR)

Sergey Zakhartsev is appointed as RUSAL's Resource Protection Director in June 2017.

His responsibilities include management of activities to ensure the security of the Company, protect its resources, organize response in cases of encroachment on the interests and resources of the Company. Coordination of the development, implementation and control of measures aimed at the effective provision of the regime and protection at the Company's facilities, the introduction of adequate threats to the systems of integrated technical protection of facilities and types of protection regimes. Organization of systematic work to ensure the economic and information security of the Company, protect commercial secrets.

Sergey Zakhartsev was acting in Russian Machines Group as Resource Protection Deputy Director from 2010 to 2017.

He was working as Deputy Head of the Inspectorate in The Federal Security Service of the Russian Federation within 1997 – 2010 period.

In 2002 he defended his thesis for the degree of Candidate of Legal Sciences on the topic "Listening to telephone conversations in operational search activities and criminal proceedings".

In 2004, he defended his thesis for the degree of Doctor of Juridical Sciences on the topic "Theory and legal regulation of operational-search activities".


Sergey Zakhartsev is the author of more than 250 scientific works, including 14 monographs. He worked as a professor at the Department of Operational Investigative Activity of the Saint Petersburg University of the Ministry of Internal Affairs of Russia.

Mr. Zakhartsev was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

WONG PO YING, ABY, AGED 52 (HONG KONG COMPANY SECRETARY)

Wong Po Ying Aby was appointed Hong Kong Company Secretary on 29 November 2009. Ms. Wong has over 10 years of experience in corporate secretarial practice working with various law firms and corporate services companies as company secretary and company secretarial manager. Ms. Wong is an associate member of the Hong Kong Institute of Company Secretaries and an associate of The Institute of Chartered Secretaries and Administrators. Ms. Wong was born in 1965. Ms. Wong holds a bachelor degree with First Class Honors in the Bachelor of Arts (Hons) in Business Administration of University of Greenwich which she received in 2011.

Ms. Wong was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.



75%

**ALUMINIUM THAT HAS EVER
BEEN PRODUCED ON EARTH
IS STILL IN USE**

Energy saved

each year by recycling
aluminium cans is equivalent
to 12 billion kWh of electricity.

ALLOW TO REDUCE, REUSE, AND RECYCLE

The world is turning to recyclable and sustainable packaging materials for their products and RUSAL is at the heart of this development. A key benefit of low carbon aluminium is that it can be fully recycled and reused an infinite number of times.

DIRECTORS' REPORT

The Directors are pleased to present the 2017 Annual Report and the audited consolidated financial statements of the UC RUSAL Group for the year ended 31 December 2017.

1 PRINCIPAL ACTIVITIES

The principal activities of the Group are the production and sale of aluminium (including alloys and value-added products, such as aluminium sheet, ingot, wire rod, foundry aluminium alloy, aluminium billet and others). Within its upstream business, the Group has secured substantial supplies of bauxite and has the capacity to produce alumina in excess of its current requirements. The Company also holds strategic investments, including its investment in Norilsk Nickel and coal business. There has been no significant change in those activities throughout the financial year.

2 FINANCIAL SUMMARY

The results of the Group for the year ended 31 December 2017 are set out in the consolidated financial statements on pages 206 to 328.

3 BUSINESS REVIEW

Please refer to the sections headed "Business Overview" and "Management Discussion and Analysis" on pages 19 to 89 for further information on the review of the Group's business.

4 DIVIDENDS

The Directors approved an interim dividend for the financial year ended 31 December 2017 of USD0.0197 per ordinary share to shareholders of the Company whose names appeared on the principal register of shareholders of the Company in Jersey at 4:30pm Jersey time on 8 September 2017 and to the shareholders registered in the Hong Kong overseas branch register of shareholders of the Company at 4:30pm Hong Kong time on 8 September 2017. The interim dividend was paid on 10 October 2017 in cash in a currency determined based on the registered address of each registered shareholder whose name appeared on the Company's registers of shareholders as follows: Hong Kong dollars for shareholders with registered address in Hong Kong and US dollars for shareholders with registered address in all other countries at the exchange rate «Buying TT» of USD1: HKD7.7845 as published by Hong Kong Association of Banks on 8 September 2017.

5 RESERVES

The Directors propose to transfer the amount of USD3,488 million to reserves within the meaning of Schedule 4 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The amount of the reserves available for distribution to shareholders as at 31 December 2017 was USD13,017 million.

6 FIXED ASSETS

Information relating to significant changes in the fixed assets of the Company or of any of its subsidiaries that have occurred during the financial year is set out in note 13 to the consolidated financial statements.

7 SHARE CAPITAL

Share repurchases

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of their securities during the financial year ended 31 December 2017.

Share issues

No Shares were issued/allotted by the Company during the financial year ended 31 December 2017.

8 GENERAL MANDATE GRANTED TO THE DIRECTORS IN RESPECT OF THE ISSUANCE OF SHARES

There was a general mandate granted to the Directors to issue Shares in effect during the financial year.

The details of the general mandate is as follows:

TYPE OF MANDATE	TERM	MAXIMUM AMOUNT	UTILIZATION DURING THE FINANCIAL YEAR
ISSUE OF SHARES			
A GENERAL AND UNCONDITIONAL MANDATE WAS GIVEN TO THE COMPANY AND TO THE DIRECTORS ON BEHALF OF THE COMPANY ON 20 JUNE 2017, THE DATE OF THE 2017 ANNUAL GENERAL MEETING OF THE COMPANY, TO ALLOT, ISSUE AND DEAL WITH SHARES (AND OTHER SECURITIES) AND SUCH MANDATE CAME INTO EFFECT ON THAT DATE	FROM THE DATE OF THE PASSING OF THE RESOLUTION GRANTING THE MANDATE TO THE EARLIEST OF: (I) THE CONCLUSION OF THE COMPANY'S NEXT ANNUAL GENERAL MEETING OF SHAREHOLDERS; (II) THE EXPIRATION OF THE PERIOD WITHIN WHICH THE COMPANY'S NEXT ANNUAL GENERAL MEETING OF SHAREHOLDERS IS REQUIRED TO BE HELD; AND (III) THE VARIATION OR REVOCATION OF THE MANDATE BY AN ORDINARY RESOLUTION OF THE SHAREHOLDERS IN A GENERAL MEETING	SAVE IN CERTAIN SPECIFIED CIRCUMSTANCES, NOT MORE THAN THE SUM OF 20% OF THE AGGREGATE NOMINAL VALUE OF THE SHARE CAPITAL AT THE DATE OF THE RESOLUTION GRANTING THE MANDATE AND THE AGGREGATE NOMINAL VALUE OF SHARE CAPITAL OF THE COMPANY REPURCHASED BY THE COMPANY (IF ANY)	NIL

9 SHAREHOLDERS' AGREEMENTS

(a) Shareholders' Agreement with the Company

The principal terms of this agreement are described in Appendix A.

(b) Shareholders' Agreement between Major Shareholders only

The Shareholders' Agreement between Major Shareholders only, which has not been amended since the Listing Date, sets out certain agreed matters between the Major Shareholders in relation to Board appointments, Board committees, voting, transfers of Shares and certain other matters. The principal terms of the Shareholders' Agreement between Major Shareholders only are described in Appendix B.

10 MANAGEMENT CONTRACTS

Other than the appointment letters of the Directors and the full-time employment contracts, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

11 CONNECTED TRANSACTIONS

The transactions and arrangements summarised below were entered into by members of the Group with its connected persons (including their respective associates) prior to and during the financial year ended 31 December 2017, and are required to be disclosed by the Company in compliance with Rules 14A.49, 14A.71 and 14A.72 of the Listing Rules and, where applicable, were disclosed by the Company in accordance with the requirements of Chapter 14A of the Listing Rules.

Continuing connected transactions disclosed in the Directors' Report section of the Annual Report differ from the related party transaction disclosures included in note 5, note 6 and note 25 of the consolidation financial statements. Differences arise as the definition of continuing connected transactions does not include operations with Glencore or operations with associates of the Group, while these transactions are treated as related party transactions in the consolidated financial statements of the Group. Additionally, transactions that are considered immaterial and meet the definition of de minimis under Rule 14A.76(1) of the Listing Rules are not included in the disclosure of continuing connected transactions.

The independent non-executive Directors consider that each of the transactions below have been entered into and are conducted:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.
- (d) The Company's auditors were engaged to report on the Group's continuing connected transactions for the year ended 31 December 2017 in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board confirmed that auditors have issued an unqualified letter in accordance with Rule 14A.56, containing their confirmation that nothing has come to their attention that caused them to believe that the continuing connected transactions as disclosed by the

Group in the annual report (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the cap.

(I) A Electricity and Capacity Supply Contracts

En+ is the Controlling Shareholder of the Company. Accordingly, the electricity and capacity supply and transmission contracts between members of the Group and companies controlled by En+ referred to below constituted continuing connected transactions for the Company under the Listing Rules.

Long-term electricity and capacity supply contracts

The Group through its three wholly-owned subsidiaries, KrAZ, BrAZ, and RUSAL Ural JSC (formerly JSC "SUAL") entered into three long-term electricity and capacity supply contracts on 4 December 2009, 1 December 2009 and 15 November 2009 respectively. Under each of these contracts, 50% of the price must be paid before the 15th day of the month of supply and the remaining 50% of the price must be paid before the 25th day of the month of supply. The amount to be paid is satisfied in cash via wire transfer and is based on the estimated consumption of the Group as mutually agreed between the parties. The final settlement is made by the parties in the month following the month of supply. RUSAL Ural JSC and BrAZ each concluded the contracts with JSC Irkutskenergo for the period from 2010 to 2018. On 31 December 2014, RUSAL Ural JSC, BrAZ and JSC Irkutskenergo entered into an addendum pursuant to which all rights and obligations under the contract dated 15 November 2009 were transferred from RUSAL Ural JSC to BrAZ. KrAZ concluded the contract with Krasnoyarskaya HPP for the period from 2010 to 2020. The cost of electricity supplied by JSC Irkutskenergo and Krasnoyarskaya HPP is based on a fixed formula which is tied to the market prices of electricity and the prices of

aluminium quoted on the LME. For details of the formula, please refer to the Company's circular dated 13 December 2013. As mentioned in the announcement dated 19 November 2014, Krasnoyarskaya HPP suspended the supply of electricity in the amount required by KrAZ under the contract since October 2014. As mentioned in the Company's circular dated 11 October 2016, certain members of the Group entered into three new long-term electricity supply agreements to replace the abovementioned long-term electricity and capacity supply contracts. The cost of electricity to be supplied is based on a formula which is tied to the market prices of electricity at discount. For details of the formula, please refer to the Company's circular dated 11 October 2016. One of the three new long-term electricity supply agreements, the one between RUSAL Energo Limited Liability Company and "EuroSibEnergo" Joint Stock Company dated 28 October 2016, took effect from 1 November 2016. As mentioned in the announcement dated 29 November 2017, as part of a reorganization of the En+ group companies and for the purpose of replacing Irkutskenergo in the original contracts with another subsidiary of En+ for that reorganization, on 28 November 2017, the original contracts with Irkutskenergo have been terminated and new replacement E&C Contracts have been entered into between the respective members of the Group which were parties to the original contracts and LLC "EuroSibEnergo-Hydrogeneration" ("EuroSibEnergo-Hydrogeneration", a wholly-owned subsidiary of En+), as the seller. The term of the new contracts will cover the remaining term of the original contracts. All other material terms and conditions under the new contracts remain the same as the material terms and conditions under the original contracts after the replacement, including those as set out in the circular dated 11 October 2016 such as the pricing formula, annual contractual amount of electricity to be supplied and payment timeframe, guarantee provided by the seller's parent company and the annual caps.

The actual monetary value of electricity and capacity purchased for the year ended 31 December 2017 under the contract between BrAZ and Irkutskenergo/EuroSibEnergo-Hydrogeneration (replaced Irkutskenergo) was USD230.2 million.

The actual monetary value of electricity and capacity purchased for the year ended 31 December 2017 under the contract between BrAZ (replaced RUSAL Ural JSC (formerly JSC "SUAL") pursuant to an addendum dated 31 December 2014) and JSC Irkutskenergo/EuroSibEnergo-Hydrogeneration (replaced Irkutskenergo) was USD79.2 million.

The actual monetary value of electricity purchased for the year ended 31 December 2017 under the contract between RUSAL Energo Limited Liability Company and "EuroSibEnergo" Joint Stock Company was USD131.1 million.

Short-term electricity and capacity supply contracts

On 27 March 2014, the framework agreements (as mentioned on pages 13 and 23 of the circular of the Company dated 13 December 2013), governing (i) the transactions under the short-term electricity and capacity supply contracts with En+'s associates and the miscellaneous electricity and capacity transmission contracts with En+'s associates (as further discussed below); and (ii) the transactions under certain aluminium sales contracts with Mr. Deripaska's associates (as further discussed below) respectively, were signed.

Members of the Group, including BrAZ, SAZ, NkAZ, RUSAL Ural JSC (formerly JSC "SUAL") and RUSAL Energo Limited Liability Company entered into, from time to time in the financial year ended 31 December 2017 as part of their ordinary course of business, short-term electricity and capacity supply contracts with duration not exceeding one year with the companies controlled by En+, including JSC Irkutskenergo, LLC "Avtozavodskaya CHP" JSC "EuroSibEnergo" and EuroSibEnergo-Hydrogeneration. The electricity and capacity supplied under these short-term electricity and capacity supply contracts are derived from the plants operated by JSC Irkutskenergo, JSC "EuroSibEnergo", EuroSibEnergo-Hydrogeneration and also derived from LLC "Avtozavodskaya CHP".

The whole volume of electricity (excluding electricity supplied to residential users) is supplied at open (non-regulated) prices. There are exceptions (which include provision of power contracts and contracts for renewable energy) which require the electricity to be sold at prices or tariffs prescribed by the Russian authorities and calculated on the basis of the mechanism approved by the Russian Government. Payment under each of these contracts is made by installments in accordance with the regulations of the Market Council. The consideration was satisfied in cash via wire transfer.

In addition, members of the Group, including SU-Silicon LLC, JSC "RUSAL SAYANAL", JSC "Ural Foil", JSC "RUSAL Krasnoyarsk" and JSC "South Ural Cryolite Plant" enter into, from time to time as part of their ordinary course of business, short-term electricity and capacity supply contracts not exceeding three years with LLC MAREM+ (formerly CJSC MAREM+ until 3 August 2015), a company controlled by En+, for the supply of electricity and capacity purchased at the wholesale energy and capacity market.

The purchase of electricity and capacity at the wholesale market is effected at a price which is determined daily (for electricity) and monthly (for capacity), based on the trading results at the wholesale market, and subject to unpredictable external fluctuations (including, without limitation, weather factors, river stream flow rates, hydro-power plant output storage, transborder cross-flow planning, provision for reserves by power generation facilities, scheduled equipment repairs, fuel price fluctuations, details of fuel regime for "endpoint" power generation facilities, economic efficiency of bids submitted by producers, technological processes of power generation facilities' equipment, and effect of state regulation on the market model). The price under these contracts/addendums is derived from the wholesale market price regulated under the regulations of the Russian Government. Payments are effected by tentatively scheduled instalments during each month, with the final payment effected in the middle of the month following the month of billing. The consideration was satisfied in cash via wire transfer.

During 2017, members of the Group have from time to time entered into short-term electricity and capacity supply contracts with LLC "Irkutskaya Energobytovaya Company" ("Irkutskenergosbyt LLC"), a company controlled by En+ as to more than 30%, for the supply of electricity and capacity purchased at the wholesale electricity market and supplied to the consumers in the retail market on normal commercial terms (including the pricing terms) regulated under the regulations of the Russian Government. Payment under each of these contracts is made by installments during each month of supply. The consideration was satisfied in cash via wire transfer.

The actual monetary value of electricity and capacity purchased for the year ended 31 December 2017 under the contracts/addendums with JSC Irkutskenergo, LLC "Avtozavodskaya CHP", LLC MAREM+ (including LLC "MAREM+K", which is a subsidiary of LLC MAREM+), JSC "EuroSibEnergo", EuroSibEnergo-Hydrogeneration and Irkutskenergosbyt LLC was USD245 million.

Miscellaneous electricity and capacity transmission contracts

The Group has also entered into miscellaneous electricity and capacity transmission contracts and/or addendums to those contracts with Joint Stock Company «Irkutsk electornetwork company» (JSC «IENC») being a company controlled by En+ as to more than 30% of its issued share capital, from time to time during the year ended 31 December 2017.

The consideration under such miscellaneous electricity and capacity transmission contracts/addendums shall follow the tariffs stipulated by the Tariff Service of the Irkutsk region (an executive authority of the Irkutsk region in the sphere of government regulation of tariffs including electricity and capacity transmission tariffs), and on terms which are uniform for all consumers (tariffs are differentiated depending on voltage levels). The consideration under these contracts/addendums is satisfied in cash via wire transfer.

The actual monetary value of electricity and capacity transmission purchased and sold for the year ended 31 December 2017 under these contracts with companies controlled by En+ was USD163.8 million.

Long-term capacity RSE contracts

The Group also entered into the capacity supply from renewable sources of energy contracts with a term of 15 years with companies controlled by En+ as sellers, including Krasnoyarskaya HPP (which was replaced by LLC "Abakanskaya SPS" in 2017), from time to time during the year ended 31 December 2017.

Long-term capacity RSE contracts are entered into in accordance with the governmental regulations requiring all participants in the electric energy wholesale market to purchase capacity by entering into standard form of contracts, the terms (including the mechanics of price determination and duration of contract of 180 months) of which are determined by the Market Council and which are published on the website of the Market Council. All the terms and conditions of the long-term capacity RSE contracts are regulated by the legislation and neither a supplier nor a buyer under such contract can amend them. The exact capacity volume to be supplied under the contract and its value is determined by the TSA. The payment is made via bank transfer using the special bank accounts of the parties under the TSA's instructions. Therefore, the Group does not have information regarding payment on the instant. Notifications from the TSA on the volumes supplied and payments made are submitted to the parties at a later stage. The price of capacity to be sold under the long-term capacity RSE contracts is determined by the TSA in accordance with procedures established by the rules of determination of the price of capacity of the generating facilities using renewable energy sources, approved by the Resolution of the Government of the Russian Federation and the Wholesale Market Rules the details of which were set out in the Company's circular dated 11 October 2016.

On 30 March 2016 the TSA on behalf of "RUSAL Energo" LLC entered into the long-term capacity RSE contract with Krasnoyarskaya HPP.

The actual monetary value of electricity and capacity purchased for the year ended 31 December 2017 under the long-term capacity RSE contracts with Krasnoyarskaya HPP (which was replaced by LLC "Abakanskaya SPS" in 2017) was USD1 million.

The aggregate consideration for the long-term and short-term electricity and capacity supply contracts, long-term capacity RSE contracts together with the miscellaneous electricity and capacity transmission contracts between the Group and the associates of En+ for the year ended 31 December 2017 was USD850.3 million (net of VAT and determined at the USD/RUB exchange rate as 1/58.3529 (the average annual rate set by the Bank of Russia for 2017) and equivalent to USD708.8 million at the USD/RUB exchange rate as 1/70), which is within the annual cap of USD833 million (net of VAT and determined at the USD/RUB exchange rate as 1/70) as approved by the independent shareholders of the Company for such type of continuing connected transactions for the year ended 31 December 2017.

B Aluminium Sale Contracts

Members of the Group have from time to time entered into aluminium sales contracts with associates of Mr. Oleg Deripaska ("Mr. Deripaska").

Aluminium Sales Contracts with Mr. Deripaska's Associates

Mr. Deripaska, currently a non-executive Director, indirectly controls more than 30% of each of (i) LLC Tradecom, (ii) "KraMZ" Ltd., (iii) members of the group of Public Joint

Stock Company «GAZ» (the "GAZ Group") including LLC GAZ, "GAZ Group Autocomponents" LLC, JSC "UMZ", J-S.C. AVTODIZEL (YaMZ), "Automobile plant "URAL" JSC and (iv) JSC "Barnaultransmash". Each of these companies is therefore an associate of Mr. Deripaska. As such, the transactions between members of the Group and LLC Tradecom, "KraMZ" Ltd., members of the GAZ Group including LLC GAZ, "GAZ Group Autocomponents" LLC, JSC "UMZ", J-S.C. AVTODIZEL (YaMZ), "Automobile plant "URAL" JSC and JSC "Barnaultransmash", discussed below, constitute continuing connected transactions of the Company under the Listing Rules.

(a) LLC Tradecom and "KraMZ" Ltd.

On 14 December 2006, the Group through JSC «UC RUSAL TH», entered into a long-term contract to supply aluminium to LLC Tradecom for a period until December 2021. Pursuant to the contract, the Group would supply aluminium to LLC Tradecom at arm's length prices tied to the price of aluminium on the LME. The consideration under the contract must be prepaid. For further details of this long-term contract, please refer to the circular dated 13 December 2013 issued by the Company.

As disclosed in the Company's announcement dated 18 March 2011, the substitution agreement was signed by JSC «UC RUSAL TH», LLC Tradecom and "KraMZ" Ltd. on 17 March 2011 pursuant to which "KraMZ" Ltd. substituted LLC Tradecom as the buyer to the above long-term supply contract.

The consideration for the aluminium supplied under this contract (as supplemented) to "KraMZ" Ltd. during the year ended 31 December 2017 amounted to USD154.1 million. The consideration was satisfied in cash via wire transfer.

(b) Members of GAZ Group and JSC Barnaultransmash

On 26 April 2017, RUSAL RESAL entered into a contract for supply of secondary aluminium to J-S.C. AVTODIZEL (YaMZ) for the period until 31 December 2017, at arm's length prices defined on monthly basis. The payment under the contract is made by 100% advance payment.

On 4 April 2017, RUSAL RESAL entered into a contract for supply of secondary aluminium to "Automobile plant "URAL" JSC for the period until 31 December 2017, at arm's length prices defined on monthly basis. The terms of payment were 100% advance payment.

The total consideration for the aluminium supplied under these contracts to the members of GAZ Group for the year ended 31 December 2017 amounted to USD0.1 million. The consideration was satisfied in cash via wire transfer.

On 1 January 2013, the Group, acting through JSC «UC RUSAL TH», entered into framework agreements with members of GAZ Group (including J-S.C. AVTODIZEL (YaMZ), "Automobile plant "URAL" JSC, JSC «UMZ» and JSC «Barnaultransmash»), under which the Group agreed to supply aluminium and alloys at arm's length prices defined on monthly basis until 31 December 2015. The payment under the contract was made by 100% advance payment. The said agreements were extended to 28 February 2016 for the three years ended 31 December 2013, 2014 and 2015 and the two months ended 29 February 2016, the Group, acting through JSC «UC RUSAL TH», signed addenda to these agreements on sale of aluminium and alloys with J-S.C. AVTODIZEL (YaMZ), "Automobile plant "URAL" JSC, JSC «UMZ», and JSC «Barnaultransmash». The Company also signed similar contracts in 2017. The total consideration for the aluminium supplied under these addendums to the members of GAZ Group during the year ended 31 December 2017 amounted to USD11.1 million. The consideration was satisfied in cash via wire transfer.

On 3 March 2016, the Group, acting through JSC «UC RUSAL TH», entered into framework agreements with members of the GAZ Group, under which the Group agreed to supply aluminium and alloys at market prices defined on monthly basis until December 31, 2016, where the price for alloys is defined in accordance with the formula the details of which were stated in the Company's circular dated 11 October 2016. The total consideration for the aluminium supplied under these framework agreements to the members of GAZ Group during the year ended 31 December 2017 amounted to nil. The consideration was satisfied in cash via wire transfer.

On 28 February 2009, the Group through JSC «UC RUSAL TH», entered into a framework agreement with LLC GAZ pursuant to which the Group agreed to supply aluminium at arm's length prices on a monthly basis until 31 December 2010. For secondary alloys, the consideration was to be partially pre-paid with the remaining amount to be settled within 30 business days from shipment. For other goods under the agreement, the consideration was 100% prepaid. The agreement was to be automatically extended for another calendar year unless the parties declared their intention to terminate it. The agreement was not extended as at 31 December 2012. Addendums to similar contracts in 2013 were entered into between members of the Group and members of the GAZ Group for the year ended 31 December 2015 with each of "GAZ Group Autocomponents" LLC, JSC "UMZ", J-S.C. AVTODIZEL (YaMZ) and "Automobile plant "URAL" JSC. On 1 January 2016 the addendums to these contracts were entered into to prolong their terms for 2 months. In March 2016 new contracts between JSC «UC RUSAL TH» and the companies of GAZ Group mentioned above were entered into until 31 December 2016, the consideration was to be paid within 20 business days from shipment. Addendums to similar contracts in 2013 were entered into between members of the Group and members of the GAZ Group for the year ended 31 December 2017 with each of "GAZ Group Autocomponents" LLC, JSC "UMZ", JSC AVTODIZEL and "Automobile plant "URAL" JSC.

The total consideration for the aluminium supplied under these addendums to the members of GAZ Group during the year ended 31 December 2017 amounted to nil. The consideration was satisfied in cash via wire transfer.

The total consideration for the aluminium supplied under these contracts to the members of GAZ Group for the year ended 31 December 2017 amounted to USD11.2 million. The consideration was satisfied in cash via wire transfer.

The aggregate consideration for the aluminium supplied to each of the companies referred to above, which are associates of Mr. Deripaska, for the year ended 31 December 2017 was approximately USD165.3 million, which was within the annual cap of USD361 million (net of VAT) as approved by the independent shareholders of the Company for such type of continuing connected transactions for the year ended 31 December 2017.

C Purchase of raw materials from the associates of Mr. Blavatnik for production

Mr. Len Blavatnik ("Mr. Blavatnik"), being a former non-executive Director, indirectly controls more than 30% of the issued share capital of each of Closed Joint Stock Company "ENERGOPROM — Novosibirsk Electrode Plant" ("CJSC "EPM-NovEP"), Public Joint Stock Company "ENERGOPROM - Chelyabinsk Electrode Plant" ("PJSC "EPM-ChEP"), Company limited liability «Doncarb Graphite» ("Doncarb Graphite") and Public Joint Stock Company "ENERGOPROM — Novochoerkassk Electrode Plant" ("PJSC "EPM - NEP"). Each of CJSC "EPM-NovEP", PJSC "EPM-ChEP", Doncarb Graphite and PJSC "EPM - NEP" is therefore an associate of Mr. Blavatnik, and thus a connected person of the Company under the Listing Rules (until 11 November 2017). Accordingly, the transactions between members of the Group on one part and CJSC "EPM-NovEP", PJSC "EPM-ChEP", Doncarb Graphite and PJSC "EPM - NEP" on the other, discussed below, constitute continuing connected transactions for the Company under the Listing Rules (until 11 November 2017).

JSC «UC RUSAL TH» entered into a number of contracts with CJSC "EPM-NovEP", Doncarb Graphite, PJSC "EPM-ChEP" and PJSC "EPM - NEP" to purchase various raw materials for production purposes. The prices for the purchase of raw materials under each of the contracts were determined on an arm's length basis. The consideration for each of these contracts was satisfied in cash via wire transfer.

Details of these transactions are set out in the table below:

BUYER (MEMBER OF THE GROUP)	SELLER (AN ASSOCIATE OF MR. BLAVATNIK)	DATE OF CONTRACT	TERM OF CONTRACT	TYPE OF RAW MATERIALS	PAYMENT TERMS	ACTUAL CONSIDERATION FOR THE YEAR ENDED 31 DECEMBER 2017 (UNTIL 11 NOVEMBER 2017) USD MILLION (EXCLUDING VAT)
JSC «UC RUSAL TH»	CJSC "EPM-NovEP"	15.11.2016	Up to 31.12.2017	Calcined petroleum coke	Within 3 calendar days from the date of receipt of the invoice for the goods shipped	2.8
JSC «UC RUSAL TH»	CJSC "EPM-NovEP"	29.12.2016	Up to 31.12.2017	Graphitized electrodes	Within 30 calendar days upon delivery	4.7
JSC «UC RUSAL TH»	PJSC "EPM-NEP"	29.12.2016	Up to 31.12.2017	Graphitized electrodes	Within 30 calendar days upon delivery	2.2
JSC «UC RUSAL TH»	Doncarb Graphite	29.12.2016	Up to 31.12.2017	Graphitized electrodes	Within 30 calendar days upon delivery	0.2
JSC «UC RUSAL TH»	PJSC "EPM-ChEP"	16.01.2017	Up to 31.12.2017	Anode blocks	Within 30 calendar days upon delivery	14.9
JSC «UC RUSAL TH»	PJSC "EPM-ChEP"	06.03.2017	Up to 31.12.2017	Anode blocks	Within 20 calendar days upon delivery	3.5
JSC «UC RUSAL TH»	Doncarb Graphite	11.05.2017 (additional agreement to the original contract dated 28.11.2014)	Up to 31.12.2017	Cathode blocks	Within 30 calendar days upon delivery	0.3
TOTAL:						28.5*

The aggregate consideration for the raw materials supplied for production under these contracts by the associates of Mr. Blavatnik during the year ended 31 December 2017 (until 11 November 2017) amounted to USD28.5 million which was within the maximum aggregate consideration of USD46.860 million for 2017 as disclosed in the announcement dated 12 May 2017.

D Purchase of raw materials from the associates of Mr. Blavatnik for repairing

As discussed above, each of CJSC "EPM-NovEP" and PJSC "EPM-NEP" is an associate of Mr. Blavatnik. Public Joint Stock Company "ENERGOPROM-Novocherkassk Electrode Plant" ("PJSC "EPM-NEP") is also an associate of Mr. Blavatnik as he indirectly controls more than 30% of

* - The sum of the figures in the tables are different due to rounding

its issued share capital. Accordingly, the purchase of raw materials contracts, discussed below, between members of the Group as buyers and each of CJSC "EPM-NovEP", PJSC "EPM-NEP" and PJSC "EPM-NEP" as seller, for the purposes of the Group's repair programme, constitute continuing connected transactions for the Company under the Listing Rules (until 11 November 2017). Pursuant to Rule 14A.81 of the Listing Rules, the transactions disclosed below were aggregated as they are entered into by the Group with the associates of the same connected persons who are associated with one another and the subject

matter of each of the agreements relate to the purchase of raw materials by members of the Group for repairing. The prices for the purchase of raw materials under each of the contracts are determined on an arm's length basis. The consideration for each of the contracts was satisfied in cash via wire transfer or via set-off (for contracts number 2, 7 and 9, approximately 0.32% of all payments under these contracts was satisfied by set-off).

The details of these raw materials purchase contracts are set out below:

BUYER (MEMBER OF THE GROUP)	SELLER (AN ASSOCIATE OF MR. BLAVATNIK)	DATE OF CONTRACT	TYPE OF RAW MATERIALS	TERM OF CONTRACT	PAYMENT TERMS	ACTUAL CONSIDERATION FOR THE YEAR ENDED 31 DECEMBER 2017 (UNTIL 11 NOVEMBER 2017) USD MILLION (EXCLUDING VAT)
JSC "SUAL" ("KAZ-SUAL" BRANCH)	CJSC "EPM-NovEP"	On or around 30.12.2015	Cathode blocks and carbon mass	Up to 31.12.2017	Within 45 calendar days after actual delivery	0.6
RUS-ENGINEERING LLC	CJSC "EPM-NovEP"	21.12.2015	Cathode blocks and carbon paste	Up to 31.12.2017	Within 45 calendar days after actual delivery	23.1
PUBLIC JOINT STOCK COMPANY «RUSAL BRATSK ALUMINIUM SMELTER»	CJSC "EPM-NovEP"	27.02.2017	Mass electrode (briquetted) for local repair of the lining side	Up to 31.12.2017	Within 30 calendar days from the date of delivery	0.2
LIMITED LIABILITY COMPANY "RUSSIAN ENGINEERING COMPANY"	PJSC "EPM-NEP"	27.02.2017 (addendum to the contract dated 17.05.2016)	Graphitized Electrodes	Up to 31.12.2017 (can be automatically extended up to 3 years)	Within 30 calendar days after actual delivery	0.2
RUSAL URAL JSC (FORMERLY JSC "SUAL")	CJSC "EPM-NovEP"	27.02.2017	Carbon graphite products	Up to 31.12.2017	Payment within 45 calendar days from the date of shipment	0.6

BUYER (MEMBER OF THE GROUP)	SELLER (AN ASSOCIATE OF MR. BLAVATNIK)	DATE OF CONTRACT	TYPE OF RAW MATERIALS	TERM OF CONTRACT	PAYMENT TERMS	ACTUAL CONSIDERATION FOR THE YEAR ENDED 31 DECEMBER 2017 (UNTIL 11 NOVEMBER 2017) USD MILLION (EXCLUDING VAT)
RUSAL URAL JSC (FORMERLY JSC "SUAL")	CJSC "EPM-NovEP"	21.06.2017 (additional agreements to the contract dated 27.02.2017)	Carbon graphite products	Up to 31.12.2017	Payment within 45 calendar days from the date of shipment	1.7
LIMITED LIABILITY COMPANY "RUSSIAN ENGINEERING COMPANY"	CJSC "EPM-NovEP"	01.07.2017 (additional agreement to the contract dated 21.12.2015)	Cathode blocks	Up to 31.12.2017	Payment within 45 calendar days upon dispatch	0
RUS-ENGINEERING LLC	PJSC "EPM-NEP"	29.08.2017 (additional agreement to the contract dated 17.05.2016)	Graphitized Electrodes	Up to 31.12.2017	Payment within 30 calendar days upon dispatch	0
RUS-ENGINEERING LLC	CJSC "EPM-NovEP"	15.09.2017 (additional agreement to the contract dated 21.12.2015)	Cathode blocks	Up to 31.12.2017	Payment within 45 calendar days upon dispatch	0
TOTAL						26.4

The aggregate consideration for the raw materials supplied under these contracts by the associates of Mr. Blavatnik during the year ended 31 December 2017 (until 11 November 2017) amounted to USD26.4 million, which was within the maximum aggregate consideration of USD 35.07 million for 2017 as disclosed in the announcement dated 18 September 2017.

E Purchase of raw materials for production from BCP

Mr. Deripaska is indirectly interested in «Basel-

Cement-Pikalevo» Limited Liability Company (formerly CJSC "BaselCement-Pikalevo") ("BCP") as to more than 30% of the issued capital. BCP is therefore an associate of Mr. Deripaska and a connected person of the Company under the Listing Rules.

Accordingly, the transaction entered into between a member of the Group as buyer and BCP as seller constitute a continuing connected transaction of the Company under the Listing Rules. The price for the purchase of raw materials under the contract was determined on an arm's length basis. The consideration for the contract was satisfied in cash via wire transfer.

Details of the transaction are set out in the table below:

BUYER	DATE OF CONTRACT	TERM OF CONTRACT	TYPE OF RAW MATERIALS	PAYMENT TERMS	ACTUAL CONSIDERATION FOR THE YEAR ENDED 31 DECEMBER 2017 USD MILLION (EXCLUDING VAT)
JSC «UC RUSAL TH»	31.12.2014	Up to 31.12.2017	Alumina and hydrate	Prepayment on the 5th, the 15th, the 25th day of the supplying month, and the final settlement on the 5th day of the following month.	41.8
TOTAL:					41.8

The aggregate consideration for the raw materials supplied under these contracts by BCP during the year ended 31 December 2017 amounted to USD41.8 million which

was within the maximum aggregate consideration of USD87.3 million for 2017 as disclosed in the announcement dated 14 January 2015.

F Sale of raw materials to the associates of Mr. Deripaska and En+

Mr. Deripaska indirectly controls more than 30% of each of Achinsk Cement, StroyService LLC ("StroyService"), "GAZ Group Autocomponents" LLC and "Glavstroy Ust Labinsk" Ltd., and therefore, each of them is an associate of Mr. Deripaska and thus a connected person of the Company according to the Listing Rules. Each of "KraMZ-Auto" Limited Liability Company ("KraMZ-Auto"), "KraMZ" Ltd., LLC "Sorskiy ferromolibdenoviy zavod", and JSC Irkutskenergo is held by En+ as to more than 30% of the issued share capital. En+ is in turn held by Mr. Deripaska as to more than 50% of the issued share capital. Each of

"KraMZ-Auto", "KraMZ" Ltd., LLC "Sorskiy ferromolibdenoviy zavod" and JSC Irkutskenergo is therefore an associate of En+ and of Mr. Deripaska. Accordingly, the contracts discussed below constitute continuing connected transactions for the Company under the Listing Rules. Pursuant to Rule 14A.81 of the Listing Rules, the transactions disclosed below were aggregated as they are entered into by the Group with the associates of the same connected persons who are associated with one another and the subject matter of each of the agreements relate to the sale of raw materials by members of the Group. The prices for the sale of raw materials under each of the contracts were determined on an arm's length basis. The consideration for each of these contracts was satisfied in cash via wire transfer or by mutual settlements of counter obligations.

The details of these contracts are set out below:

BUYER (ASSOCIATE OF MR. DERIPASKA/EN+)	SELLER (MEMBER OF THE GROUP)	DATE OF CONTRACT	TYPE OF RAW MATERIALS	TERM OF CONTRACT	PAYMENT TERM	ACTUAL CONSIDERATION FOR THE YEAR ENDED 31 DECEMBER 2017 USD MILLION (EXCLUDING VAT)
LIMITED LIABILITY COMPANY "STROYSERVICE"	Open Joint Stock Company "RUSAL Sayanogorsk Aluminum Smelter"	30.12.2016	Petrol, diesel fuel, oils, lubricants and building materials	Up to 31.12.2017	Payment is made upon delivery no later than 10 working days from the date of invoice	1.8
KRAMZ-AUTO	Public Joint Stock Company «RUSAL Bratsk Aluminium Smelter»	On or around 01.01.2017	Oils and other lubricants	Up to 31.12.2017	Payment is due upon delivery within 10 business days, or by the netting of counter-obligations	0
KRAMZ-AUTO	"RUSAL Sayanogorsk Aluminum Smelter"	30.12.2016	Gasoline, diesel fuel, oil and grease	Up to 31.12.2017	Payment is due upon delivery within 10 business days, or by the netting of counter-obligations	0.3

BUYER (ASSOCIATE OF MR. DERIPASKA/EN+)	SELLER (MEMBER OF THE GROUP)	DATE OF CONTRACT	TYPE OF RAW MATERIALS	TERM OF CONTRACT	PAYMENT TERM	ACTUAL CONSIDERATION FOR THE YEAR ENDED 31 DECEMBER 2017 USD MILLION (EXCLUDING VAT)
KRAMZ-AUTO	PJSC "RUSAL Bratsk" (branch in Shelekhov)	21.12.2016	Gasoline, diesel fuel, oil and grease	Up to 31.12.2017	Payment is due upon delivery within 10 business days, or by the netting of counter-obligations	0
ACHINSK CEMENT	RUSAL Achinsk JSC	28.12.2016 (additional agreement to the contract dated 22.12.2014)	Diesel fuel	Up to 31.12.2017 (Note 2)	25% of the approved volume of sales shall be paid in the first week and paid no later than the 30th of previous month. Payment for the following weeks should be made no later than the last business day of the previous week	0
ACHINSK CEMENT	RUSAL Achinsk JSC	28.12.2016 (additional agreement to the contract dated 22.12.2014)	Stone Coal	Up to 31.12.2017 (Note 2)	25% of the approved volume of sales shall be paid in the first week and paid no later than the 30th of previous month. Payment for the following weeks should be made no later than the last business day of the previous week	0
ACHINSK CEMENT	RUSAL Achinsk JSC	28.12.2016 (additional agreement to the contract dated 22.12.2014)	Fuel oil	Up to 31.12.2017 (Note 2)	25% of the approved volume of sales shall be paid in the first week and paid no later than the 30th of previous month. Payment for the following weeks should be made no later than the last business day of the previous week	0.2
ACHINSK CEMENT	RUSAL Achinsk JSC	28.12.2016 (additional agreement to the contract dated 22.12.2014)	Nepheline sludge	Up to 31.12.2017 (Note 2)	Payment for the first week is made no later than the 30th of the Month of the previous shipment. Payment for the following weeks is made no later than the last working day of previous week	0.5

BUYER (ASSOCIATE OF MR. DERIPASKA/EN+)	SELLER (MEMBER OF THE GROUP)	DATE OF CONTRACT	TYPE OF RAW MATERIALS	TERM OF CONTRACT	PAYMENT TERM	ACTUAL CONSIDERATION FOR THE YEAR ENDED 31 DECEMBER 2017 USD MILLION (EXCLUDING VAT)
ACHINSK CEMENT	RUSAL Achinsk JSC	28.12.2016 (additional agreement to the contract dated 22.12.2014)	Clay from overburden	Up to 31.12.2017 (Note 2)	Payment for the first week is made no later than the 30th of the previous shipment. Payment for the following weeks is made no later than the last working day of previous week	0.1
ACHINSK CEMENT	RUSAL Achinsk JSC	28.12.2016 (additional agreement to the contract dated 22.12.2014)	Limestone	Up to 31.12.2017 (Note 2)	Payment for the first week is made no later than the 30th of the month of the previous shipment. Payment for the following weeks is made no later than the last working day of the previous week.	3.1
ACHINSK CEMENT	RUSAL Achinsk JSC	28.12.2016 (additional agreement to the contract dated 22.12.2014)	Pulverized coal	Up to 31.12.2017 (Note 2)	Payment for first week is made no later than the 30th of the month of the previous shipment. Payment for the following weeks is made no later than the last working day of the previous week	6
KRAMZ-AUTO	Joint Stock Company "RUSAL Krasnoyarsk Aluminium Smelter"	01.01.2017	Gasoline, diesel fuel, oil, and other petroleum products	Up to 31.12.2017	Payment is due upon delivery within 10 business days, or the netting of counter-obligations	0

BUYER (ASSOCIATE OF MR. DERIPASKA/EN+)	SELLER (MEMBER OF THE GROUP)	DATE OF CONTRACT	TYPE OF RAW MATERIALS	TERM OF CONTRACT	PAYMENT TERM	ACTUAL CONSIDERATION FOR THE YEAR ENDED 31 DECEMBER 2017 USD MILLION (EXCLUDING VAT)
"GLAVSTROI UST-LABINSK" LTD.	JSC «UC RUSAL TH»	28.12.2016 (additional agreement to the contract dated 06.02.2015)	Aluminium powder	Up to 31.12.2017	100% advance payment	0.6
LLC "SORSKIY FERROMOLIBDENOVIY ZAVOD"	JSC «UC RUSAL TH»	28.12.2016 (additional agreement to the contract dated 01.09.2015)	Aluminum powder	Up to 31.12.2017	100% prepayment within 30 days from date of shipment	0.6
"KRAMZ" LTD	JSC «UC RUSAL TH»	27.02.2017 (additional agreement to the contract dated 25.12.2014)	Silicon	Up to 31.12.2017	100% advance payment	0.2
JSC "IRKUTSKENERGO"	JSC "Kremniy"	27.02.2017	Coal sweepings	Up to 31.12.2017. The contract will be extended by an addendum if neither party chooses not to renew the contract.	Payment in 10 days after shipment	0
"GAZ GROUP AUTOCOMPONENTS" LLC	JSC «UC RUSAL TH»	09.03.2017 (addendum to the contract dated 08.04.2015)	Silicon	Up to 31.12.2017 (Note 1)	100% prepayment	0.1
"KRAMZ" LTD.	JSC «UC RUSAL TH»	05.12.2017 (additional agreement to the contract dated 25.12.2014)	Silicon	Up to 31.12.2017 (Note 3)	100% advance payment	0.1
TOTAL						13.6

1. The contract may be extended automatically for the following calendar year.
2. The contract may be extended by further agreement between the parties.

3. The contract will be renewed for one year automatically if neither party declares its intention to terminate the contract.

The aggregate consideration for the raw materials supplied under these contracts to the associates of Mr. Deripaska/En+ during the year ended 31 December 2017 amounted to USD13.6 million, which was within the maximum aggregate consideration of USD16.049 million for 2017 as disclosed in the announcement dated 6 December 2017.

G Sale of raw materials to the associates of Mr. Blavatnik

Mr. Blavatnik indirectly holds more than 30% of the issued share capital of Company limited liability «Doncarb Graphite» ("Doncarb Graphite"). Therefore, Doncarb Graphite is an associate of Mr. Blavatnik. As discussed above, CJSC "EPM – NovEP" is an associate of Mr. Blavatnik. Thus each of Doncarb Graphite and CJSC "EPM – NovEP"

is a connected person of the Company under the Listing Rules (until 11 November 2017). Accordingly, the transactions between members of the Group on one part and Doncarb Graphite or CJSC "EPM – NovEP" on the other, discussed below, constitute continuing connected transactions for the Company under the Listing Rules (until 11 November 2017). Pursuant to Rule 14A.81 of the Listing Rules, the transactions disclosed below were aggregated as they are entered into by the Group with the associates of the same connected persons who are associated with one another and the subject matter of each of the agreements relate to the sale of raw materials by members of the Group. The prices for the sale of raw materials under each of the contracts were determined on an arm's length basis. The consideration for each of these contracts was satisfied in cash via wire transfer. The details of these contracts are set out below:

BUYER (ASSOCIATE OF MR. BLAVATNIK)	SELLER (MEMBER OF THE GROUP)	DATE OF CONTRACT	TYPE OF RAW MATERIALS	TERM OF CONTRACT	PAYMENT TERMS	ACTUAL CONSIDERATION FOR THE YEAR ENDED 31 DECEMBER 2017 (UNTIL 11 NOVEMBER 2017) USD MILLION (EXCLUDING VAT)
CJSC "EPM – NOVEP"	JSC «UC RUSAL TH»	15.11.2016 (addendum to the contract dated 01.04.2016)	Green petroleum coke	Up to 31.12.2017	Within 25 calendar days from the date of receipt of invoice of goods shipped	1.4
DONCARB GRAPHITE	SU-Silicon LLC	27.02.2017	Silicon	Up to 31.12.2017, the contract shall be extended automatically	100% advance payment	0.1
TOTAL:						1.4*

The aggregate consideration for the raw materials supplied under these contracts by the Group during the year ended 31 December 2017 (until 11 November 2017)

amounted to USD1.4 million, which was within the maximum aggregate consideration of USD10.761 million for 2017 as disclosed in the announcement dated 28 February 2017.

* - The sum of the figures in the tables are different due to rounding.

H Transportation Contracts

As discussed above, KraMZ-Auto is an associate of En+ and of Mr. Deripaska. En+, being held by Mr. Deripaska as to more than 50% of the issued share capital, holds more than 30% of the issued share capital of each of JSC «Otdeleniye Vremennoy Expluatatsii» ("OVE"), StroyService and JSC «Irkutskenergotrans», thus each of OVE, StroyService and JSC «Irkutskenergotrans» is also an associate of En+ and of Mr. Deripaska. Each of KraMZ-Auto, OVE, StroyService and JSC «Irkutskenergotrans» is therefore an associate of En+ and/or Mr. Deripaska and

a connected person of the Company under the Listing Rules. Accordingly, the contracts between members of the Group on one part and KraMZ-Auto or OVE or StroyService or JSC «Irkutskenergotrans» on the other, as discussed below, constitute continuing connected transactions for the Company under the Listing Rules. Pursuant to these contracts, KraMZ-Auto, OVE, StroyService and JSC «Irkutskenergotrans» were to provide various transportation services to members of the Group. All these transportation contracts are on arms-length commercial terms. The consideration for each of these contracts was satisfied in cash via wire transfer or set-off of obligations.

Details of these contracts are set out in the table below:

SERVICE PROVIDER (ASSOCIATE OF EN+ AND/OR MR. DERIPASKA)	CUSTOMER (MEMBER OF THE GROUP)	DATE OF CONTRACT	TERM OF CONTRACT	PAYMENT TERMS	ACTUAL CON- SIDERATION FOR THE YEAR ENDED 31 DE- CEMBER 2017 USD MILLION (EXCLUDING VAT)
KRAMZ-AUTO	Sayanogorsk Railcar Repair Works Limited Liability Company	01.01.2015	Up to 31.12.2017	Payment within 10 days of receipt of the invoice	0
KRAMZ-AUTO	Joint Stock Company «Sayanogorsk Aluminum Smelter»	01.01.2015	Up to 31.12.2017	Payment within 10 calendar days of receipt of the invoice	2.1
KRAMZ-AUTO	Joint Stock Company «Sayanogorsk Aluminum Smelter»	01.01.2015	Up to 31.12.2017	Payment within 10 banking days of receipt of the invoice	0.3
KRAMZ-AUTO	Joint Stock Company "RUSAL Krasnoyarsk Aluminium Smelter"	01.01.2015	Up to 31.12.2017	Payment within 10 calendar days of receipt of the invoice	2.3
KRAMZ-AUTO	Joint Stock Company "RUSAL Krasnoyarsk Aluminium Smelter"	01.01.2015	Up to 31.12.2017	Payment within 10 calendar days of receipt of the invoice	0.7
KRAMZ-AUTO	Public Joint Stock Company «RUSAL Bratsk Aluminium Smelter»	01.01.2015	Up to 31.12.2017	Payment to be made within 10 banking days of receipt of the invoice	2.1
KRAMZ-AUTO	Sayanogorsk Railcar Repair Works Limited Liability Company	01.01.2015	Up to 31.12.2017	Payment within 10 calendar days of receipt of the invoice	0

SERVICE PROVIDER (ASSOCIATE OF EN+ AND/OR MR. DERIPASKA)	CUSTOMER (MEMBER OF THE GROUP)	DATE OF CONTRACT	TERM OF CONTRACT	PAYMENT TERMS	ACTUAL CON- SIDERATION FOR THE YEAR ENDED 31 DE- CEMBER 2017 USD MILLION (EXCLUDING VAT)
KRAMZ-AUTO	Limited liability Company "IT- Service"	30.12.2015	Up to 31.12.2017	Payment within 60 days of signing of service acceptance by both parties and submission of original invoices	0
KRAMZ-AUTO	Joint Stock Company "Sayanogorsk Aluminum Smelter"	01.07.2016 (addendum to the contract dated 01.01.2015)	Up to 31.12.2017	Payment within 10 banking days after receipt of original invoice	0
KRAMZ-AUTO	Public Joint Stock Company «RUSAL Bratsk Aluminium Smelter»	01.10.2016 (addendum to the contract dated 01.01.2015)	Up to 31.12.2017	Payment within 10 banking days after the receipt of the invoice	0
KRAMZ-AUTO	PJSC "RUSAL Bratsk" (branch in Shelekhov)	21.12.2016	Up to 31.12.2017	Deferred payment of 60 calendar days, or the netting of counter-obligations	3.1
KRAMZ-AUTO	PJSC "RUSAL Bratsk" (branch in Shelekhov)	21.12.2016	Up to 31.12.2017	Deferred payment of 60 calendar days, or the netting of counter-obligations/	0.1
KRAMZ-AUTO	Limited Liability Company "Russian Engineering Company"	26.12.2016	Up to 31.12.2017	Payment to be made in two equal installations of 50% of the total amount, the first installment before the 15th of the month following the report month, and the second installment before the 30th of the month following the report month	0.3

SERVICE PROVIDER (ASSOCIATE OF EN+ AND/OR MR. DERIPASKA)	CUSTOMER (MEMBER OF THE GROUP)	DATE OF CONTRACT	TERM OF CONTRACT	PAYMENT TERMS	ACTUAL CON- SIDERATION FOR THE YEAR ENDED 31 DE- CEMBER 2017 USD MILLION (EXCLUDING VAT)
KRAMZ-AUTO	Limited Liability Com- pany "Russian Engi- neering Company"	28.12.2016	Up to 31.12.2017. If by 30 cal- endar days prior to the expiration of the agree- ment none of the parties notifies the other party in writing of the intention to terminate the agreement, the agree- ment shall be automatically extended for the subse- quent calen- dar year	Payment within 60 calendar days after the render of the service	0.6
KRAMZ-AUTO	Limited Liability Com- pany "Russian Engi- neering Company"	26.12.2016	Up to 31.12.2017	Payment to be made in two equal installations of 50% of the total amount, the first installment before the 15th of the month following the report month, and the second installment before the 30th of the month following the report month	0.3
OVE	Joint Stock Company «Sayanogorsk Alumi- num Smelter»	30.12.2016	Up to 31.12.2017	Payment within 10 working days after receipt of invoice	4.1
OVE	JSC «RUSAL SAY- ANAL»	28.12.2016 (addendum no. 3 to the con- tract dated 20.01.2016)	Up to 31.12.2017 Contract may be extended if none of the parties announces its intention to terminate the contract one month before its expiry.	Payment is due within 10 banking days after receipt of invoice	0

SERVICE PROVIDER (ASSOCIATE OF EN+ AND/OR MR. DERIPASKA)	CUSTOMER (MEMBER OF THE GROUP)	DATE OF CONTRACT	TERM OF CONTRACT	PAYMENT TERMS	ACTUAL CON- SIDERATION FOR THE YEAR ENDED 31 DE- CEMBER 2017 USD MILLION (EXCLUDING VAT)
KRAMZ-AUTO	Limited Liability Company "Russian Engineering Company"	28.12.2016	Up to 31.12.2017	Payment to be made in two equal installations of 50% of the total amount, the first installment before the 15th of the month following the report month, and the second installment before the 30th of the month following the report month	0.2
KRAMZ-AUTO	JSC «RUSAL SAYANAL»	28.12.2016	Up to 31.12.2017	Payment within 10 days after receipt of invoice	0.2
KRAMZ-AUTO	JSC «RUSAL SAYANAL»	28.12.2016	Up to 31.12.2017	Payment within 15 days after receipt of invoice	0
KRAMZ-AUTO	Limited Liability Company "Russian Engineering Company"	13.01.2017	Up to 31.12.2017	Payment to be made in two equal installations of 50% of the total amount, the first installment before the 15th of the month following the report month, and the second installment before the 30th of the month following the report month	0.1
JSC IRKUTSKENERGOTRANS	"Engineering Construction Company" LLC	27.02.2017	Up to 31.12.2017	Payment to be made within 60 calendar days after signing the acceptance certificate for a calendar month	0
KRAMZ-AUTO	JSC "Kremniy"	27.02.2017	Up to 31.12.2017	Within 10 banking days after the receipt of the invoice	0
KRAMZ-AUTO	LLC "SUAL-PM"	27.02.2017	Up to 31.12.2017	Payment within 10 days after receipt of invoice	0

SERVICE PROVIDER (ASSOCIATE OF EN+ AND/OR MR. DERIPASKA)	CUSTOMER (MEMBER OF THE GROUP)	DATE OF CONTRACT	TERM OF CONTRACT	PAYMENT TERMS	ACTUAL CON- SIDERATION FOR THE YEAR ENDED 31 DE- CEMBER 2017 USD MILLION (EXCLUDING VAT)
KRAMZ-AUTO	Limited Liability Company "Russian Engineering Company"	06.07.2017 (additional agreement to the contract dated 13.01.2017)	Up to 31.12.2017	Payment to be made in two equal installations of 50% of the total amount, the first installment before the 15th of the month following the report month, and the second installment before the 30th of the month following the report month	0
KRAMZ-AUTO	Limited Liability Company "Russian Engineering Company"	19.07.2017 (additional agreement to the contract dated 26.12.2016)	Up to 31.12.2017	Payment to be made in two equal installations of 50% of the total amount, the first installment before the 15th of the month following the report month, and the second installment before the 30th of the month following the report month	0
STROYSERVICE	Limited Liability Company "Russian Engineering Company"	11.09.2017	Up to 31.12.2017	Payment to be made within 60 calendar days after signing of the acceptance certificate for a calendar month	0
KRAMZ-AUTO	"RUSAL Taishet" LLC	11.09.2017	Up to 31.12.2017	Payment to be made within 60 calendar days after signing of the acceptance certificate for a calendar month	0
KRAMZ-AUTO	Limited Liability Company "Russian Engineering Company"	03.10.2017 (additional agreement to the contract dated 28.12.2016)	Up to 31.12.2017	Payment to be made in two equal installations of 50% of the total amount, the first installment before the 15th of the month following the report month, and the second installment before the 30th of the month following the report month after the receipt from the service provider of the original copy of the invoice for the total amount of services performed and accepted by customer, on the basis of performed works acceptance certificates signed by the parties	0

SERVICE PROVIDER (ASSOCIATE OF EN+ AND/OR MR. DERIPASKA)	CUSTOMER (MEMBER OF THE GROUP)	DATE OF CONTRACT	TERM OF CONTRACT	PAYMENT TERMS	ACTUAL CON- SIDERATION FOR THE YEAR ENDED 31 DE- CEMBER 2017 USD MILLION (EXCLUDING VAT)
KRAMZ-AUTO	LLC "Engineering Construction Company"	01.11.2017 (additional agreement to the contract dated 26.12.2016)	Up to 31.12.2017	Payment to be made in two equal installations of 50% of the total amount, the first installment before the 15th of the month following the report month, and the second installment before the 30th of the month following the report month	0
KRAMZ-AUTO	Limited Liability Company "Russian Engineering Company"	13.11.2017	Up to 31.12.2017	Within 60 calendar days after signing the acceptance certificate for a calendar month	0
KRAMZ-AUTO	Limited Liability Company "Russian Engineering Company"	13.11.2017 (addendum to the contract dated 28.12.2016)	Up to 31.12.2017	Payment to be made in two equal installations of 50% of the total consideration, one before the 15th of the month following the report month, and the other before the 30th of the month following the report month after the receipt from contractor of the original copy of the invoice for the total amount of services performed and accepted by the customer, on the basis of the performed works acceptance certificates signed by the parties	0
KRAMZ-AUTO	JSC «RUSAL SAYANAL»	17.11.2017 (addendum to contract dated 28.12.2016)	Up to 31.12.2017	Payment within 15 days after receipt of invoice	0
KRAMZ-AUTO	Limited Liability Company "Russian Engineering Company"	18.12.2017 (addendum to the contract dated 28.12.2016)	Up to 31.12.2017	Payment to be made in two equal installations of 50% of the total consideration, one before the 15th of the month following the report month, and the other before the 30th of the month following the report month after the receipt from contractor of the original copy of the invoice for the total amount of services performed and accepted by the customer, on the basis of the performed works acceptance certificates signed by the parties	0
TOTAL:					16.7*

* - The sum of the figures in the tables are different due to rounding

The aggregate consideration for the transportation services provided by the associates of En+ and/or Mr. Deripaska during the year ended 31 December 2017 amounted to USD16.7 million, which was within the maximum aggregate consideration of USD22.226 million for 2017 as disclosed in the announcement dated 19 December 2017.

I Heat Supply Contracts with the associates of En+

Each of Joint Stock Company «Baykalenergo», Khakass Utility Systems Limited Liability Company and JSC Irkutskenergo is held by En+ (being a substantial shareholder of the Company) as to more than 30% of the issued

share capital, and is therefore an associate of En+. Each of Joint Stock Company «Baykalenergo», Khakass Utility Systems Limited Liability Company and JSC Irkutskenergo is thus a connected person of the Company under the Listing Rules. Accordingly, the contracts below constitute continuing connected transactions of the Company. Pursuant to these contracts, the associates of En+ were to supply heat (including heat energy and heat power in the form of steam and hot water) to members of the Group. All of these heat supply contracts are on arms-length commercial terms. The consideration for each of these contracts was satisfied in cash via wire transfer or set-off of obligations.

SUPPLIER (ASSOCIATE OF EN+)	CUSTOMER (MEMBER OF THE GROUP)	DATE OF CONTRACT	TERM OF CONTRACT	PAYMENT TERMS	ACTUAL CON- SIDERATION FOR THE YEAR ENDED 31 DE- CEMBER 2017 USD MILLION (EXCLUDING VAT)
JSC IRKUTSKENERGO	Branch of PJSC «RUSAL Bratsk» in Shelekhov	01.01.2015	Up to 31.12.2017	Advance payment of 35% of the total price on the 18th day of each month, and 50% by the end of each month with the remainder (15%) being paid up by the 10th day of the next month	1.4
JSC IRKUTSKENERGO	Branch of PJSC «RUSAL Bratsk» in Shelekhov	01.01.2015	Up to 31.12.2017	Advance payment of 35% of the total price on the 18th day of each month, and 50% by the end of each month with the remainder (15%) being paid up by the 10th day of the next month	1
JOINT STOCK COMPANY «BAYKALENERGO»	Limited Liability Company «RUSAL Taishet Aluminium Smelter»	23.12.2014	Up to 31.12.2017	Advance payment of 35% of the total price on the 18th day of each month, and 50% by the 30th day of each month with the remainder (15%) being paid up by the 10th day of the month following the billing month	0
KHAKASS UTILITY SYSTEMS LIMITED LIABILITY COMPANY	Joint Stock Company «Sayanogorsk Aluminum Smelter»	30.12.2016	Up to 31.12.2017	Fee for 85% of the total amount of thermal energy, agreed upon by the parties to be paid no later than the 20th day of the month of the current billing period (month). The remaining fee to be paid no later than the 10th day of the month following the billing period (month), on the basis of readings of metering devices or by calculation in case of absence of metering devices	4.2

SUPPLIER (ASSOCIATE OF EN+)	CUSTOMER (MEMBER OF THE GROUP)	DATE OF CONTRACT	TERM OF CONTRACT	PAYMENT TERMS	ACTUAL CON- SIDERATION FOR THE YEAR ENDED 31 DE- CEMBER 2017 USD MILLION (EXCLUDING VAT)
JOINT STOCK COMPANY «BAYKALENERGO»	Joint Stock Company «Sayanogorsk Aluminum Smelter»	30.12.2016	Up to 31.12.2017	Not later than 20th of the following month after receipt of the invoice	0
JOINT STOCK COMPANY «BAYKALENERGO»	Joint Stock Company «Sayanogorsk Aluminum Smelter»	30.12.2016	Up to 31.12.2017	Not later than 20th of the following month after receipt of the invoice	0
JSC IRKUTSKENERGO	JSC SibVAMI	28.12.2016	Up to 31.12.2019	Advance payment of 35% of the total price on the 18th day of the current month and 50% by the last day of the current month, with the remaining 15% being paid by the 10th day of the next month	0
KHAKASS UTILITY SYSTEMS LLC	JSC «RUSAL SAYANAL»	28.12.2016	Up to 31.12.2017	Payment no later than the 28th day of the month following the billing month	0.4
JOINT STOCK COMPANY «BAYKALENERGO»	Limited Liability Company RUSAL Taishet Aluminium Smelter	01.03.2017	Up to 31.12.2019	Advance payment of 35% of the total price on the 18th day of each month, and 50% on the last day of each month, with the actual amount consumed to be paid by the 10th day of the month following the billing month with allowance for earlier payments	0
TOTAL:					7

The aggregate consideration for the heat supply provided by the associates of En+ during the year ended 31 December 2017 amounted to USD7 million, which was within the maximum aggregate consideration of USD10.184 million for 2017 as disclosed in the announcement dated 28 February 2017.

J Purchase of Assets from the associates of Mr. Deripaska/En+

Each of Limited Liability Company "EuroSibEnergо — Engineering" and LLC "RogSibAl" is indirectly held by Mr. Deripaska/En+ as to more than 30% of the issued share capital, and therefore is an associate of Mr. Deripaska/En+ and a

connected person of the Company under the Listing Rules.

Each of "GAZ Group Commercial Vehicles" LLC, LLC "Russian Buses GAZ Group", Limited Liability Company RM-Terex, LLC "PO KTS" and "Automobile plant "URAL" JSC is held by Basic Element as to more than 30% of the issued share capital. Basic Element is in turn held by Mr. Deripaska as to more than 50% of the issued share capital. Each of GAZ Group Commercial Vehicles" LLC, LLC "Russian Buses GAZ Group", Limited Liability Company RM-Terex, LLC "PO KTS" and "Automobile plant "URAL" JSC is therefore an associate of Mr. Deripaska and is thus a connected person of the Company under the Listing Rules.

Accordingly, the transactions entered into between members of the Group as buyers and Limited Liability Company "EuroSibEnergо — Engineering", LLC "RogSibAl", GAZ Group Commercial Vehicles" LLC, LLC "Russian Buses GAZ Group", Limited Liability Company RM-Terex, LLC "PO KTS" and "Automobile plant "URAL"

JSC as seller constitute continuing connected transactions of the Company under the Listing Rules. The prices for the purchase of vehicles under each of these contracts are determined on an arm's length basis. The consideration for each of these contracts was satisfied in cash via wire transfer.

Details of these transactions are set out in the table below:

BUYER (MEMBER OF THE GROUP)	SELLER (ASSOCIATE OF MR. DERIPASKA/ EN+)	DATE OF CONTRACT	SUBJECT MATTER OF THE PURCHASE	TERM OF CONTRACT	PAYMENT TERMS	ACTUAL CON- SIDERATION FOR THE YEAR ENDED 31 DE- CEMBER 2017 USD MILLION (EXCLUDING VAT)
PUBLIC JOINT STOCK COMPANY «RUSAL BRATSK ALUMINIUM SMELTER»	Limited Liability Com- pany "Euro- SibEnergо — Engineering"	09.03.2016	Purchase and installation of recti- fier (supply of equipment, installation supervision, commission- ing, training of personnel)	31 December 2018	USD1,844,660 will be paid as deposit after the conclusion of the contract and within 10 days of the invoice date. 70% of the equipment cost to be paid within 60 days after shipment of equipment, supervi- sion of installation, commissioning and training of personnel. 100% to be paid within 30 days after signing of the certificate of completion	6.7
RUSAL ACHINSK	"GAZ Group Commercial Vehicles" LLC	28.11.2016	Passenger bus	31 December 2017	100% prepayment to be made within five calendar days after the receipt of the invoice from the sup- plier	0
RUSAL NOVOKUZNETSK	LLC "PO KTS"	26.12.2016 (addendum no. 2 to contract dated 26.12.2016)	Two anode superstruc- tures with risers	Up to 31.05.2017	50% prepayment within 10 calendar days from the con- tract date; remaining 50% to be paid within 15 calendar days after delivery to the buyer's warehouse	0.3
USAL NOVOKUZNETSK	LLC "PO KTS"	26.12.2016 (addendum no. 3 to contract dated 26.12.2016)	Two anode superstruc- tures with risers	Up to 31.07.2017	50% prepayment within 10 calendar days from the con- tract date; 40% to be paid upon delivery; remaining 10% to be paid after testing and approval by the in- dustrial safety review board	0.1

BUYER (MEMBER OF THE GROUP)	SELLER (AS-SOCIATE OF MR. DERIPASKA/EN+)	DATE OF CONTRACT	SUBJECT MATTER OF THE PURCHASE	TERM OF CONTRACT	PAYMENT TERMS	ACTUAL CONSIDERATION FOR THE YEAR ENDED 31 DECEMBER 2017 USD MILLION (EXCLUDING VAT)
COBAD S.A.	LLC "Russian Buses GAZ Group"	19.07.2017	6 buses	Up to 31.12.2017	50% of the consideration as advance payment within 10 business days from the contract (specification) date, remaining 50% of the consideration to be paid within 45 calendar days after the date of the bill of lading	0.3
COBAD S.A.	"Automobile plant "URAL" JSC	19.07.2017	2 fire-tanker and 1 vacuum machine	Up to 31.12.2017	20% of the consideration as advance payment within 10 business days from the contract (specification) date; remaining 80% of the consideration to be paid within 10 business days after receipt of notification regarding readiness of goods for shipping	0
FRIGUIA S.A.	"Automobile plant "URAL" JSC"	19.07.2017	2 fire trucks, 3 workshop trucks with crane, 2 workshop trucks, 1 truck mixer and 2 hydraulic lift trucks	Up to 31.07.2017	20% of the consideration as advance payment within 10 business days from the contract (specification) date; remaining 80% of the consideration to be paid within 10 business days after receipt of notification regarding readiness of goods for shipping	0
JSC "BOKSIT TIMANA"	Limited Liability Company RM-Terex	05.12.2016	1 motor grader and 1 excavator	Up to 31.12.2017	Consideration to be paid 30 days after delivery to consignee rail station	0.1
JSC RUSAL ACHINSK	Limited Liability Company RM-Terex	21.12.2016	1 grader	Up to 31.12.2018	Consideration to be paid 30 days after delivery to consignee rail station	0.1
RUSAL NOVOKUZNETSK	LLC "PO KTS"	11.09.2017 (addendum to the contract dated 26.12.2016)	2 anode superstructures with risers	Up to 30.03.2018	A prepayment of USD123,077. The remainder of the consideration to be paid within 15 calendar days after delivery	0.4

BUYER (MEMBER OF THE GROUP)	SELLER (AS-SOCIATE OF MR. DERIPASKA/EN+)	DATE OF CONTRACT	SUBJECT MATTER OF THE PURCHASE	TERM OF CONTRACT	PAYMENT TERMS	ACTUAL CONSIDERATION FOR THE YEAR ENDED 31 DECEMBER 2017 USD MILLION (EXCLUDING VAT)
JSC SEVURALBOKSITRUDA	"GAZ Group Commercial Vehicles" LLC	27.10.2017	1 car	Up to 31.12.2017	Payment within 60 calendar days from the date of shipment	0
COBAD S.A.	LLC "RogSibAI"	27.10.2017	2 items of material handling crawler crane	Up to 31.12.2017	100% prepaid	0.5
RUSAL URAL JSC (FORMERLY JSC "SUAL")	"Automobile plant "URAL" JSC	10.11.2017	3 dump trucks	Up to 31.12.2017	10% of the consideration as advance payment to be paid 5 days after the date of signing of the contract, the remaining 90% of the consideration to be paid after receiving the notification regarding readiness of goods for shipping	0
JSC «BOKSIT TIMANA»	"Automobile plant "URAL" JSC	10.11.2017	3 dump trucks	Up to 31.12.2017	10% of the consideration as advance payment to be paid 5 days after the date of signing of the contract, the remaining 90% of the consideration to be paid after receiving the notification regarding readiness of goods for shipping	0
SU-SILICON LLC	"GAZ Group Commercial Vehicles" LLC	17.11.2017	1 automobile	Up to 31.03.2018	100% payment by the buyer within 60 calendar days from the date of shipment	0
LLC "RUSSIAN ENGINEERING COMPANY"	"GAZ Group Commercial Vehicles" LLC	17.11.2017	9 automobiles	Up to 31.12.2018	100% payment by the buyer within 60 calendar days from the date of shipment	0.2

BUYER (MEMBER OF THE GROUP)	SELLER (AS- SOCIATE OF MR. DERI- PASKA/EN+)	DATE OF CONTRACT	SUBJECT MATTER OF THE PUR- CHASE	TERM OF CONTRACT	PAYMENT TERMS	ACTUAL CON- SIDERATION FOR THE YEAR ENDED 31 DE- CEMBER 2017 USD MILLION (EXCLUDING VAT)
COBAD S.A.	"GAZ Group Commercial Vehicles" LLC	27.11.2017	2 cargo- passenger offroad cars	Up to 31.12.2018	50% of the consid- eration as advance payment to be paid 10 days after the date of signing of the contract, the remaining 50% of the consideration to be paid 45 days after the date of the bill of lading	0
CBK S.A.	"GAZ Group Commercial Vehicles" LLC	27.11.2017	4 cargo- passenger cars	Up to 31.12.2018	50% of the consid- eration as advance payment to be paid 10 days after the date of signing of the contract, the remaining 50% of the consideration to be paid 45 days after the date of the bill of lading	0
FRIGUIA S.A.	"Automobile plant "URAL" JSC	27.11.2017	1 vehicle for trans- portation of explosives and 1 vacuum machine	Up to 31.12.2018	20% of the consid- eration as advance payment to be paid 10 days after the date of signing of the contract, the remaining 80% of the consideration to be paid after receiving the notification regarding readiness of goods for shipping	0
CBK S.A.	LLC "Russian Buses GAZ Group"	27.11.2017	4 buses	Up to 31.12.2018	50% of the consid- eration as advance payment to be paid 10 days after the date of signing of the contract, the remaining 50% of the consideration to be paid 45 days after the date of the bill of lading	0
JOINT STOCK COMPANY «URAL FOIL»	"GAZ Group Commercial Vehicles" LLC	18.12.2017	Purchase of 1 truck	Up to 31.12.2017	Within 30 days from the date of shipment	0
TOTAL:						8.7

The aggregate consideration for the vehicles supplied under these contracts by the associates of Mr. Deripaska during the year ended 31 December 2017 amounted

to USD8.7 million which was within the maximum aggregate consideration of USD9.753 million for 2017 as disclosed in the announcement dated 19 December 2017.

K Repair Services Contracts with the associates of En+

Each of Joint Stock Company «Bratskenergoremont» ("Bratskenergoremont"), Irkutskenergoremont, KraMZ-Auto, Limited Liability Company "Khakassia Utilities", "KraMZ" Ltd. and JSC «Baykalenergo» is directly or indirectly held by En+ as to more than 30% of the issued share capital, each of them is therefore an associate of En+ and thus is a connected person of the Company under the Listing Rules.

Accordingly, the transactions entered into between members of the Group as customers and Bratskenergoremont, Irkutskenergoremont, KraMZ-Auto, Limited Liability Company "Khakassia Utilities", "KraMZ" Ltd. or JSC «Baykalenergo» as contractors constitute continuing connected transactions of the Company under the Listing Rules. The consideration for the repair services under each of these contracts were determined on an arm's length basis. The consideration for each of these contracts was satisfied in cash via wire transfer or set-off of obligations.

Details of these transactions are set out in the table below:

DATE OF CONTRACT	CUSTOMER (MEMBER OF THE GROUP)	CONTRACTOR (ASSOCIATE OF EN+)	TERM OF CONTRACT	REPAIR SERVICES	PAYMENT TERMS	ACTUAL CONSIDERATION FOR THE YEAR ENDED 31 DECEMBER 2017 USD MILLION (EXCLUDING VAT)
01.01.2015	Joint Stock Company "RUSAL Krasnoyarsk Aluminium Smelter"	KraMZ-Auto	Up to 31.12.2017	Transport vehicle maintenance and repair services	Within 10 banking days after receipt of the original proforma invoice issued under the service acceptance certificate signed by the parties	0
23.01.2017	JSC RUSAL Achinsk	Bratskenergoremont	Up to 31.12.2017, may be extended by an addendum	Maintenance services of CHP equipment	A prepayment of 50% of the consideration shall be paid according to the monthly financial schedule set out in the contract until the 5th day of the month, the remaining 50% to be paid within 10 calendar days after receiving of the original invoice	6.5
28.12.2016 (ADDITIONAL AGREEMENT TO THE CONTRACT DATED 04.07.2016)	JSC RUSAL Achinsk	Bratskenergoremont	Up to 30.06.2017	Capital repair of boiler	A prepayment of 50% of the consideration shall be paid according to the monthly financial schedule set out in the contract until the 5th day of the month, the remaining 50% to be paid within 10 calendar days after receiving of the original invoice	0.4
28.12.2016	JSC RUSAL Achinsk	Bratskenergoremont	Up to 30.12.2017	Technological cleaning of boiler	Within 15 calendar days after receipt of the original invoice	0.2

DATE OF CONTRACT	CUSTOMER (MEMBER OF THE GROUP)	CONTRACTOR (ASSOCIATE OF EN+)	TERM OF CONTRACT	REPAIR SERVICES	PAYMENT TERMS	ACTUAL CONSIDERATION FOR THE YEAR ENDED 31 DECEMBER 2017 USD MILLION (EXCLUDING VAT)
23.01.2017	JSC RUSAL Achinsk	Bratskenergoremont	Up to 30.06.2017	Extra work during the overhaul of boiler	A prepayment of 50% of the consideration shall be paid according to the monthly financial schedule set out in the contract until the 5th day of the month, the remaining 50% to be paid within 10 calendar days after receiving of the original invoice	0.7
10.01.2017	Public Joint Stock Company "RUSAL Bratsk Aluminium Smelter"	Irkutskenergoremont	Up to 31.12.2017	Production equipment maintenance and repair works	Within 40 calendar days after the signing of the Performed Works Certificate based on the invoice	1.5
10.01.2017	Limited Liability Company "Russian Engineering Company	Irkutskenergoremont	Up to 31.12.2017	Production equipment maintenance and repair works	Within 40 calendar days after the signing of the Performed Works Certificate based on the invoice	1
01.02.2017	JSC RUSAL Achinsk	Bratskenergoremont	Up to 31.12.2017	Performance of work upon overhaul of boiler	A prepayment of 50% of the consideration shall be paid according to the monthly financial schedule set out in the contract until the 5th day of the current month, the remaining 50% to be paid within 10 calendar days after the end of the reporting month	3.1
06.03.2017	Joint Stock Company «Sayanogorsk Aluminum Smelter»	Limited Liability Company "Khakassia Utilities"	Up to 31.12.2017	Providing monthly repair service to the fuel pump station of the power shop at "RUSAL Sayanogorsk"	Payment to be made within 60 calendar days after receipt of the original invoices corresponding to the certificates of acceptance signed by both parties	0

DATE OF CONTRACT	CUSTOMER (MEMBER OF THE GROUP)	CONTRACTOR (ASSOCIATE OF EN+)	TERM OF CONTRACT	REPAIR SER- VICES	PAYMENT TERMS	ACTUAL CON- SIDERATION FOR THE YEAR ENDED 31 DE- CEMBER 2017 USD MILLION (EXCLUDING VAT)
06.03.2017	Limited Liability Company "Russian Engineering Company"	"KraMZ" Ltd.	Up to 31.12.2017	Repair services for equipment maintenance of two coils at induction furnace and maintenance of one cable hose (umbilical)	A 70% advance payment within 5 banking days upon invoicing for the advance payment, the remaining 30% to be paid upon signing of the completion certificate and receipt of an original copy of the invoice within 5 banking days	0
18.04.2017 (ADDITIONAL AGREEMENT TO THE CONTRACT DATED 10.01.2017)	Limited Liability Company "Russian Engineering Company"	Irkutskenergoremont	Up to 31.12.2017	Production equipment maintenance and repair works	Payment within 30 calendar days of signature by the customer of the performed works certificate based on the invoice	0
18.04.2017 (ADDITIONAL AGREEMENT TO THE CONTRACT DATED 10.01.2017)	Limited Liability Company "Russian Engineering Company"	Irkutskenergoremont	Up to 31.12.2017	Production equipment maintenance and repair services	Within 40 calendar days of the Performed Works Certificate signed by the customer based on an issued invoice	0
18.04.2017	JSC RUSAL Achinsk	Bratskenergoremont	Up to 31.12.2017	Performance of work upon overhaul of the turbine and the generator	A prepayment of 50% of the consideration shall be paid according to the monthly financial schedule set out in the contract up to the 5th day of the month, the remaining 50% to be paid within 10 calendar days from receipt of the original invoices	0.9
24.04.2017	Joint Stock Company «Sayanogorsk Aluminum Smelter»	JSC «Baykalenergo»	Up to 31.12.2017	Providing monthly service to the external heat networks and industrial plant wiring at A O "RUSAL Sayanogorsk"	Within 60 calendar days after receipt of the original invoices corresponding to the certificates of acceptance signed by both parties	0.1

DATE OF CONTRACT	CUSTOMER (MEMBER OF THE GROUP)	CONTRACTOR (ASSOCIATE OF EN+)	TERM OF CONTRACT	REPAIR SERVICES	PAYMENT TERMS	ACTUAL CONSIDERATION FOR THE YEAR ENDED 31 DECEMBER 2017 USD MILLION (EXCLUDING VAT)
22.05.2017 (WHICH IS AN ADDITIONAL AGREEMENT TO THE CONTRACT DATED 10.01.2017)	Public Joint Stock Company "RUSAL Bratsk Aluminium Smelter"	Irkutskenergoremont	Up to 31.12.2017	Production equipment maintenance and repair works	Within 40 calendar days after the signing of the performed works certificate based on the invoice	0
06.07.2017 (WHICH IS AN ADDITIONAL AGREEMENT TO THE CONTRACT DATED 10.01.2017)	Limited Liability Company "Russian Engineering Company"	Irkutskenergoremont	Up to 31.12.2017	Production equipment maintenance and repair works	Within 30 calendar days of signature by the customer of the performed works certificate based on an invoice	0
11.09.2017 (WHICH IS AN ADDITIONAL AGREEMENT TO THE CONTRACT DATED 10.01.2017)	Limited Liability Company "Russian Engineering Company"	Irkutskenergoremont	Up to 31.12.2017	Production equipment maintenance and repair works	Within 40 calendar days of signature by the customer of the performed works certificate based on an invoice	0
11.09.2017	Limited Liability Company "Russian Engineering Company"	Irkutskenergoremont	Up to 31.12.2017	Replacement of submersible pump storage tank fuel oil at fuel oil stations and replacement of pump cold water	Within 30 calendar days of signature by the customer of the performed works certificate based on an invoice	0
03.10.2017 (WHICH IS AN ADDITIONAL AGREEMENT TO THE CONTRACT DATED 10.01.2017)	Limited Liability Company "Russian Engineering Company"	Irkutskenergoremont	Up to 31.12.2017	Execution of works on repair of gas-cleaning equipment	Within 40 calendar days of signature by the customer of the performed works certificate based on an invoice	0
27.10.2017	JSC RUSAL Achinsk	Bratskenergoremont	Up to 30.06.2018	Performance of work upon overhaul of the boiler unit in 2017-2018	A prepayment of 50% of the consideration shall be paid according to the monthly financial schedule set out in the contract until the 5th day of the current month, the remaining 50% to be paid within 10 calendar days after receipt of the invoice	0.6

DATE OF CONTRACT	CUSTOMER (MEMBER OF THE GROUP)	CONTRACTOR (ASSOCIATE OF EN+)	TERM OF CONTRACT	REPAIR SERVICES	PAYMENT TERMS	ACTUAL CON- SIDERATION FOR THE YEAR ENDED 31 DE- CEMBER 2017 USD MILLION (EXCLUDING VAT)
10.11.2017	JSC "RUSAL Achinsk"	Bratskenergore- mont	Up to 31.12.2017, can be extended for the next calendar year by an addendum to be entered into by both parties	Services for the execution of power work and service maintenance of equipment at CHPP of JSC "RUSAL Achinsk"	A prepayment of 50% of the consideration to be paid before the 5th of the month, the payment of the remaining 50% to be paid within 10 calendar days after receipt of the invoice	0.5
08.12.2017	Limited Liability Company "Casting and Mechanical Plant "SKAD""	"KraMZ" Ltd.	Up to 31.12.2019	Repair of metallurgical equipment (inductors of furnaces and cable hoses)	A 70% advance payment after receipt of invoice, and the remaining 30% to be paid within 5 bank days from the date of signing of the acceptance certificate for work performed	0
TOTAL:						15.5

The aggregate consideration for the repair services provided under these contracts by the associates of En+ during the year ended 31 December 2017 amounted to USD15.5 million which was within the maximum aggregate consideration of USD16.027 million for 2017 as disclosed in the announcement dated 11 December 2017.

L Transport Logistics Services Contracts with the associates of En+

Each of "Russian Transport Company" LLC, En+ Logistics and Global Commodity Transport Limited is a direct or indirect subsidiary of En+, each of them is there-

fore an associate of En+ and thus is a connected person of the Company under the Listing Rules.

Accordingly, the transactions entered into between members of the Group as customers and "Russian Transport Company" LLC, En+ Logistics or Global Commodity Transport Limited as service provider constitute continuing connected transactions of the Company under the Listing Rules. The consideration for the transportation logistics services under each of these contracts was determined on an arm's length basis. The consideration for each of these contracts was satisfied in cash via wire transfer.

Details of these transactions are set out in the table below:

DATE OF CONTRACT	CUSTOMER (MEMBER OF THE GROUP)	SERVICE PROVIDER (ASSOCIATE OF EN+)	TERM OF CONTRACT	PAYMENT TERMS	ACTUAL CON- SIDERATION FOR THE YEAR ENDED 31 DE- CEMBER 2017 USD MILLION (EXCLUDING VAT)
28.12. 2016	RTI LIMITED	"Russian Transport Company" LLC	Up to 31.12.2019	Payment no later than the 15th day of the month after the month the service has been rendered	0.3
29.12. 2016	JSC «UC RUSAL TH»	"Russian Transport Company" LLC	Up to 31.12.2019	Payment no later than the 15th day of the month after the month the service has been rendered	0
27.12. 2016 (ADDENDUM TO CONTRACT DATED 30.12.2015)	JSC «UC RUSAL TH»	En+ Logistics	Up to 31.12.2017	Payment no later than the 15th day of the month after the month the service has been rendered	0.3
29.12. 2016	RUSAL- TRANS LLC	"Russian Transport Company" LLC	Up to 31.12.2019	Payment no later than the 15th day of the month after the month the service has been rendered	0
29.12. 2016	RUSAL Achinsk JSC	"Russian Transport Company" LLC	Up to 31.12.2019	Payment no later than the 15th day of the month after the month the service has been rendered	0
29.12. 2016	RUSAL- TRANS LLC	"Russian Transport Company" LLC	Up to 31.12.2017	Payment no later than the 15th day of the month after the month the service has been rendered	0
13.01.2017 (ADDENDUM TO CONTRACT DATED 14.11.2016)	RTI Limited	Global Commodity Transport Limited	Up to 31.03.2017, with one year extension	Payment to be made within 5 banking days from the date of receipt of the bill issued by the forwarder upon the receipt by the customer from the forwarder of the copy of the bill of lading confirming the loading of containers on board of the vessel	0.1

DATE OF CONTRACT	CUSTOMER (MEMBER OF THE GROUP)	SERVICE PROVIDER (ASSOCIATE OF EN+)	TERM OF CONTRACT	PAYMENT TERMS	ACTUAL CON- SIDERATION FOR THE YEAR ENDED 31 DE- CEMBER 2017 USD MILLION (EXCLUDING VAT)
13.01.2017	BAZ-SUAL branch SUAL JSC	"Russian Transport Company" LLC	Up to 31.12.2019	Payment no later than the 15th day of the month after the month the service has been rendered	0
13.01.2017	RTI Limited	Global Commodity Transport Limited	Up to 31.12.2019	The consideration is to be paid no later than the 3rd day of the month of transportation	0.2
01.03.2017	JSC «UC RUSAL TH»	"Russian Transport Company" LLC	The term of the contract commences from 20 February 2017 to 31 December 2019	Payment within the first 10 days in each month.	0
07.03.2017	Boksit Timana JSC	"Russian Transport Company" LLC	The term of the contract commences from 1 January 2017 to 31 December 2019	Payment no later than the 15th day of the month after the month the service has been rendered	0
11.04.2017	RTI Limited	Global Commodity Transport Limited	The term of the contract commences from 1 March 2017 to 31 December 2017	The consideration is to be paid no later than the 3rd day of the month of transportation	0
29.05.2017	RTI Limited	"Russian Transport Company" LLC	1 April 2017 to 30 September 2017	Payment within 5 banking days from the date of receipt of the bill issued by the contractor	0.6
16.06.2017	JSC "UC RUSAL TH"	"Russian Transport Company" LLC	1 April 2017 to 30 September 2017	Payment within 15 banking days from the date of receipt of the copy of the report on the executed order, provided by the contractor	0
01.07.2017 (ADDENDUM TO CONTRACT DATED 30.12.2015)	JSC «UC RUSAL TH»	En+ Logistics	Up to 31 December 2017	The consideration is to be paid on the last day of the month following the month the service is rendered	0.2

DATE OF CONTRACT	CUSTOMER (MEMBER OF THE GROUP)	SERVICE PROVIDER (ASSOCIATE OF EN+)	TERM OF CONTRACT	PAYMENT TERMS	ACTUAL CON- SIDERATION FOR THE YEAR ENDED 31 DE- CEMBER 2017 USD MILLION (EXCLUDING VAT)
10.11.2017	RTI Limited	"Russian Transport Company" LLC	From 1 October 2017 to 31 March 2018	Payment to be made within 5 days from the date of drawing of the account	1.3
11 JANUARY 2018 (THE TERM OF THE CONTRACT COMMENCED ON 1 OCTOBER 2017)	JSC «UC RUSAL TH»	"Russian Transport Company" LLC	Up to 31 March 2018	Payment to be made within 5 days from the date of drawing of the account	0
1 APRIL 2017	CJSC «RUSAL -ARMENAL»	"Russian Transport Company" LLC	Up to 30 September 2017	Payment within 10 banking days from the date of receipt of the copy of the report on the executed order.	0
6 MARCH 2018 (ADDENDUM TO THE ORIGINAL CONTRACT DATED 1 APRIL 2017; THE TERMS OF THIS ADDENDUM COMMENCED ON 1 OCTOBER 2017)	CJSC «RUSAL - ARMENAL»	"Russian Transport Company" LLC	Up to 31 March 2018	Payment to be made within 5 banking days from the date of drawing of the account	0.2
TOTAL:					3.2

The aggregate consideration for the transport logistics services provided under these above contracts by the associates of En+ during the year ended 31 December 2017 amounted to USD 3.2 million which was within the maximum aggregate consideration of USD23.99 million for 2017 as disclosed in the announcement dated 13 November 2017.

On 5 March 2018 an announcement was made that due to an inadvertent oversight, the deals with CJSC «RUSAL - ARMENAL» were not disclosed on a timely basis. Taking into account the above-mentioned announcement the maximum aggregate consideration equals to USD24.652 million.

M Operation of Ondskaya Hydro Power Station

"EuroSibEnergy — Thermal Energy" Ltd is directly or indirectly held by En+ as to more than 30% of the issued share capital, it is therefore an associate of En+ and thus is a connected person of the Company under the Listing Rules.

Accordingly, the transactions entered into between members of the Group and "EuroSibEnergy — Thermal Energy" Ltd constitute continuing connected transactions of the Company under the Listing Rules. The consideration under each of these contracts is determined on an arm's length basis. The consideration for each of these contracts was satisfied in cash via wire transfer.

Details of these transactions are set out in the table below:

MEMBER OF THE GROUP)	ASSOCIATE OF EN+	DATE OF CONTRACT	SUBJECT MATTER	TERM OF CONTRACT	PAYMENT TERMS	ACTUAL CONSIDERATION FOR THE YEAR ENDED 31 DECEMBER 2017 USD MILLION (EXCLUDING VAT)
RUSAL URAL JSC (FORMERLY JSC "SUAL")	"EuroSibEnerg — Thermal Energy" Ltd	11.11.2016	Lease of movable and immovable property of Ondskaya Hydro Power Station	From 1 January 2017 to 31 December 2018	The rent is to be paid monthly	6
RUSAL URAL JSC (FORMERLY JSC "SUAL")	"EuroSibEnerg — Thermal Energy" Ltd	11.11.2016	Provision of operation and maintenance services in relation to the Ondskaya Hydro Power Station	From 1.01.2017 to 31.12.2018	Consideration is to be paid monthly	2.3
TOTAL:						8.3

The aggregate consideration for operation of Ondskaya Hydro Power Station under these contracts by "EuroSibEnerg — Thermal Energy" Ltd during the year ended 31 December 2017 amounted to USD8.3 million (net of VAT and determined at the USD/RUB exchange rate as 1/58.3529 (the average annual rate set by the Bank of Russia for 2017) and equivalent to USD7 million at the USD/RUB exchange rate as 1/70)), which was within the maximum aggregate consideration of USD7.588million (net of VAT and determined at the USD/RUB exchange rate as 1/70) for 2017 as disclosed in the announcement dated 14 November 2016.

N Connection of electrical grid by the associate of En+

Joint Stock Company "Irkutsk electronetwork company" is held by En+ as to more than 30% of the issued share capital and is therefore an associate of En+ and thus is a connected person of the Company under the Listing Rules.

Accordingly, the transaction entered into between a member of the Group as customer and Joint Stock Company "Irkutsk electronetwork company" as service provider constitute continuing connected transactions of the Company under the Listing Rules. The consideration for the electrical grid connection services under the contract was determined on an arm's length basis. The consideration for the contract was satisfied in cash via wire transfer.

Details of the transaction are set out in the table below:

DATE OF CONTRACT	CUSTOMER (MEMBER OF THE GROUP)	SERVICE PROVIDER (ASSOCIATE OF EN+)	TERM OF CONTRACT	PAYMENT TERMS	ACTUAL CON- SIDERATION FOR THE YEAR ENDED 31 DECEMBER 2017 USD MILLION (EXCLUDING VAT)
03.10.2017	Limited Liability Company "RUSAL Taishet Aluminium Smelter"	Joint Stock Company "Irkutsk electonetwork company"	Up to 01.10.2020, may be extended for the next year if neither party declares its intention to terminate the contract in writing no later than 30 calendar days prior to its expiration	The payment of consideration will be made monthly against the invoices issued by the service provider and the subsequent work acceptance certificates based on stages	0
TOTAL:					0

The aggregate consideration for the electrical grid connection services provided under the above contract by the associate of En+ during the year ended 31 December 2017 amounted to nil which was within the maximum aggregate consideration of USD 6.766 million for 2017 as disclosed in the announcement dated 4 October 2017.

(II) The transactions and arrangements summarised below were entered into by members of the Group on or prior to 31 December 2017 and are in relation to transactions for the year ending 31 December 2018 and subsequent years (and not for the year ended 31 December 2017):

A Sale of raw materials to the associates of Mr. Deripaska

As discussed above, Achinsk Cement LLC is an associate of Mr. Deripaska and is thus a connected person of the Company. Accordingly, the contracts discussed below constitute continuing connected transactions for the Company under the Listing Rules.

In December 2017, members of the Group, as sellers, entered into the following raw materials supply

contracts with the associate of Mr. Deripaska, as buyers, with particulars set out below:

NO. DATE OF CONTRACT	SELLER (MEMBER OF THE GROUP)	BUYER (AN ASSOCIATE OF MR. DERIPASKA/EN+)	RAW MATERIALS TO BE SUPPLIED	ESTIMATED DELIVERY VOLUME FOR THE YEAR ENDING 31 DECEMBER 2018	ESTIMATED CONSIDERATION PAYABLE FOR THE YEAR ENDING 31 DECEMBER 2018, EXCLUDING VAT (USD)	PAYMENT TERMS
28 DECEMBER 2017 (THE TERMS OF THE CONTRACT WILL COMMENCE ON 1 JANUARY 2018) (NOTE 1)	JSC "RUSAL Achinsk"	Achinsk Cement LLC	Coal	155,415 tons	6,993,675	Payment for first week should be made no later than the 30th of the previous month in the amount of 25% of approved volume of sales. Payment for the following weeks should be made no later than the last business day of the previous week.
28 DECEMBER 2017 (THE TERMS OF THE CONTRACT WILL COMMENCE ON 1 JANUARY 2018) (NOTE 1)	JSC "RUSAL Achinsk"	Achinsk Cement LLC	Nepheline sludge	240,027 tons	915,303	Payment for first week should be made no later than the 30th of the previous month. Payment for the following weeks should be made no later than the last business day of the previous week.
28 DECEMBER 2017 (THE TERMS OF THE CONTRACT WILL COMMENCE ON 1 JANUARY 2018) (NOTE 1)	JSC "RUSAL Achinsk"	Achinsk Cement LLC	Limestone	743,072 tons	3,115,206	Payment for first week should be made no later than the 30th of the previous month. Payment for the following weeks should be made no later than the last business day of the previous week.
28 DECEMBER 2017 (THE TERMS OF THE CONTRACT WILL COMMENCE ON 1 JANUARY 2018) (NOTE 1)	JSC "RUSAL Achinsk"	Achinsk Cement LLC	Pulverized coal	12,000 tons	608,790	Payment for first week should be made no later than the 30th of the previous month. Payment for the following weeks should be made no later than the last business day of the previous week.

NO. DATE OF CONTRACT	SELLER (MEMBER OF THE GROUP)	BUYER (AN ASSOCI- ATE OF MR. DERI- PASKA/ EN+)	RAW MATERI- ALS TO BE SUPPLIED	ESTIMATED DELIVERY VOLUME FOR THE YEAR ENDING 31 DECEMBER 2018	ESTIMATED CONSIDER- ATION PAY- ABLE FOR THE YEAR ENDING 31 DECEMBER 2018, EX- CLUDING VAT (USD)	PAYMENT TERMS
28 DECEMBER 2017 (THE TERMS OF THE CONTRACT WILL COMMENCE ON 1 JANUARY 2018) (NOTE 1)	JSC "RUSAL Achinsk"	Achinsk Cement LLC	Clay from overburden	65,834 tons	55,630	Payment for first week should be made no later than the 30th of the previous month. Payment for the following weeks should be made no later than the last business day of the previous week
28 DECEMBER 2017 (THE TERMS OF THE CONTRACT WILL COMMENCE ON 1 JANUARY 2018) (NOTE 1)	JSC "RUSAL Achinsk"	Achinsk Cement LLC	Fuel oil	3,650 tons	894,250	Payment for first week should be made no later than the 30th of the previous month in the amount of 25% of approved volume of sales. Payment for the following weeks should be made no later than the last business day of the previous week.
28 DECEMBER 2017 (THE TERMS OF THE CONTRACT WILL COMMENCE ON 1 JANUARY 2018) (NOTE 1)	JSC "RUSAL Achinsk"	Achinsk Cement LLC	Diesel fuel	7.2 tons	4,335	Payment for first week should be made no later than the 30th of the previous month in the amount of 25% of approved volume of sales. Payment for the following weeks should be made no later than the last business day of the previous week.

Notes:

1. The term is up to 31 December 2018. May be extended by additional agreement.

For each of the contracts set out in the table above, the consideration is to be satisfied in cash via wire transfer or set off of obligations.

B Transportation Contracts

As discussed above, each of KraMZ-Auto, OVE and JSC «Irkutskenergotrans» is an associate of En+ and of Mr. Deripaska, and therefore is a connected person of the

Company. Accordingly, the transactions entered into between members of the Group on one part, and each of KraMZ-Auto, OVE and JSC «Irkutskenergotrans» on the other, constitute continuing connected transactions of the Company under the Listing Rules.

During 2017, members of the Group, as customers, entered into the following transportation contracts with particulars set out below:

DATE OF CONTRACT	CUSTOMER (MEMBER OF THE GROUP)	SERVICE PROVIDER (ASSOCIATE OF EN+)	TRANSPORTATION SERVICES	ESTIMATED CONSIDERATION FOR THE RELEVANT YEAR PAYABLE EXCLUDING VAT (USD)	SCHEDULED TERMINATION DATE	PAYMENT TERMS
13.11.2017	Limited Liability Company "Russian Engineering Company"	KraMZ-Auto	Transportation services (machinery)	2018: 129,874	31 December 2018	Within 60 calendar days after signing the acceptance certificate for a calendar month
27 DECEMBER 2017 (THE TERMS OF THE CONTRACT WILL COMMENCE ON 1 JANUARY 2018)	JSC «Kremniy»	KraMZ-Auto	Transportation services	2018: 11,922	31 December 2018	Payment in 10 days after receiving invoice for services provided
27 DECEMBER 2017 (THE TERMS OF THE CONTRACT WILL COMMENCE ON 1 JANUARY 2018)	JSC «Kremniy»	JSC «Irkutskenergotrans»	Transportation services	2018: 5,594	31 December 2018	Payment in 60 days after receiving invoice for services provided
28 DECEMBER 2017 (THE TERMS OF THE CONTRACT WILL COMMENCE ON 1 JANUARY 2018)	Limited Liability Company "Russian Engineering Company" (Sayanogorsk)	KraMZ-Auto	Passenger vehicles (LIAZ buses) and cargo transportation (freight transport)	2018: 85,495 2019: 94,045 2020: 103,449	31 December 2020	Payment to be made in two equal installations of 50% of the total amount, one before the 15th of the month following the report month, and the other before the 30th of the month following the report month after the receipt from contractor of the original copy of the invoice for the total amount of services performed and accepted by the customer, on the basis of performed works acceptance certificates signed by the parties

DATE OF CONTRACT	CUSTOMER (MEMBER OF THE GROUP)	SERVICE PROVIDER (ASSOCIATE OF EN+)	TRANSPORTATION SERVICES	ESTIMATED CONSIDERATION FOR THE RELEVANT YEAR PAYABLE EXCLUDING VAT (USD)	SCHEDULED TERMINATION DATE	PAYMENT TERMS
25 DECEMBER 2017 (THE TERMS OF THE CONTRACT WILL COMMENCE ON 1 JANUARY 2018)	«IT-Service» LLC	KraMZ-Auto	Provision of vehicles and special equipment for the crew and provision of services to manage them and for their technical exploitation	2018: 25,409 2019: 26,426 2020: 27,483	31 December 2020	Payment within 60 days from the date of signing and provision of original invoice
28 DECEMBER 2017 (THE TERMS OF THE CONTRACT WILL COMMENCE ON 1 JANUARY 2018)	JSC «RUSAL SAYANAL»	KraMZ-Auto	Passenger forwarding by buses	2018: 26,940 2019: 29,634 2020: 32,597	31 December 2020	Payment within 10 days after receipt of the VAT invoice
28 DECEMBER 2017 (THE TERMS OF THE CONTRACT WILL COMMENCE ON 1 JANUARY 2018)	JSC «RUSAL SAYANAL»	KraMZ-Auto	Cargo transportation	2018: 341,026 2019: 391,336 2020: 456,357	31 December 2020	Payment within 15 days after receipt of the VAT invoice
ADDITIONAL AGREEMENT DATED 28 DECEMBER 2017 TO THE ORIGINAL CONTRACT DATED 20 JANUARY 2016 (THE TERMS OF THE ADDITIONAL AGREEMENT WILL COMMENCE ON 1 JANUARY 2018)	JSC «RUSAL SAYANAL»	OVE	Cargo transportation	2018: 29,893	31 December 2018, may be extended by signing an additional agreement	Payment within 10 days after receipt of the VAT invoice
ADDITIONAL AGREEMENT DATED 27 DECEMBER 2017 TO THE ORIGINAL CONTRACT DATED 27 FEBRUARY 2017 (THE TERMS OF THE ADDITIONAL AGREEMENT WILL COMMENCE ON 1 JANUARY 2018)	LLC «SUAL-PM»	KraMZ-Auto	Transportation services	2018: 27,530	31 December 2018	Payment within 10 days after receipt of invoice

DATE OF CONTRACT	CUSTOMER (MEMBER OF THE GROUP)	SERVICE PROVIDER (ASSOCIATE OF EN+)	TRANSPORTATION SERVICES	ESTIMATED CONSIDERATION FOR THE RELEVANT YEAR PAYABLE EXCLUDING VAT (USD)	SCHEDULED TERMINATION DATE	PAYMENT TERMS
28 DECEMBER 2017 (THE TERMS OF THE CONTRACT WILL COMMENCE ON 1 JANUARY 2018)	Limited Liability Company "Russian Engineering Company" (Shelekhov)	KraMZ-Auto	Motor transportation services	2018: 176,692 2019: 187,327 2020: 199,036	31 December 2020	Payment to be made in two equal installations of 50% of the consideration, one before the 15th of the month following the report month, and the other before the 30th of the month following the report month after receipt of the invoice on the basis of performed works acceptance certificates signed by the parties
28 DECEMBER 2017 (THE TERMS OF THE CONTRACT WILL COMMENCE ON 1 JANUARY 2018)	Limited Liability Company "Russian Engineering Company" (Bratsk)	KraMZ-Auto	Motor transportation services	2018: 17,557	31 December 2018	Payment to be made in two equal installations of 50% of the consideration, one before the 15th of the month following the report month, and the other before the 30th of the month following the report month after receipt of the invoice on the basis of performed works acceptance certificates signed by the parties

The consideration under these transportation contracts is to be paid in cash via wire transfer or bilateral clearing or set-off of reciprocal obligations.

C Heat Supply Contracts with the associates of En+

As discussed above, each of JSC Irkutskenergo, Khakass Utility Systems LLC and Joint Stock Company «Baykalenergo» is an associate of En+, and is thus a connected person of the Company under the Listing Rules.

Accordingly, the transactions entered into between members of the Group on one part and JSC Irkutskenergo, Khakass Utility Systems LLC or Joint Stock Company «Baykalenergo» on the other, as discussed below, constitute continuing connected transactions of the Company under the Listing Rules.

During 2017, members of the Group, as purchasers, entered into the following heat supply contracts with particulars set out below:

DATE OF CONTRACT	PURCHASER (MEMBER OF THE GROUP)	SUPPLIER (ASSOCIATE OF EN+)	FORM OF HEAT	ESTIMATED AMOUNT OF HEAT TO BE SUPPLIED FOR THE RELEVANT YEAR	ESTIMATED CONSIDERATION PAYABLE FOR THE RELEVANT YEARS EXCLUDING VAT (USD)	PAYMENT TERMS
01.01.2017 (WHICH IS AN ADDENDUM TO THE CONTRACT DATED 01.01.2013) (NOTE 1)	Public Joint Stock Company «RUSAL Bratsk Aluminium Smelter»	JSC Irkutskenergo	Hot water and steam	Hot water – 330 Gcal Coolant - 559 tons	2018: 4,294	Advance payment of 35% of the total price on the 18th day of each month, and 50% on the 30th day of each month with the remaining 15% being paid by the 10th day of the next month
28 DECEMBER 2016 (NOTE 2)	JSC SibVAMI	JSC Irkutskenergo	Heat supply contract (heat energy, heating water)	Heat energy -2018: 1700 Gcal 2019: 1700 Gcal Heating water -2018: 1980 tons 2019:1980 tons	2018: USD30,170 2019: USD34,696	Advance payment of 35% of the total price on the 18th day of the current month and 50% by the last day of the current month, with the remaining 15% being paid by the 10th day of the next month
01.03.2017 (NOTE 2)	Limited Liability Company «RUSAL Taishet Aluminium Smelter»	Joint Stock Company «Baykalenergo»	Thermal power	2018: 3,276.19 Gcal 2019: 3,276.19 Gcal	2018: 83,176 2019: 83,572	Advance payment of 35% of the total price on the 18th day of each month, and 50% on the last day of each month, with the actual amount consumed to be paid by the 10th day of the month following the billing month with allowance for earlier payments
28 DECEMBER 2017 (THE TERMS OF THE CONTRACT WILL COMMENCE ON 1 JANUARY 2018)	JSC «RUSAL SAYANAL»	Khakass Utility Systems LLC	Heat and chemically purified water	Heat: 2018: 34,000 Gcal 2019: 34,000 Gcal 2020: 34,000 Gcal Chemically purified water: 2018: 77,000 m3 2019: 77,000 m3 2020: 77,000 m3	2018: 463,087 2019: 532,550 2020: 612,436	Payment no later than the 20th day of the month following the accounting month

1. The scheduled termination date of the contract is 31 December 2018.
2. The scheduled termination date of the contract is 31 December 2019.

3. The scheduled termination date of the contract is 31 December 2020.

D Repair Services Contracts with associates of En+

As discussed above, each of JSC Bratskenergoremont and "KraMZ" Ltd. is an associate of En+, and is thus a connected person of the Company under the Listing Rules.

Accordingly, the transaction entered into between a member of the Group on one part and each of

JSC Bratskenergoremont and "KraMZ" Ltd. on the other, as discussed below, constitute continuing connected transactions of the Company under the Listing Rules.

During 2017, members of the Group, as customers, entered into the following repair services contracts with particulars set out below:

DATE OF CONTRACT	CUSTOMER (MEMBER OF THE GROUP)	CONTRACTOR (ASSOCIATE OF EN+)	REPAIR SERVICES	SCHEDULED TERMINATION DATE	ESTIMATED CONSIDERATION PAYABLE FOR THE RELEVANT YEAR USD	PAYMENT TERMS
27.10.2017	JSC RUSAL Achinsk	JSC Bratskenergoremont	Performance of work upon overhaul of the boiler unit in 2017-2018	Up to 30 June 2018	2018: 1,003,723	A prepayment of 50% of the consideration shall be paid according to the monthly financial schedule set out in the contract until the 5th day of the current month, the remaining 50% to be paid within 10 calendar days after receipt of the invoice
8 DECEMBER 2017	Limited Liability Company "Casting and Mechanical Plant "SKAD""	"KraMZ" Ltd.	Repair of metallurgical equipment (inductors of furnaces and cable hoses)	Up to 31 December 2019	2017: 15,954 2018: 32,189 2019: 32,189	70% advance payment after receipt of invoice, and the remaining 30% to be paid within 5 bank days from the date of signing of the acceptance certificate for work performed

The consideration under the repair services contract is to be paid in cash via wire transfer.

E Transport Logistics Services Contracts

Each of "Russian Transport Company" LLC, Global Commodity Transport Limited and En+ Logistics is an indirect subsidiary of En+ and is therefore an associate of En+ and is a connected person of the Company under the Listing Rules. Accordingly, the transactions entered into between

members of the Group on one part, and each of "Russian Transport Company" LLC, Global Commodity Transport Limited or En+ Logistics on the other, constitute continuing connected transactions of the Company under the Listing Rules.

During 2017, members of the Group, as customers, entered into the following transport logistics services contracts with particulars set out below:

DATE OF CONTRACT	CUSTOMER (MEMBER OF THE GROUP)	SERVICE PROVIDER (AN ASSOCIATE OF EN+)	ESTIMATED CONSIDERATION PAYABLE FOR THE RELEVANT YEAR EXCLUDING VAT (USD)	PAYMENT TERMS	TERM OF CONTRACT
10.11.2017	RTI Limited	"Russian Transport Company" LLC	2018: 10,464,264	Payment to be made within 5 days from the date of drawing of the account	From 1 October 2017 to 31 March 2018
2 ADDENDUMS DATED 27 DECEMBER 2017, WHICH ARE THE ADDENDUMS TO THE ORIGINAL CONTRACT DATED 29 DECEMBER 2016	JSC «UC RUSAL TH»	"Russian Transport Company" LLC	2018: 1,708,595	Payment before the 22nd of the month following the month of transportation	31 December 2019
ADDENDUM DATED 27 DECEMBER 2017, WHICH IS AN ADDENDUM TO THE ORIGINAL CONTRACT DATED 16 FEBRUARY 2017 (THE TERMS OF THE ADDENDUM WILL COMMENCE ON 1 JANUARY 2018)	JSC «UC RUSAL TH»	"Russian Transport Company" LLC	2018: 5,702,666	Payment on the first working day of every ten days of the calendar month	31 December 2018

DATE OF CONTRACT	CUSTOMER (MEMBER OF THE GROUP)	SERVICE PROVIDER (AN ASSOCIATE OF EN+)	ESTIMATED CONSIDERATION PAYABLE FOR THE RELEVANT YEAR EXCLUDING VAT (USD)	PAYMENT TERMS	TERM OF CONTRACT
ADDENDUM DATED 27 DECEMBER 2017, WHICH IS AN ADDENDUM TO THE ORIGINAL CONTRACT DATED 13 JANUARY 2017 (THE TERMS OF THE ADDENDUM WILL COMMENCE ON 1 JANUARY 2018)	RTI Limited	Global Commodity Transport Limited	2018: 541,560	100% prepayment	31 December 2018
ADDITIONAL AGREEMENT DATED 27 DECEMBER 2017 TO THE ORIGINAL CONTRACT DATED 30 DECEMBER 2015	JSC «UC RUSAL TH»	En+ Logistics	2018: 2,792,754	Payment within 10 days from the date of invoicing	31 December 2018
CONTRACT DATED 27 DECEMBER 2017 (THE TERMS OF THE CONTRACT WILL COMMENCE ON 1 JANUARY 2018)	JSC "RUSAL Achinsk"	En+ Logistics	2018: 168,647	Payment within 10 days from the date of invoicing	31 December 2018
CONTRACT DATED 27 DECEMBER 2017 (THE TERMS OF THE CONTRACT WILL COMMENCE ON 1 JANUARY 2018)	JSC "RUSAL Boxitogorsk"	En+ Logistics	2018: 9,660	Payment within 10 days from the date of invoicing	31 December 2018

The consideration under the transport logistics services contract is to be paid in cash via bank transfer.

F Connection of electrical grid by the associate of En+

Joint Stock Company "Irkutsk electronetwork company" is held by En+ as to more than 30% of the issued share capital and is therefore an associate of En+ and thus is a connected person of the Company under the Listing Rules.

Accordingly, the transaction entered into between a member of the Group as customer and Joint Stock Company "Irkutsk electronetwork company" as service provider constitute continuing connected transactions of the Company under the Listing Rules.

During 2017, a member of the Group, entered into the following contract with Joint Stock Company "Irkutsk electronetwork company" with particulars set out below:

DATE OF CONTRACT	CUSTOMER (MEMBER OF THE GROUP)	SERVICE PROVIDER (ASSOCIATE OF EN+)	TERM OF CONTRACT	PAYMENT TERMS	ESTIMATED CONSIDERATION PAYABLE FOR THE RELEVANT YEAR, EXCLUDING VAT (USD)
03.10.2017	Limited Liability Company "RUSAL Taishet Aluminium Smelter"	Joint Stock Company "Irkutsk electronetwork company"	Up to 01.10.2020, may be extended for the next year if neither party declares its intention to terminate the contract in writing no later than 30 calendar days prior to its expiration	The payment of consideration will be made monthly against the invoices issued by the service provider and the subsequent work acceptance certificates based on stages	2018: 26,560,735 2019: 36,059,577

The consideration is to be satisfied in cash via wire transfer.

12 AGREEMENTS SUBJECT TO CHANGE OF CONTROL PROVISIONS

The following agreements with the Company contain change of control provisions allowing the other parties under such agreements to cancel their commitments in full and declare (or which action would result in) all outstanding loans immediately due and payable in the relevant event:

- (a) The PXF Facility - as at 31 December 2017, the outstanding nominal value of debt was USD1,700 million and the final maturity of the debt was 31 May 2022.
- (b) Up to RUB15,000,000,000 multicurrency facility agreement dated 16 December 2013 between, among others, VTB Capital Plc as Facility Agent and Security Agent and the Borrowers (United Company RUSAL Plc, PJSC "RUSAL Bratsk", JSC "RUSAL Krasnoyarsk", RUSAL Ural JSC) - as of 31 December 2017, the outstanding nominal value of debt was USD95 million and the final maturity of the debt was 17 December 2018.
- (c) Credit facility agreement dated 31 August 2017 between, Sberbank as a lender and the Company - as of 31 December 2017, the outstanding nominal value of debt was USD4.2 billion and the final maturity of the debt was 24 December 2024.

13 MAJOR CUSTOMERS AND SUPPLIERS

Large scale end-customers of the Company include Glencore, Toyota, SMZ JSC, Mechem SA, and Rio Tinto Inc.

The largest customer and the five largest customers of the Group accounted for 26.6% and 38.4%, respectively, of the Group's total sales for the year ended 31 December 2017.

The major suppliers of the Company are CJSC –"FSC" and JSC Irkutskenergo with respect to electricity and capacity and power supply or transmission, Joint Stock Company "Russian Railways" with respect to railway transportation, ENRC Marketing AG with respect to alumina supply and VTB Capital Trading Limited (London, Zug branch) with respect to primary aluminium supply.

The amount of purchases from the largest supplier and the five largest suppliers of the Group accounted for 10.0% and 29.9%, respectively, of the Group's total cost of sales for the year ended 31 December 2017.

Save for the fact that Glencore is deemed to be interested in 8.75% (long position) and 8.62% (short position) of the total issued share capital of the Company within the meaning of Part XV of the SFO as at 31 December 2017 and that Mr. Ivan Glasenbergs, a non-executive Director (ceased to be a Director with effect from 10 April 2018), is a member of the board of directors and the Chief Executive Officer of Glencore, no Director or their respective associates (as defined in the Listing Rules) or any Shareholders (which to the knowledge of the Directors own more than 5% of the share capital of UC RUSAL) had any interests in the Group's five largest customers at any time during 2017.

14 DIRECTORS

The following individuals served as Directors during the financial year:

NAME	POSITION AT YEAR END (UNLESS SPECIFIED OTHERWISE)	NOTES
OLEG DERIPASKA	PRESIDENT, EXECUTIVE DIRECTOR (Note 1)	
VLADISLAV SOLOVIEV	CHIEF EXECUTIVE OFFICER, EXECUTIVE DIRECTOR (Note 2)	
SIEGFRIED WOLF	EXECUTIVE DIRECTOR	
MAXIM SOKOV	NON-EXECUTIVE DIRECTOR	
DANIEL LESIN WOLFE	NON-EXECUTIVE DIRECTOR (See Note 3)	
DMITRY AFANASIEV	NON-EXECUTIVE DIRECTOR	
EKATERINA NIKITINA	NON-EXECUTIVE DIRECTOR	
GULZHAN MOLDAZHANOVA	NON-EXECUTIVE DIRECTOR	
IVAN GLASENBERG	NON-EXECUTIVE DIRECTOR (See Note 3)	
MAKSIM GOLDMAN	NON-EXECUTIVE DIRECTOR (See Note 3)	
OLGA MASHKOVSKAYA	NON-EXECUTIVE DIRECTOR	
MARCO MUSETTI	NON-EXECUTIVE DIRECTOR	

NAME	POSITION AT YEAR END (UNLESS SPECIFIED OTHERWISE)	NOTES
ELSIE LEUNG OI-SIE	INDEPENDENT NON-EXECUTIVE DIRECTOR	
MARK GARBER	INDEPENDENT NON-EXECUTIVE DIRECTOR	
MATTHIAS WARNIG	CHAIRMAN OF THE BOARD, INDEPENDENT NON-EXECUTIVE DIRECTOR	
PHILIP LADER	INDEPENDENT NON-EXECUTIVE DIRECTOR (See Note 3)	
DMITRY VASILIEV	INDEPENDENT NON-EXECUTIVE DIRECTOR	
BERNARD ZONNEVELD	INDEPENDENT NON-EXECUTIVE DIRECTOR	

Particulars of appointments of Directors

A. Executive Directors

Each of the executive Directors has agreed to act as executive Director with effect from their respective dates of appointment, with a term of up to the annual general meeting in the third year after the commencement of the appointment according to the Articles of Association, which may be terminated in accordance with the terms of their respective employment contracts and applicable legislation. The appointment of each executive Director is subject to the provisions of retirement and rotation of Directors under the Articles of Association.

B. Non-executive Directors and independent non-executive Directors

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with the Company with effect from their respective dates of appointment with a term of up to the annual general meeting in the third year after the commencement of the appointment according to the Articles of Association. Appointments of non-executive Directors may be terminated by the non-executive Director by giving one month's notice of termination and/or otherwise in accordance with the Articles of Association. Appointments of independent non-executive Directors may be terminated by the Company or the independent non-executive Director by giving one month's notice of termination and/or otherwise in accordance with the Articles of Association. Each of the non-executive Directors and the independent non-executive Directors is entitled to a fixed director's fee. The appointment of each non-executive Director and independent non-executive Director is subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Notes:

1. Mr. Deripaska has become a non-executive Director and ceased to be the President of the Company with effect from 15 March 2018.
2. Mr. Soloviev has become the President and ceased to be the Chief Executive Officer with effect from 15 March 2018.
3. Mr. Ivan Glasenberg, Mr. Philip Lader, Mr. Daniel Lesin Wolfe, and Mr. Maksim Goldman ceased to be Directors with effect from 10 April 2018.

Paragraph A.4.1 of the CG Code provides that non-executive Directors should be appointed for a specific term, subject to re-election, and paragraph A.4.2 provides that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least every three years. The Company has addressed these requirements by including Article 24.2 of the Articles of Association which provides that if any Director has at the start of the annual general meeting been in office for three years or more since his last appointment or re-appointment, he shall retire at the annual general meeting. As such, it is possible that a Director may be in office for more than three years depending upon the timing of the relevant annual general meeting.

There are no service contracts with any Directors who are proposed for re-election at the forthcoming annual general meeting that are not determinable by the Company within one year without payment of compensation (other than statutory compensation).

C. Confirmation of Independence

The Company has received from each of the independent non-executive Directors (save and except for Mr. Philip Lader, who ceased to be a Director with effect from 10 April 2018 upon his resignation due to the OFAC Sanctions) an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. To the best knowledge of the Board, all the independent non-executive Directors were independent during the Review Period by reference to the factors stated in the Listing Rules.

D. Change of particulars of Directors

Mr. Oleg Deripaska was re-designated as a non-executive Director of the Company and ceased to be the President of the Company with effect from 15 March 2018.

Mr. Vladislav Soloviev served as a member of the board of directors of En+ from 1 January 2018 until 30 April 2018 and as the CEO of En+ from 15 March 2018 until 30 April 2018. Mr. Vladislav Soloviev was appointed as

the President of the Company and ceased to be the Chief Executive Officer of the Company with effect from 15 March 2018.

Mr. Dmitry Vasiliev ceased to serve as an independent non-executive director on the supervisory board of the Public Joint Stock Company Bank "Financial Corporation Otkrytie" and became an independent non-executive director on the board of directors and ceased to be an independent non-executive director of the supervisory board of LLC "RKS-Holding". Mr. Vasiliev also became an independent non-executive director of the supervisory board of JSC "RKS-Management".

Mr. Maxim Sokov ceased to be a member of the board of directors of EuroSibEnergo Plc and became a member of the board of directors of Far-Eastern Shipping Company Plc (part of FESCO Group). He was also appointed as the President of En+ with effect from 15 March 2018.

Mr. Ivan Glasenber, Mr. Philip Lader, Mr. Daniel Lesin Wolfe, and Mr. Maksim Goldman ceased to be Directors with effect from 10 April 2018.

15 DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S INTERESTS IN SHARES AND IN SHARES OF ASSOCIATED CORPORATIONS OF UC RUSAL

As at 31 December 2017, the interests and short positions of the Directors and Chief Executive Officer in the Shares, underlying Shares and debentures of UC RUSAL as recorded in the register required to be kept pursuant to section 352 of the SFO or otherwise notified to UC RUSAL and the Hong Kong Stock Exchange pursuant to the Model Code (as incorporated by the Company in its "Codes for Securities Transactions" - for further information, please refer to the Corporate Governance Report) were as set out below.

Interests in Shares

NAME OF DIRECTOR/CHIEF EXECUTIVE OFFICER	CAPACITY	NUMBER OF SHARES AS AT 31 DECEMBER 2017	PERCENTAGE OF ISSUED SHARE CAPITAL AS AT 31 DECEMBER 2017
OLEG DERIPASKA	BENEFICIARY OF A TRUST <i>(NOTE 1)</i>	7,312,299,974(L)	48.13%
	BENEFICIAL OWNER	1,669,065 (L)	0.00%
	TOTAL	7,313,969,039 (L)	48.13%
VLADISLAV SOLOVIEV	BENEFICIAL OWNER	1,311,629 (L)	0.01%
MAXIM SOKOV	BENEFICIAL OWNER	413,751 (L)	0.00%

Interests in the shares of associated corporations of UC RUSAL

As at 31 December 2017, Mr. Oleg Deripaska, currently a non-executive Director of UC RUSAL, had disclosed interests in the shares of a number of associated corporations (within the meaning of Part XV of the SFO) of UC RUSAL, the details of which are set out in the "Disclosure of Interests" section on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. The inclusion of the particulars of all of the associated corporations would add excessive length to the Annual Report. To the extent that such particulars are available on the website of the Hong Kong Stock Exchange, setting out such particulars in the Annual Report would not provide additional information to the readers. Therefore the Company has applied for and the Hong Kong Stock Exchange has granted a waiver from compliance with paragraph 13(1) of Appendix 16 of the Listing Rules regarding Mr. Oleg Deripaska's deemed interests in the associated corporations.

Interests and short positions in underlying Shares and in the underlying Shares of the associated corporations of UC RUSAL

As at 31 December 2017, neither any Director or the Chief Executive Officer had any interest or short posi-

tion, whether beneficial or non-beneficial, in the Shares, underlying Shares and debentures of the Company or in any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company or the Hong Kong Stock Exchange and entered into the register required to be kept under section 352 of the SFO, or which were notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

16 DIRECTORS' INTERESTS IN BUSINESSES THAT MAY COMPETE WITH THE COMPANY

Mr. Deripaska, Mr. Vladislav Soloviev, (served as a member of the board of directors of En+ from 1 January 2018 until 30 April 2018 and as the CEO of En+ from 15 March 2018 until 30 April 2018), Ms. Gulzhan Moldazhanova, Mr. Maxim Sokov and Ms. Olga Mashkovskaya were interested in/were directors of En+, Mr. Ivan Glasenberg (ceased to be a Director with effect from 10 April 2018) was interested in Glencore and was a director and the chief executive officer of Glencore. En+, SUAL Partners and Glencore are businesses which compete or are likely to compete, either directly or indirectly, with the Company. The summary below provides a description of these businesses, as well as facts demonstrating that UC RUSAL is capable of carrying on its own business independently of and at arm's length from these businesses.

In considering whether the Board and senior management of the Company are independent from the senior management of each of En+, SUAL Partners and Glencore, the Directors have taken into account the following general reasons, as well as the specific reasons applicable to each of En+, SUAL Partners and Glencore:

- (a) as at the Latest Practicable Date the Board consists of fourteen Directors, comprising two executive Directors, seven non-executive Directors and five independent non-executive Directors;
- (b) the decision-making mechanism of the Board set out in the Articles of Association provides that all Directors with a conflicting interest shall not vote when a conflicted resolution is to be discussed and voted on;
- (c) the Board has five independent non-executive Directors with extensive corporate governance and financial experience and is able to review, enhance and implement measures to manage any conflict of interests between the businesses in which the Directors have interests and the Group in order to protect minority shareholders' interests and to manage the affairs of the Group independently of the businesses in which the Directors have interests that may compete with the Company. The independent non-executive Directors make recommendations on proposed connected transactions by the Company. A committee of the independent non-executive Directors will make recommendations to the independent shareholders on how to vote for any resolution that relates to future connected transactions pursuant to the Listing Rules' requirements; and
- (d) all connected transactions which are subject to reporting and announcement requirements under the Listing Rules have to be reviewed by the Audit Committee before they are approved by the Board.

In respect of each specific relevant business:

A. En+

En+ is a public company limited by shares incorporated under the laws of Jersey with its registered office at 44 Esplanade St. Helier, JE4 9WG, Channel Islands and

a tax resident of Cyprus from 18th December 2017. En+ is ultimately controlled by one of its beneficial owners Mr. Deripaska, who indirectly held 76.36% of the shares in En+ as at 31 December 2017.

En+ is a leading international vertically integrated aluminium and power producer. En+ is the world's largest privately-held hydro power generator and the largest aluminium producer outside of China.

En+ is focus on electricity generation businesses and specialises in metals that require high energy consumption. En+ looks for synergies between its energy producing and energy consuming businesses.

En+'s strategy is to optimise the electricity supply-demand balance through the integration of UC RUSAL and its energy assets.

Key assets of En+ include:

En+ operates through two major business segments: Energy and Metals.

Energy predominantly consists of the following operating activities: (i) power and heat generation; (ii) power trading and supply and engineering services; as well as (iii) power transmission and distribution. Other activities include coal and logistics operations that primarily support power operations, as well as KraMZ (aluminium metallurgical plant) and SMR (molybdenum and ferromolybdenum producer).

En+ operates generating assets with 19.7 GW of installed electricity capacity, out of which 15.1 GW accounts for hydro power plants, three of which are among top-20 hydro power plants globally in terms of installed capacity and with 17.0 kGcal/h of installed heat capacity.

UC RUSAL – one of the largest producers of aluminium and alumina in the world with fully integrated value chain from bauxite mining to primary aluminium production. Core aluminium producing facilities are located in Siberia enjoying access to clean environmentally friendly hydro power. UC RUSAL is one of the lowest cost aluminium producers globally, benefiting from cheap, clean and renewable hydro energy in Siberia.

Independence from En+

Having considered all relevant factors, including the following, the Directors are satisfied that the Group can conduct its business independently of En+:

Independence of the Board and the Group's Senior Management from the Senior Management of En+

The majority of the Board currently comprises of non-executive Directors due to a historical arrangement between En+, SUAL Partners, Glencore and Onexim, pursuant to which they are each entitled to nominate a certain number of candidates for appointment as Directors. As at the Latest Practicable Date, nine of the Directors were nominated by En+, five of whom are also directors of En+. The overlapping Directors at the Latest Practicable Date were Mr. Soloviev (being executive director of En+ until 30 April 2018 when his resignation from the board of directors of En+ becomes effective), Mr. Deripaska, Mr. Sokov, Ms. Mashkovskaya and Ms. Moldazhanova. All of the overlapping Directors have been elected on the basis of their qualifications and breadth of experience, as set out in further details in the "Profiles of Directors and Senior Management" section in this Annual Report. The Company's non-executive Directors attend Board meetings and provide guidance to and decide on the Company's important matters. Certain of the non-executive Directors also sit on the committees of the Board and are responsible for the matters related to such committees. For the general reasons stated above, the Directors are of the view that the Group is able to operate independently from En+, notwithstanding the fact that nine Directors are nominated by En+.

Operational Independence

The Group has full control of its assets and its businesses, and operates as a business group which is separate from and fully independent of En+.

The Group has, as disclosed under the section entitled "Connected Transactions" of this Annual Report, entered into contracts with companies controlled by Mr. Deripaska for the purchase of electricity, and may continue to do so in the future.

As aluminium production is energy intensive, access to relatively inexpensive Siberian hydropower is central to the competitive strategy of the Group. However, notwithstanding the volume of such purchases from companies owned and controlled by Mr. Deripaska and the importance of electricity costs to the production activities of the Group, the Company does not consider that it is, as a consequence, overly reliant on Mr. Deripaska for the following reasons:

- (a) the Group has access to alternative sources of electricity as the Group's Russian smelters are connected to the Russian power grid, meaning that electricity supplies can be obtained from various power plants, all of which are also connected to the grid. These supplies are available to the Group at market prices;
- (b) the Group purchases electricity in accordance with the Rules of the Wholesale Electricity and Capacity Market at contract prices in accordance with direct sale-purchase agreements with suppliers (both related or unrelated to the Controlling Shareholder) and/or at market prices for electricity sold on the market irrelative to the particular supplier. In 2017, the overall share of electricity purchased by the Group's aluminium plants from the suppliers related to the Controlling Shareholder did not exceed 59%. The Group has an option of switching to suppliers unrelated to the Controlling Shareholder including by purchasing electricity on the wholesale electricity market, though there would be certain price impact;
- (c) none of the contracts is in take-or-pay format;
- (d) the Group is currently already a very large volume user with significant negotiating power in the Russian power market. In 2017, the Group has consumed approximately 29% of the power generated in Siberia; and

- (e) the power plants owned or controlled by Mr. Deripaska are located in remote regions where there is a limited number of large volume users located in proximity to such plants. Sales to distant users would involve significant transmission losses and, because Siberia is a surplus energy producer, the result is that these plants are more reliant on the customer rather than vice versa.

Financial Independence

The Group's financial auditing system is independent from En+ and employs a sufficient number of dedicated financial accounting personnel responsible for financial auditing of the Group's accounts. The Company has independent bank accounts and independent tax registration. The Group's treasury operations are handled by the Company's treasury department, whose functions include financing, treasury and cash managements and which operates independently from En+ and shares no functions or resources with En+. The Group's choice of financial institutions is mainly based on the credit standing of the institutions and the terms offered by them. As at the year end of 2017, En+ had not provided any security and/or guarantee over the Group's borrowings. As a result of the above analysis, the Directors believe that the Group is able to maintain financial independence from En+.

Extent of Competition

The only En+ businesses which compete with or are likely to compete with the Group's business, either directly or indirectly, are those excluded businesses described below. However, by reason of the nature of such excluded businesses and the clear delineation between the Group's business and such excluded business, the Group is fully capable of carrying on its business independently of and at arm's length from such excluded business.

There is no real competitive threat to the Group's business from the excluded business and there is no intention of the Company to acquire such excluded business.

CEAC's (En+'s subsidiary) main asset was KAP, an aluminum smelter located in Podgorica, Montenegro. KAP was declared bankrupt in July 2013. All production assets of KAP (including the smelter) were sold to a Montenegrin company Uniprom. Therefore, CEAC is currently not involved in any aluminum or bauxite business and may not be regarded as a competitor of UC RUSAL.

Mr. Deripaska is a beneficial owner of 76.36% shares of En+, the substantial shareholder of the KraMZ group of companies. Most of the KraMZ plant's raw materials (principally aluminium) are purchased from companies within the Group (primarily KrAZ). KraMZ's main customers are industrial customers located within Russia and abroad that purchase aluminium rods, profiles, tubes and cast aluminium alloys.

B. SUAL Partners

SUAL Partners is a limited liability company incorporated under the laws of the Bahamas whose registered office is at 2nd Terrace West, Centreville, Nassau, Commonwealth of the Bahamas. SUAL Partners is beneficially owned by a number of individuals, with Mr. Len Blavatnik (who ceased to be a non-executive Director on 10 November 2016) being a shareholder of SUAL Partners as to more than 30% of the total issued share capital. SUAL Partners is a holding company that holds interests in the Company and a separate kitchenware and houseware business.

The Group has, as disclosed under the section entitled "Connected Transactions" of this Annual Report, entered into contracts with companies controlled by SUAL Partners for aluminium sales, and may continue to do so in the future. These aluminium sales contracts have been entered into as part of the ordinary course of business and pursuant to anti-monopoly requirements on the supply of aluminium to Russian producers.

Independence from SUAL Partners

Having considered all relevant factors, including the following, the Group is satisfied that it can conduct its business independently of SUAL Partners:

Independence of the Board and the Group's Senior Management from the Senior Management of SUAL Partners

For the general reasons stated above, the Directors are of the view that the Group is able to operate independently from SUAL Partners because the Group's day-to-day operations are managed by three executive Directors who are independent of and not connected with SUAL Partners and the senior management team of the Group are also all independent of and not connected with SUAL Partners.

Based on the above, the Board is satisfied that the Board as a whole, together with the senior management team, are able to perform their managerial role in the Group independently from SUAL Partners.

Operational Independence

The Group has full control of its assets and its businesses, and operates as a business group which is separate from and fully independent of SUAL Partners.

Financial Independence

The Group's financial auditing system is independent from SUAL Partners and employs a sufficient number of dedicated financial accounting personnel responsible for financial auditing of the Group's accounts. The Company has independent bank accounts and independent tax registration.

The Group's treasury operations are handled by the Company's treasury department, whose functions include financing, treasury and cash management and which operates independently from SUAL Partners and shares no functions or resources with SUAL Partners.

The Group's choice of financial institutions is mainly based on the credit standing of the institutions and the terms offered by them.

As at the year end of 2017, SUAL Partners had not provided any security and/or guarantee over the Group's borrowings.

As a result of the above analysis, the Directors believe that the Group is financially independent from SUAL Partners.

Extent of Competition

The Board is of the opinion that SUAL Partners is not a competitor of the Company.

C. Glencore

Amokenga Holdings is a company incorporated in Bermuda whose registered office is at 22 Victoria Street, Canon's Court, Hamilton, HM12, Bermuda. Amokenga Holdings is ultimately controlled by Glencore, which is a public company listed on the London Stock Exchange, with a secondary listing on the Johannesburg Stock Exchange. No individual shareholder controls more than 20% of the share capital of Glencore. Glencore's industrial and marketing activities are supported by a global network of more than 90 offices located in over 50 countries and employ around 155,000 people, including contractors. Mr. Glasenberg is a shareholder, director and chief executive officer of Glencore, whose principal business is the production and trading of commodities including aluminium. Mr. Glasenberg is a non-executive Director of the Company and is also a member of the corporate governance and nominations committee, the standing committee and the Norilsk Nickel investment supervisory committee of the Company. Mr. Glasenberg ceased to be a Director and a member of the aforementioned committees with effect from 10 April 2018. As he is not an executive Director, he does not participate in the day-to-day management of the Company, and accordingly is not involved in the daily operations of the aluminium trading division and so does not have access to confidential contracts entered into by that division. Notwithstanding that his role on the Board as a non-executive Director does not require his involvement in the day-to-day management of the Company, this does not preclude Mr. Glasenberg from fulfilling his fiduciary duties. In case Mr. Glasenberg has a conflicting interest, pursuant to the Articles of Association of the Company, he shall abstain from voting at Board meetings when a conflicted resolution is to be discussed and voted on, subject to certain exceptions.

When the Group acquired certain of the alumina businesses of Glencore in late March 2007, it became subject to a contract for the supply of alumina to Glencore that continued through 2008, in declining amounts. The Group sold to Glencore approximately 29.51% of its excess alumina in monetary terms in 2017. The Company also has long term supply contracts with Glencore for alumina and primary aluminium, and Glencore was the Group's largest customer of alumina and primary aluminium in the financial year, accounting for approximately 29.20% of the Group's sales of primary aluminium.

Independence from Glencore

Having considered all relevant factors, including the following, the Group is satisfied that it can conduct its business independently of Glencore:

Independence of the Board and the Group's Senior Management from the Senior Management of Glencore

For the general reasons stated above, the Directors are of the view that the Group is able to operate independently from Glencore notwithstanding that one Director is also a director of Glencore because the Group's day-to-day operations are managed by three executive Directors and the senior management team who are independent of and not connected with Glencore.

Based on the above, the Board is satisfied that the Board as a whole, together with the senior management team, are able to perform their managerial role in the Group independently.

Operational Independence

The Group has full control of its assets and its businesses, and operates as a business group which is separate from and fully independent of Glencore.

Financial Independence

The Group's financial auditing system is independent from Glencore and employs a sufficient number of dedicated financial accounting personnel responsible for financial auditing of the Group's accounts. The Company has independent bank accounts and independent tax registration.

The Group's treasury operations are handled by the Company's treasury department, whose functions include financing, treasury and cash management and which operates independently from Glencore and shares no functions or resources with Glencore.

The Group's choice of financial institutions is mainly based on the credit standing of the institutions and the terms offered by them.

As at the year end of 2017, Glencore had not provided any security and/or guarantee over the Group's borrowings. As a result of the above analysis, the Directors believe that the Group is financially independent from Glencore.

Extent of Competition

Glencore participates in the marketing of both aluminium and alumina from world markets as well as from industrial assets in which it has an interest. Glencore has an economic interest of 47.4%¹ in Century Aluminium Company, a NASDAQ-quoted company. Century owns and operates three aluminium smelters in the United States, in Hawesville, Kentucky (the Hawesville aluminium smelter), Robards, Kentucky (the Sebree aluminium smelter) and Goose Creek, South Carolina (the Mt. Holly aluminium smelter), and one aluminium smelter in Grundartangi, Iceland (the Grundartangi aluminium smelter). Glencore, in its business of trading, is also a customer of the Group.

1. Represents Glencore's economic interest, comprising 42.9 per cent. voting interest and 4.5 per cent. non-voting interest.

17 SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2017, so far as the Directors are aware, the following persons had interests or short positions in the Shares or underlying Shares of the Company which

were disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and were entered in the register required to be kept by the Company under section 336 of the SFO and of article L.233-7 of the French Commercial Code:

Interests and short positions in Shares

NAME OF SHAREHOLDER	CAPACITY	NUMBER OF SHARES HELD AS AT 31 DECEMBER 2017	PERCENTAGE OF ISSUED SHARE CAPITAL AS AT 31 DECEMBER 2017
OLEG DERIPASKA	BENEFICIARY OF A TRUST (NOTE 1)	7,312,299,974 (L)	48.13%
	BENEFICIAL OWNER	1,669,064 (L)	0.00%
	TOTAL	7,313,969,039 (L)	48.14%
FIDELITAS INVESTMENTS LTD. (NOTE 1)	INTEREST OF CONTROLLED CORPORATION	7,312,299,974 (L)	48.13%
B-FINANCE LTD. (NOTE 1)	INTEREST OF CONTROLLED CORPORATION	7,312,299,974 (L)	48.13%
EN+ (NOTE 1)	BENEFICIAL OWNER	7,312,299,974 (L)	48.13%
VICTOR VEKSELBERG (NOTE 2)	BENEFICIARY OF A TRUST (NOTE 2)	3,115,041,787 (L) (Note 2)	20.50%
ACCESS ALUMINUM HOLDINGS LIMITED (NOTE 2)	INTEREST OF CONTROLLED CORPORATION	3,115,041,787(L) (Note 2)	20.50%
ACCESS INDUSTRIES HOLDINGS LLC (NOTE 2)	INTEREST OF CONTROLLED CORPORATION	3,115,041,787(L) (Note 2)	20.50%

NAME OF SHAREHOLDER	CAPACITY	NUMBER OF SHARES HELD AS AT 31 DECEMBER 2017	PERCENTAGE OF ISSUED SHARE CAPITAL AS AT 31 DECEMBER 2017
ACCESS INDUSTRIES, LLC <i>(NOTE 2)</i>	INTEREST OF CONTROLLED CORPORATION	3,115,041,787(L) <i>(Note 2)</i>	20.50%
GPTC LLC <i>(NOTE 2)</i>	INTEREST OF CONTROLLED CORPORATION	3,115,041,787(L) <i>(Note 2)</i>	20.50%
ZONVILLE INVESTMENTS LIMITED <i>(NOTE 2)</i>	BENEFICIAL OWNER	3,115,041,787(L) <i>(Note 2)</i>	20.50%
TCO HOLDINGS INC. <i>(NOTE 2)</i>	INTEREST OF CONTROLLED CORPORATION	3,115,041,787 (L) <i>(Note 2)</i>	20.50%
SUAL PARTNERS <i>(NOTE 2)</i>	BENEFICIAL OWNER	2,400,970,089(L) <i>(Note 2)</i>	15.80%
	OTHER	714,071,698 (L) <i>(Note 2)</i>	4.70%
	TOTAL	3,115,041,787 (L) <i>(Note 2)</i>	20.50%
MIKHAIL PROKHOROV <i>(NOTE 3)</i>	BENEFICIARY OF A TRUST	911,580,892 (L) <i>(Note 3)</i>	6.00%
Onexim Group Limited <i>(NOTE 3)</i>	INTEREST OF CONTROLLED CORPORATION	911,580,892 (L) <i>(Note 3)</i>	6.00%
ONEXIM <i>(NOTE 3)</i>	BENEFICIAL OWNER	911,580,892 (L) <i>(Note 3)</i>	6.00%
GLENCORE <i>(NOTE 4)</i>	BENEFICIAL OWNER	1,329,588,048 (L)	8.75%

So far as the Directors are aware, as at 31 December 2017, the Company has not been notified of any other notifiable interests or short positions in Shares or underlying Shares.

18 PRE-EMPTIVE RIGHTS

There are no applicable statutory pre-emption rights which apply to the Company and there are no restrictions on the exercise of voting rights or share transfers included in the Articles of Association. There are, however, certain restrictions and preferential terms and conditions relating to sales and acquisitions of certain Shares held by the Major Shareholders (see section 9 of the Directors' Report - Shareholders' agreements).

(Note 1) These interests were directly or beneficially held by En+. Based on the information provided by Mr. Deripaska and the records on the electronic filing systems operated by the Hong Kong Stock Exchange, Mr. Deripaska is the founder, trustee and a beneficiary of a discretionary trust which, as at 31 December 2017, held a majority stake of the share capital of Fidelitas International Investments Corp. (formerly known as Fidelitas Investments Ltd.), which, as at 31 December 2017, held a majority stake of the share capital of B-Finance Ltd. As at 31 December 2017, B-Finance Ltd. held 53.86% of the share capital of En+. Each of B-Finance Ltd., Fidelitas International Investments Corp. and Mr. Deripaska was deemed to be interested in the Shares and underlying Shares held by En+ by virtue of the SFO as at 31 December 2017.

(Note 2) These interests and short positions were directly held by SUAL Partners and/or Zonoville Investments Limited. Based on the records on the electronic filing systems operated by the Hong Kong Stock Exchange as at the Latest Practicable Date, SUAL Partners is controlled as to 35.84% by Renova Metals and Mining Limited, which is in turn wholly-owned by Renova Holding Limited. Renova Holding Limited is controlled by TZ Columbus Services Limited as to 100% under a trust and TZ Columbus Services Limited acts as trustee of the trust and is, in turn wholly-owned by TCO Holdings Inc. Zonoville Investments Limited is controlled as to 40.32% by Access Aluminum Holdings Limited, which in turn is controlled as to 98.48% by Access Industries Holdings LLC. Access Industries Holdings LLC is wholly-owned by Access Industries Holdings (BVI)L.P. Access Industries Holdings (BVI)L.P. is controlled as to 67.16% by Access Industries, LLC, which in turn is controlled as to 69.70% by GPTC LLC. To the best knowledge of the Board, Mr. Vekselberg is the sole beneficiary of the relevant trust. Pursuant to the disclosure of interests notices filed on 11 October 2017, the long position held by each of TCO Holdings Inc. and SUAL Partners, Zonoville Investments Limited, Access Aluminum Holdings Limited, Access Industries Holdings LLC, Access Industries, LLC and GPTC LLC was changed to 3,115,041,787 Shares on 6 October 2017, representing approximately 20.50% of the total issued share capital of the Company. Pursuant to the disclosure of interests notices filed on 21 February 2018, 23 February 2018 and 5 March 2018 the long position held by each of TCO Holdings Inc. and SUAL Partners, Zonoville Investments Limited, Access Aluminum Holdings Limited, Access Industries Holdings LLC, Access Industries Holdings (BVI)L.P., Access Industries, LLC and GPTC LLC was changed to 5,044,554,678 Shares representing approximately 33.2% of the total issued share capital of the Company and they also have a short position of 1,017,931,998 Shares representing approximately 6.7% of the total issued share capital of the Company. However, Mr. Vekselberg did not file any disclosure of interests notice on 11 October 2017 or thereafter (as at the Latest Practicable Date) and accordingly, from the records of his disclosure of interests filings made to the Hong Kong Stock Exchange as at the Latest Practicable Date, the number of Shares which he was interested in as at 31 December 2017 remained at 3,710,590,137, representing 24.42% of the issued share capital of the Company as at the same date.

The information provided in the above table in relation to Mr. Vekselberg's interest in the Company (i.e. 3,115,041,787 Shares, representing 20.50% of the issued share capital of the Company as at 31 December 2017) is based upon the assumption that he remained as the sole beneficiary of the relevant trust as at 31 December 2017. Each of Renova Metals and Mining Limited, Renova Holding Limited, TZ Columbus Services Limited, TCO Holdings Inc., Access Aluminum Holdings Limited, Access Industries Holdings LLC, Access Industries, LLC, GPTC LLC and Mr. Vekselberg is deemed to be interested in the Shares held by SUAL Partners and/or Zonoville Investments Limited by virtue of the SFO.

(Note 3) These interests were directly held by Onexim. Based on the records on the electronic filing systems operated by the Hong Kong Stock Exchange as at the Latest Practicable Date, Onexim is wholly-owned by Onexim Group Limited, which to the best knowledge of the Board, is owned by a trust of which Mikhail Prokhorov is the beneficial owner. Each of Onexim Group Limited and Mr. Mikhail Prokhorov is deemed to be interested in the Shares held by Onexim by virtue of the SFO. The information provided in the above table in relation to each of Onexim Group Limited, Mr. Mikhail Prokhorov and Onexim is based on specific enquiry with Onexim. Pursuant to the disclosure of interests notices filed on 21 February 2018, the interest in Shares held by Onexim, Onexim Group Limited and Mr. Mikhail Prokhorov has been reduced from 6% to 0%.

(Note 4) Based on the records on the electronic filing systems operated by the Hong Kong Stock Exchange as at the Latest Practicable Date, the interests of Glencore were held through its controlled corporations, including, Amokenga Holdings, which directly holds the relevant interests in the Company. Amokenga Holdings is wholly-owned by Glencore Finance (Bermuda) Ltd. which is, in turn, wholly-owned by Glencore Group Funding Limited. Glencore Group Funding Limited is wholly-owned by Glencore International AG, which is in turn wholly-owned by Glencore. In light of the fact that Glencore, Glencore International AG, Glencore Group Funding Limited and Glencore Finance (Bermuda) Ltd. (together, the "Glencore Entities") directly or indirectly control one-third or more of the voting rights in the shareholders' meetings of Amokenga Holdings, in accordance with the SFO, each of the Glencore Entities were deemed to be interested in the Shares held by Amokenga Holdings.

As of the Latest Practicable Date, no Shareholders has notified the Company of their change in ownership of the share capital or voting rights in application of article L.233-7 of the French Commercial Code. None of the Major Shareholders have or will have different voting rights attached to the Shares they hold in the Company.

19 EMOLUMENT POLICY

There are no arrangements under which a Director has waived or agreed to waive any emoluments due by the Group.

The aggregate remuneration that the Directors have received (including fees, salaries, bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind) for the financial year ended 31 December 2017 was approximately USD19 million. Additional information on the remuneration of the Directors and the individuals with the highest emoluments can be found in notes 9 and 10 to the consolidated financial statements.

The Company does not have any agreements in place providing for indemnities to Directors in case of dismissal without cause or in case of tender offer, other than in relation to an obligation to pay unpaid salaries and expenses at termination of employment. The Company has agreements in place with several of its employees that provide for indemnities in case of dismissal without cause.

Basis for Compensation of Directors and Senior Management

Remuneration policies of UC RUSAL are considered by the Remuneration Committee on the basis of an employee's qualifications and performance, as well as the complexity of his or her job. Wages for each employee are generally reviewed annually and revised in accordance with a performance assessment and local labor market conditions. The following was approved by the Board, on the recommendation of the Remuneration Committee in relation to the compensation of the non-executive Directors, CEO and certain members of senior management and other employees:

A. Non-Executive Directors

1 Non-executive Chairman

The Chairman of the Board was entitled to receive a chairman's fee of USD400,000 per annum during the last financial year.

2 Non-executive Directors

- (a) Commencing on 27 January 2010, all non-executive Directors were entitled to receive a GBP120,000 fee per annum; those non-executive Directors who were employed or retained by En+, SUAL Partners, Glencore and Onexim were expected to consult with those entities as to whether the Directors, as individuals, may retain such fees or whether such fees should be paid to their respective employing entities.
- (b) Each non-executive Director was entitled to receive additional fees for committee assignments at the rate of GBP15,000 per annum for acting as the chairman and GBP10,000 per annum for participating as a member.
- (c) The executive Directors are not entitled to a director's fee, and they are entitled to a salary pursuant to their respective employment with the Group, which is determined with reference to the relevant experience, duties and responsibilities with the Group and bonus is to be paid on the basis of achievement of performance targets.

B. Chief Executive Officer

For 2017, the CEO's annual compensation comprised the following:

- (i) USD3.5 million per annum base salary, paid monthly;
- (ii) Annual discretionary bonus at a target level of USD3.5 million (equivalent to 100% of the base salary), to be paid within 30 working days after the Remuneration Committee of the Company determines the exact bonus amount, on the basis of the performance results of the CEO and the Company;
- (iii) Other ancillary benefits.

C. President

The President's annual compensation comprises the following:

- (a) USD2 million per annum base salary, paid monthly;
- (b) Annual discretionary bonus at a target level of USD4 million (equivalent to 200% of the base salary), to be paid within 30 working days after the Remuneration Committee of the Company determines the exact bonus amount, on the basis of the performance results of the President and the Company;
- (c) Other ancillary benefits.

No emoluments have been paid to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years presented.

20 PENSION SCHEMES

Information on the Company's pension schemes is set out in note 20(a) to the consolidated financial statements.

21 SUFFICIENCY OF PUBLIC FLOAT

The Hong Kong Stock Exchange has granted the Company a waiver from strict compliance with Rule 8.08(1) (a) of the Listing Rules to accept a lower public float percentage of the Company of the higher of: (i) 10% of the Shares, and (ii) the percentage of public shareholding that equals HKD6 billion at the Listing Date, as the minimum percentage of public float of the Company. From the information publicly available to the Company and within the knowledge of the Directors as at the date of this Annual Report, the Company has sufficiently maintained the abovementioned public float.

22 AUDITORS

The consolidated financial statements have been audited by JSC KPMG as a sole auditor who, having served for the whole of the financial year, retire and, being eligible, offer themselves for re-appointment as the Company's sole auditor. A resolution for the re-appointment of JSC KPMG as sole auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

23 AMENDMENTS TO THE CONSTITUTION

The Articles of Association provide that the Memorandum and the Articles of Association are only capable of being amended by the passing of a special resolution. A special resolution is defined in the Articles of Association as a resolution of the Company passed by a majority of not less than three quarters of members who (being entitled to do so) vote in person, or by proxy, at a general meeting of the Company of which not less than twenty-one clear days' notice, specifying the intention to propose the special resolution, has been given. Provided that, if it is so agreed by a majority in number of the members having the right to attend and vote at such meeting upon the resolution, being a majority together holding not less than ninety-five per cent. of the total voting rights of the members who have that right, a resolution may be proposed and passed as a special resolution at a meeting at which less than twenty-one clear days' notice has been given in accordance with the Jersey Companies Law.

Amendments to the Memorandum and the Articles of Association to reflect the adoption of “俄鋁” as the Chinese name of the Company became effective on 22 November 2017.

24 LITIGATION

Details of the litigation in which the Company, its subsidiaries and certain beneficial owners are involved in are set out in notes 20(c) (provisions for legal claims) and 24(c) (legal contingencies) to the consolidated financial statements.

25 SOCIAL INVESTMENTS AND CHARITY

Contribution to the socio-economic development of the countries and regions in which UC RUSAL operates is a priority for the Company. Being a leading global aluminium producer, UC RUSAL is also one of the most active local community investors with rich experience in the development and implementation of widely outreaching social programs. RUSAL actively cooperates with regional governments, nonprofits and other businesses at implementation of social programs, shares its social investing experience with local communities and supports their social initiatives. In 2017, UC RUSAL allocated more than USD23.9 million to the social programs and charity.

26 REPORT ON PAYMENTS MADE TO GOVERNMENTS (EXTRACTIVE INDUSTRIES)

In line with the Group's obligations regarding the publication of regulated information, that report is reproduced below.

Annual Report on payments (Article L. 225102-3 of the French Commercial Code).

The table below shows the amounts paid by RUSAL group entities to public authorities (primarily in the form of miscellaneous taxes and levies) in connection with their aggregates extraction activities:

Type of payment 2017 (USD, Thousands)

		PRODUCTION FEES	TAXES OR LEVIES ON CORPORATE SALES, PRODUCTION OR PROFITS	ROYALTIES	DIVIDENDS	SIGNING-ON, DISCOVERY AND PRODUCTION BONUSES	LICENCE FEES, RENTAL CHARGES, ENTRY FEES AND OTHER CONSIDERATION FOR LICENCES AND/OR CONCESSIONS	INFRA-STRUCTURE IMPROVEMENT PAYMENTS	TOTAL
RUSSIA	RUSAL ACHINSK JSC		10,980				1,123		12,103
	YAROSLAVSKAYA GORNORUDNAYA COMPANY LLC		28				8		35
	SEVURALBAUXITRUDA JSC		8,919				413		9,333
	TIMAN BAUXITE JSC		7,360				232		7,592
KAZAKHSTAN	BOGATYR KOMIR LLP		28,030				1,433		29,463
UKRAINE	GQQ LLC		261				88		349
GUINEA	COMPAGNIE DES BAUXITES DE KINDIA (C.B.K. S.A.)		7,510				0		7,510
GUYANA	BAUXITE COMPANY OF GUYANA INC.		36	611			136		783
JAMAICA	UC RUSAL ALUMINA JAMAICA LTD.		1,046	789			51		1,886
GRAND TOTAL		0	64,169	1,400	0	0	3,484	0	69,053

27 POST BALANCE SHEET EVENTS

The details of the events subsequent to the balance sheet date up to the date of the Group's and the Company's consolidated financial statements presented in this report, are disclosed in note 28 to the consolidated financial statements.

28 DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in section 11 (Connected Transactions) and section 16 (Directors' interests in businesses that may compete with the Company) above, there has been no contract of significance to the Group, subsisting during or at the end of 2017 in which a Director is or was materially interested, either directly or indirectly.

29 DIRECTORS' INDEMNIFICATION

Pursuant to a letter of indemnification, every Director shall be entitled to be indemnified by the Company against all liabilities, obligations, costs, claims, losses, damages and demands of whatever nature, whether civil, criminal, administrative, regulatory or investigative, arising directly or indirectly out of the performance, present, past or future, of his or her duties as a Director of the Company, subject to certain exceptions. The relevant letter of indemnification for each Director was in force during the financial year ended 31 December 2017 and as of the date of this report.

30 SIGNIFICANT EVENTS SINCE THE END OF THE REVIEW PERIOD

As stated in the Company's announcement dated 9 April 2018, on 6 April 2018, the Office of Foreign Assets Control of the Department of the Treasury of the United States of America designated, amongst others, certain persons and certain companies which are controlled or deemed to be controlled by some of these persons to be added to its Specially Designated Nationals List. The designated persons/entities include Mr. Oleg Deripaska, a non-executive director of the Company, the Company, En+ Group Plc, a Jersey company listed on the London Stock Exchange and the Moscow Stock Exchange and a shareholder holding 48.13% equity interest in the Company, B-Finance Ltd., a BVI company, and Basic Element Limited, a Jersey company, each controlled by Mr. Deripaska, together with cer-

tain other companies owned or controlled or deemed to be controlled by Mr. Deripaska.

A press statement issued by the U.S. Treasury in respect of the OFAC Sanctions on 6 April 2018 states that: "All assets subject to U.S. jurisdiction of the designated individuals and entities, and of any other entities blocked by operation of law as a result of their ownership by a sanctioned party, are frozen, and U.S. persons are generally prohibited from dealings with them. Additionally, non-U.S. persons could face sanctions for knowingly facilitating significant transactions for and on behalf of the individuals or entities blocked today."

For further information on the of the Company OFAC Sanctions, please refer to the "Recent Development of the Company" section of this Annual Report and the Company's announcements since 9 April 2018.

As stated in the announcement of the Company dated 9 April 2018, the Company's initial assessment is that it is highly likely that the impact of the OFAC Sanctions on the Group may be materially adverse to the business and prospects of the Group. The Company is currently in the process of conducting further evaluation to assess the impact of the OFAC Sanctions on the Group and is closely monitoring the development. Further announcements will be published by the Company as and when appropriate in accordance with the requirements of the Listing Rules and applicable laws.

On behalf of the Board

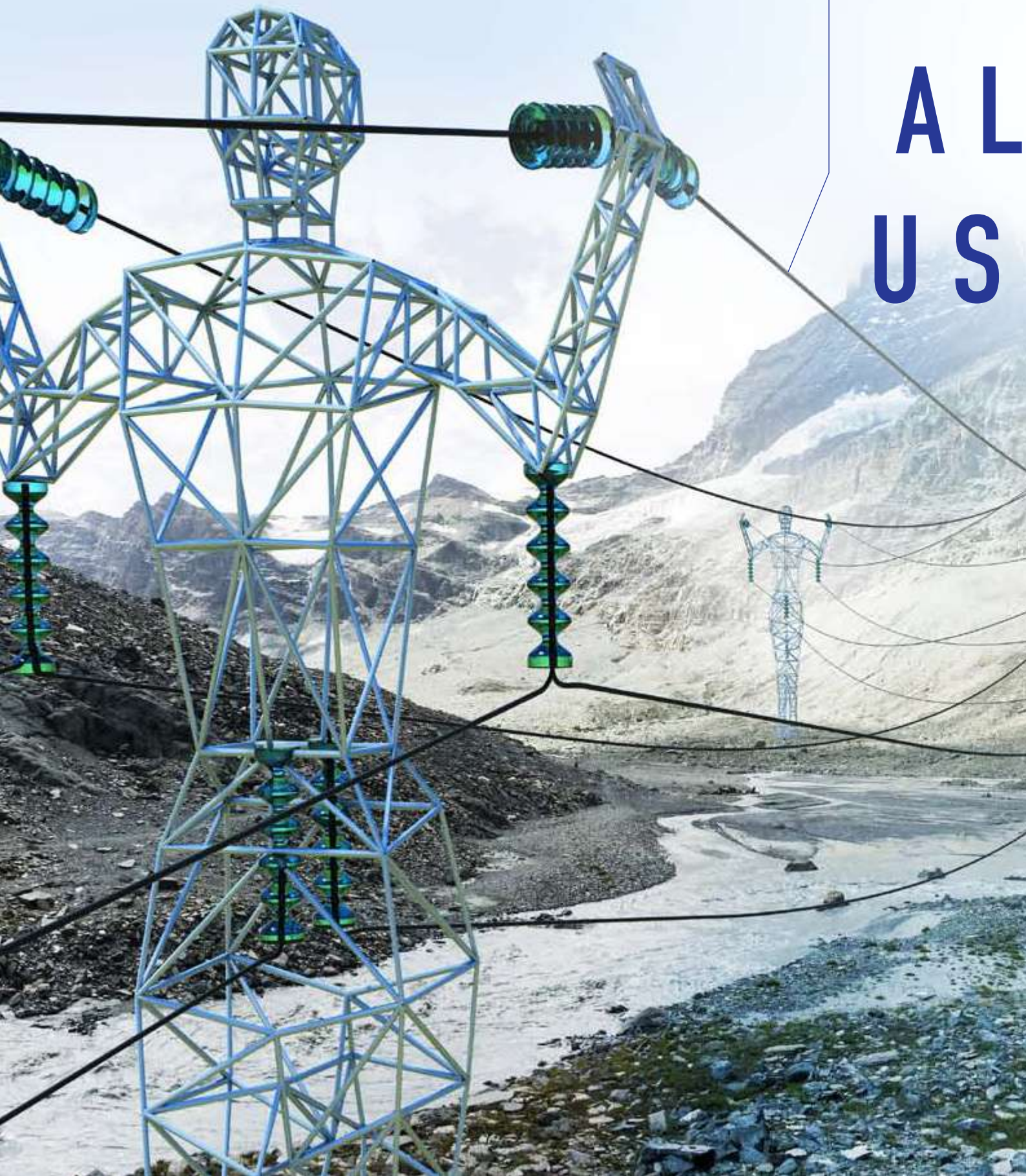
Wong Po Ying, Aby

Company Secretary

27 April 2018

Aluminium wiring is corrosion resistant
and provides two times greater
conductivity than copper wiring

AL
US



07 CORPORATE GOVERNANCE
REPORT

LOW EFFICIENT
AGE OF ENERGY

Aluminium is versatile: it is not only a universal structural material, but also a perfect electricity conductor.



7

CORPORATE GOVERNANCE REPORT

1. CORPORATE GOVERNANCE PRACTICES

The Company adopts international standards of corporate governance. The Directors believe that high quality corporate governance leads to successful business development and increases the investment potential of the Company, providing more security for shareholders, partners and customers as well as reinforcing the Company's internal control systems.

By working with international institutions such as the European Bank for Reconstruction and Development and the International Finance Corporation, the Company developed and implemented its corporate governance standards, based on the principles of transparent and responsible business operations.

The Company adopted a corporate code of ethics on 7 February 2005. Based on recommendations of the European Bank for Reconstruction and Development and

the International Finance Corporation, the Company further amended the corporate code of ethics in July 2007. The corporate code of ethics sets out the Company's values and principles for many of its areas of operations.

The Directors adopted a corporate governance code which is based on the CG Code in a Board meeting on 11 November 2010. The Directors believe that the Company has complied with the code provisions of the CG Code during the Review Period, other than as described in paragraphs 3(b) and 3(i) of this Corporate Governance Report.

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximize the interests of the shareholders.

Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company during the Review Period.

2. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code for Securities Transactions by Directors of the Company. The Code for Securities Transactions was based on the Model Code as set out in Appendix 10 to the Listing Rules but it was made more exacting than the required standard set out in Appendix 10. It was also based on the provisions of articles L.451-2-1, L.465-2 and L.621-18-2 of the French Monetary and Financial Code, Chapters II and III of Title II of Book II of the General Regulation of the AMF and Titles II and III of Book VI of the General Regulation of the AMF with respect to insider dealing and market misconduct. The Code for Securities Transactions was adopted by the Board on 9 April 2010. Having made specific enquiry of all Directors, all Directors (save and except for Mr. Ivan Glasenberg, Mr. Philip Lader, Mr. Daniel Lesin Wolfe, and Mr. Maksim Goldman, who resigned as Directors due to the OFAC Sanctions with effect from 10 April 2018) confirmed that they had fully complied with the required standard set out in the Model Code and the Code for Securities Transactions throughout the Review Period.

The Company has not been notified of any other transaction by the Directors in application of the aforementioned provisions.

3. BOARD OF DIRECTORS

(a) Composition of the Board (as at 31 December 2017) and attendance at Board meetings and Board committee meetings

The Board currently comprises a combination of executive, non-executive and independent non-executive Directors. During the year ended 31 December 2017, the Board consisted of the Directors listed below and their attendance record for the 10 Board meetings held by the Board during the Review Period, other Board committee meetings held during the Review Period and the annual general meeting held on 20 June 2017 ("**AGM**") is as follows:

Attendance and number of meetings

	BOARD MEETINGS (TOTAL: 10 MEETINGS IN 2017)	CORPORATE GOVERNANCE AND NOMINATION COMMITTEE MEETINGS (TOTAL: 5 MEETINGS IN 2017)	REMUNERATION COMMITTEE MEETINGS (TOTAL: 3 MEETINGS IN 2017)	AUDIT COMMITTEE MEETINGS (TOTAL: 8 MEETINGS IN 2017)	AGM (TOTAL: 1 MEETING IN 2017)	EGM (TOTAL: 1 MEETING IN 2017)
EXECUTIVE DIRECTORS						
OLEG DERIPASKA	7	—	—	—	0	0
VLADISLAV SOLOVIEV	10	—	—	—	1	0
SIEGFRIED WOLF	10	—	—	—	0	0

	BOARD MEETINGS (TOTAL: 10 MEETINGS IN 2017)	CORPORATE GOVERNANCE AND NOMINATION COMMITTEE MEETINGS (TOTAL: 5 MEETINGS IN 2017)	REMUNERATION COMMITTEE MEETINGS (TOTAL: 3 MEETINGS IN 2017)	AUDIT COMMITTEE MEETINGS (TOTAL: 8 MEETINGS IN 2017)	AGM (TOTAL: 1 MEETING IN 2017)	EGM (TOTAL: 1 MEETING IN 2017)
NON-EXECUTIVE DIRECTORS						
MAXIM SOKOV	8 (SEE NOTE 1 BELOW)	—	—	—	1	0
DMITRY AFANASIEV	8 (SEE NOTE 2 BELOW)	—	—	—	0	0
IVAN GLASENBERG	10 (SEE NOTE 6 BELOW)	5	—	—	0	0
MAKSIM GOLDMAN	9 (SEE NOTE 3 AND NOTE 6 BELOW)	—	3	—	1	0
DANIEL LESIN WOLFE	10 (SEE NOTE 6 BELOW)	—	—	8	1	0
GULZHAN MOLDAZHANOVA	8 (SEE NOTE 4 BELOW)	—	—	—	0	0
OLGA MASHKOVSKAYA	9	—	—	8	0	0
EKATERINA NIKITINA	10	4	3	—	0	0
MARCO MUSETTI	10	—	—	—	0	0
INDEPENDENT NON-EXECUTIVE DIRECTORS						
PHILIP LADER	10 (SEE NOTE 6 BELOW)	5	3	8	1	0
ELSIE LEUNG OI-SIE	9	—	3	6	1	0
MATTHIAS WARNIG	9	—	—	—	0	0
MARK GARBER	9	5	3	—	1	0
DMITRY VASILIEV	9 (SEE NOTE 5 BELOW)	4	—	7	0	0
BERNARD ZONNEVELD	10	5	3	8	1	0

Biographical details of the Directors are set out in the section headed Profiles of Directors and Senior Management on page 93 of this Annual Report.

(b) Term of appointment of Directors

Paragraph A.4.1 of the CG Code provides that non-executive Directors should be appointed for a specific term, subject to re-election. Paragraph A.4.2 of the CG Code provides that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least every three years. Each of the non-executive Directors signed an appointment letter with the Company providing for the same three years term. Article 24.2 of the Articles of Association provides that if any Director has at the start of the annual general meeting been in office for three years or more since his last appointment or re-appointment, he shall retire at the annual general meeting. As such, it is possible that a director may be in office for more than three years depending upon the timing for calling the annual general meeting.

(c) Board meetings

During 2017, 10 Board meetings were held.

At the Board meeting held on 22 February 2018, the Directors approved, among other things, the annual results of the Company for the year ended 31 December 2017. On 13 March 2018, the Board approved updated annual results of the Company for the year ended 31 December 2017.

The schedule for Board meetings is approved on an annual basis. The Directors are then also provided on a timely basis with the relevant documents and copies of the draft resolutions to be considered at that particular meeting. All Directors are given an opportunity to include matters in the agenda for the Board meeting and have access to the secretary of the Board to ensure that

all Board procedures and all applicable rules are followed. The Board also enables the Directors to seek independent professional advice at the Company's expense in appropriate circumstances. The Board secretary is responsible for keeping minutes of the Board meetings and the secretary of the Company is responsible for the safe keeping of minutes and resolutions of the Board at the registered office of the Company.

(d) Board functions and duties

The Board is collectively responsible for the management and operations of the Company. The principal functions and duties conferred on the Board include:

- ▶ **responsibility for the approval and monitoring of the overall development strategies, annual budgets, business plans and material investment plans relating to the Company's business;**
- ▶ **monitoring and evaluating the performance of the Company in respect of its strategies, budgets and plans;**
- ▶ **approving and supervising the management;**
- ▶ **giving an account of the Company's activities to the parties to whom an account is properly due; and**
- ▶ **ensuring the maintenance of accounting records in compliance with the legal obligations of the Company.**

The Board has delegated the day-to-day operation of the Group to executive Directors and the executive committee to ensure effectiveness and appropriateness of functions.

Notes:

1. During 2017, Maxim Sokov attended 8 Board meetings in person, and 2 Board meetings were attended by his alternate.
2. During 2017, Dmitry Afanasiev attended 8 Board meetings in person, and 2 Board meetings were attended by his alternate.
3. During 2017, Maksim Goldman attended 9 Board meetings in person, and 1 Board meeting was attended by his alternate.
4. During 2017, Gulzhan Moldazhanova attended 8 Board meetings in person, and 2 Board meetings were attended by her alternate.
5. During 2017, Dmitry Vasiliev attended 9 Board meetings in person, and 1 Board meeting was attended by his alternate.
6. Ivan Glaserberg, Phillip Lader, Daniel Lesin Wolfe, and Maksim Goldman resigned as Directors due to the OFAC Sanctions with effect from 10 April 2018.

The primary role of the executive committee is to assist the Chief Executive Officer and senior management with the day-to-day management of the Group and to assist the Board in formulating and implementing the strategy of the Group and monitoring its performance.

Additional duties and responsibilities of the executive committee include, but are not limited to, developing Group strategy for Board approval and implementing such strategy once approved, reviewing and opining on any matter involving expenditure of more than USD75 million before referring such matter to the Board, and overseeing and monitoring the financial performance of the Group. In addition, the executive committee is empowered to establish committees comprising of its members, as well as other managers from time to time.

The executive committee meets as frequently as necessary, but not less than twice per month. The executive committee operates as the management board of RUSAL Global Management B.V. The Chief Executive Officer formally reports the decisions and actions of the executive committee to the Board at meetings of the Board.

(e) Board powers to issue shares

The Board has been given authority by the Company's shareholders to issue Shares. The mandate is described on page 117 of this Annual Report.

(f) Relationships among members of the Board

Please refer to the profiles of Directors and Senior Management for more information about the relationships among members of the Board.

(g) Shareholders' Agreements

The Shareholders' Agreement with the Company and the Shareholders' Agreement between Major Shareholders were both entered into on 22 January 2010 and are still in force. For brief details of these shareholders' agreements, please see Appendix A and Appendix B.

(h) Shareholder Options

The Glencore Call Option granted by Glencore to En+ and SUAL Partners to acquire all Shares held by Glencore lapsed on 26 March 2017.

(i) Board meetings at which Directors have material interests

A.1.7 of the CG Code states that "*If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting.*"

The Board generally endeavoured throughout the twelve-month period ended 31 December 2017 to ensure that it did not deal with business by the way of written resolution where a substantial Shareholder of the Company or an independent non-executive Director had disclosed an interest in a matter to be considered by the Board which the Board determined to be material. As a result, there were only two occurrences (out of the thirty two written resolutions the Board passed during the period) when urgent business was dealt with by the Board by way of written resolution where a material interest of a Director was stated to have been disclosed. In each of those instances, the interest of the independent non-executive Director was a potential conflict of interest by virtue of the fact that an independent non-executive Director was also a member of the supervisory council for the parent company of the entity contracting with the Company.

On those occurrences, the written resolutions were passed by the requisite majority excluding the materially interested Director.

10 Board meetings were held in the twelve month period ended 31 December 2017. With the exception of three of the Board meetings held, where certain independent non-executives were not present, all the independent non-executive Directors were present at the Board meetings held in the twelve month period ended 31 December 2017 where one or more Director(s) had disclosed a material interest.

Of the 10 Board meetings held, there were three occasions where an independent non-executive Director had a material interest in the transaction. On such occurrences, the independent non-executive Director abstained from voting and the resolutions approving entry into such transactions were passed by the requisite majority excluding the materially interested independent non-executive Director.

4. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman of the Board and the Chief Executive Officer are segregated and are independent to each other. The Chairman (being Mr. Matthias Warnig) is chiefly responsible for maintaining the effective operation of the Board. The Chairman is also responsible for chairing Board meetings, briefing Board members on issues discussed at Board meetings and ensuring good corporate governance practices and procedures are established. The role as Chief Executive Officer is primarily concerned with the supervision of the execution of the policies determined by the Board particularly in the areas of production and supply chain, financial management and corporate finance, sales and marketing and others. The Company has approved a policy statement setting out those responsibilities to be undertaken by the Chairman and those to be undertaken by the Chief Executive Officer. The Chairman is responsible for leadership of the Board and for creating the conditions necessary to allow the Board and individual Directors to operate effectively. The Chief Executive Officer is responsible for the day to day management of the Group and ensuring that the strategic decisions made by the Board are implemented.

5. INDEPENDENT NON-EXECUTIVE DIRECTORS

Rule 3.10A of the Listing Rules requires that an issuer must appoint independent non-executive directors representing at least one-third of the board. The current composition of the Board represents an appropriate mix of Directors which offers sufficient independent checks and balances and an appropriate governance structure for the Company. As at the Latest Practicable Date, the Company had 5 out of 14 Directors who are independent non-executive Directors, and there is no change in the shareholders' agreement in relation to Board nominations/appointments (as described on pages 287 and 288 of the Company's prospectus dated 31 December 2009).

The Board believes that all independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of shareholders of the Company. Each of the independent non-executive Directors has undertaken to inform the Hong Kong Stock Exchange and the Securities and Futures Commission as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has received from each of the independent non-executive Directors (save and except for Mr. Philip Lader, who resigned as a Director with effect from 10 April 2018 due to the OFAC Sanctions) an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. To the best knowledge of the Board, all the independent non-executive Directors were independent during the Review Period by reference to the factors stated in the Listing Rules.

6. NOMINATION OF DIRECTORS AND THE WORK OF THE CORPORATE GOVERNANCE AND NOMINATION COMMITTEE

The Company established a corporate governance and nomination committee with written terms of reference in compliance with the CG Code.

The primary functions of the Corporate Governance and Nomination Committee are, among other things, to develop, recommend and annually review corporate governance guidelines, policies and practices for the Company and its consolidated subsidiaries, to oversee corporate governance matters, to review and monitor the training and continuous professional development of Directors and senior management, to develop, review and monitor the Company's code of conduct and compliance manual and applicable to employees and Directors, reviewing the Company's compliance with the CG Code set out in Appendix 14 of the Listing Rules and disclosure in the Corporate Governance Report, and to make recommendations to the Board, including those in relation to the appointment and removal of Directors. The Corporate Governance and Nomination Committee is provided with sufficient resources to discharge its duties and its terms of reference also permit it to obtain access to a legal adviser.

In recommending a candidate for appointment to the Board, the Corporate Governance and Nomination Committee is required to determine criteria, objectives and procedures for selecting Board members, including factors such as independence (in the case of independent non-executive directors), diversity, age, future succession planning, integrity, skills, expertise, experience, knowledge about the Company's business and industry, and willingness to devote adequate time and effort to Board responsibilities. In identifying suitable candidates the Corporate Governance and Nomination Committee is required to use open advertising or the services of external advisers to facilitate the search, consider candidates from a wide range of backgrounds and consider candidates on merit against objective criteria, taking care that appointees have enough time to devote to the position.

The Corporate Governance and Nomination Committee consists of a majority of independent non-executive Directors. During the Review Period, the composition of the Corporate Governance and Nomination Committee was as follows:

- ▼ **Mr. Philip Lader**
(chairman of the committee, independent non-executive Director)
- ▼ **Dr. Bernard Zonneveld**
(independent non-executive Director)
- ▼ **Mr. Mark Garber**
(independent non-executive Director)
- ▼ **Mr. Ivan Glazenberg**
(non-executive Director)
- ▼ **Ms. Ekaterina Nikitina**
(non-executive Director)
- ▼ **Mr. Dmitry Vasiliev**
(independent non-executive Director)

As stated in the announcement of the Company dated 10 April 2018, each of Mr. Philip Lader and Mr. Ivan Glazenberg resigned as a Director and ceased to be a member of the Corporate Governance and Nomination Committee with effect from 10 April 2018.

The Corporate Governance and Nomination Committee has held 5 meetings during the Review Period. At these meetings, the Corporate Governance and Nomination Committee considered, amongst other things, (i) the annual general meeting materials, and (ii) Board of Directors' performance self-evaluation.

The members of the Corporate Governance and Nomination Committee have regularly attended and actively participated in meetings. For the attendance record of the meetings held by the Corporate Governance and Nomination Committee during 2017, please refer to paragraph 3(a) of this Corporate Governance Report.

According to the Articles of Association, at every annual general meeting, one-third of the Directors or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office; but if any Director has at the start of the annual general meeting been in office for three years or more since his last appointment or reappointment, he shall retire at the annual general meeting. The Directors to retire by rotation shall be, first, those who wish to retire and not be re-appointed to office and, second, those who have been longest in office since their last appointment or re-appointment. As between persons who became or were last re-appointed directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. The details of the Directors who will retire and offer themselves for re-election at the forthcoming annual general meeting are set out in the relevant circular issued by the Company.

The Corporate Governance and Nomination Committee also monitors the implementation of the Board Diversity Policy of the Company. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The current mix of skills, experience and other diversity criteria of directors, including but not limited to sex, age, nationality and educational background, provides for a balanced composition of the Board.

Diversity (as at the Latest Practicable Date)

Independent directors on the Board

5 Independent directors

7 Non-executive

2 Executive

Women on the Board

4 Women

10 Men

The Board Diversity Policy of the Company is set out below:

1. Purpose

1.1 This Policy aims to set out the approach to achieve diversity on the Company's board of directors (the "Board").

2. Vision

2.1 The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

3. Policy Statement

3.1 With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

4. Measurable Objectives

4.1 Selection of candidates will take into consideration a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the candidates will bring to the Board.

5. Monitoring and Reporting

5.1 The Corporate Governance and Nomination Committee will monitor the implementation of this Policy. It will also report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives (including gender, ethnicity, age, length of service).

6. Review and Revision of this Policy

6.1 The Corporate Governance and Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Corporate Governance and Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

7. Disclosure of this Policy

7.1 This Policy will be published on the Company's website for public information.

7.2 A summary of this Policy together with the measurable objectives set for implementing this Policy, and the progress made towards achieving those objectives will be disclosed in the annual Corporate Governance Report.

7. INFORMATION RELATING TO THE REMUNERATION POLICY AND THE WORK OF THE REMUNERATION COMMITTEE

The Company has established a remuneration committee with written terms of reference in compliance with the CG Code. The primary functions of the Remuneration Committee are, among other things, to make recommendations to the Board on the remuneration package of the Directors and senior management, and to assist the Board in overseeing the administration of the Company's compensation and benefits plans. Remuneration policies are determined on the basis of an employee's qualifications and performance, as well as the complexity of his or her job. Wages for each employee are generally reviewed annually and revised in accordance with a performance assessment and local labor market conditions. During the Review Period, the composition of the Remuneration Committee was as follows:

- **Dr. Elsie Leung Oi-sie**
(chairman of the committee, independent non-executive Director)
- **Mr. Philip Lader**
(independent non-executive Director)
- **Mr. Bernard Zonneveld**
(independent non-executive Director)
- **Mr. Mark Garber**
(independent non-executive Director)
- **Mr. Maksim Goldman**
(non-executive Director)
- **Ms. Ekaterina Nikitina**
(non-executive Director)

As stated in the announcements of the Company dated 10 and 11 April 2018, due to the OFAC Sanctions, each of Mr. Philip Lader and Mr. Maksim Goldman resigned as a Director and ceased to be a member of the Remuneration Committee with effect from 10 April 2018.

The Remuneration Committee has held 3 meetings during the Review Period. At those meetings, the Remuneration Committee discussed and recommended the Board to approve STIP 2016 and 2017 KPIs for CEO and President, KPIs of the senior executives for 2018. For details of the Company's emolument policy, please refer to section 19 of the Directors' Report. The members of the Remuneration Committee have regularly attended and actively participated in meetings. For the attendance record of the meetings held by the Remuneration Committee during 2017, please refer to paragraph 3(a) of this Corporate Governance Report.

Pursuant to paragraph B.1.5 of the CG Code, the remuneration of the members of the senior management

by band for the financial year ended 31 December 2017 is set out below:

	YEAR ENDED 31 DECEMBER	
	2017 NUMBER OF INDIVIDUALS	2016 NUMBER OF INDIVIDUALS
NIL TO HKD38,000,000 (USD4,600,000)	18	21
HKD36,000,001 – HKD36,500,000 (USD4,600,001 – USD4,700,000)	1	—
HKD38,000,001 – HKD38,500,000 (USD4,800,001 – USD4,900,000)	—	1
HKD43,500,001 – HKD44,000,000 (USD5,500,001 – USD5,600,000)	1	—
HKD60,500,001 – HKD61,000,000 (USD7,750,001 – USD7,850,000)	1	—
HKD71,500,001 – HKD72,000,000 (USD9,200,001 – USD9,300,000)	—	1
HKD80,500,001 – HKD81,000,000 (USD10,350,001 – USD10,450,000)	—	1

The total remuneration, including the basic salary, performance-linked salary, incentive-linked salary and bonus of the Directors in 2017 amounted to approximately USD19 million. All other non-executive Directors are entitled to receive Director's fees and additional fees for being a member of a Board committee or chairing a Board com-

mittee. Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are detailed in note 9 and note 10 to the consolidated financial statements for the year ended 31 December 2017 as disclosed in this Annual Report.

8. THE WORK OF AUDIT COMMITTEE

The Company established an audit committee under the Board with written terms of reference in compliance with the CG Code.

The primary duties of the Audit Committee are to assist the Board 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 a majority of independent non-executive Directors. During the Review Period the composition of Audit Committee was as follows:

- ▶ **Mr. Bernard Zonneveld**
(chairman of the committee, independent non-executive Director)
- ▶ **Mr. Philip Lader**
(independent non-executive Director)
- ▶ **Dr. Elsie Leung Oi-sie**
(independent non-executive Director)
- ▶ **Ms. Olga Mashkovskaya**
(non-executive Director)
- ▶ **Mr. Daniel Lesin Wolfe**
(non-executive Director)
- ▶ **Mr. Dmitry Vasiliev**
(independent non-executive Director)

As stated in the announcements of the Company dated 10 and 11 April 2018, due to the OFAC Sanctions, each of Mr. Philip Lader and Mr. Daniel Lesin Wolfe resigned as a Director and ceased to be a member of the Audit Committee with effect from 10 April 2018.

During the Review Period, the Audit Committee has held 8 meetings. The Company's external auditors are regularly invited to attend meetings of the Audit Committee. At the meeting on 16 March 2017, members of the Audit Committee reviewed the consolidated financial statements for the year ended 31 December 2016. At a meeting on 24 August 2017, members of the Audit Committee reviewed the consolidated interim condensed financial information for the three and six months ended 30 June 2017, and at a meeting on 22 February 2018, members of the Audit Committee reviewed the consolidated financial statements for the year ended 31 December 2017. The Audit Committee is of the opinion that such consolidated financial statements have complied with the applicable accounting standards, the Listing Rules, other legal requirements and that adequate disclosures have been made. Minutes of Audit Committee meetings are taken, recorded and kept.

The Audit Committee reviews the Company's financial and accounting policies and practices, meets the external auditors on a regular basis, and reviews all related party transactions before the Board's consideration. The Audit Committee also reviews the Company's financial controls, internal control and risk management system, and the Company's internal audit function.

The members of the Audit Committee have regularly attended and actively participated in meetings. For the attendance record of meetings held by the Audit Committee during 2017, please refer to paragraph 3(a) of this Corporate Governance Report.

9. AUDITORS' REMUNERATION IN RESPECT OF AUDIT AND NON-AUDIT SERVICES

For the year ended 31 December 2017, the total fees paid or payable in respect of audit and non-audit services pro-

vided by the Group's external auditor, JSC KPMG, are set out below :

AUDIT SERVICES	FOR THE YEAR ENDED 31 DECEMBER 2017 THOUSAND USD
ANNUAL AUDIT SERVICES	5,545
ANNUAL NON-AUDIT SERVICES	493

The non-audit services mainly comprised tax compliance, interim review service and certain agree-upon-procedure work.

The responsibilities of JSC KPMG with respect to the 2017 consolidated financial statements are set out in the "Independent Auditors' Report" on page 205.

The Audit Committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditor, which is subject to the approval by the Board and at annual general meetings of the Company by its shareholders.

10. DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the consolidated financial statements for the year ended 31 December 2017, in accordance with applicable law and IFRS, and that these consolidated financial statements must give a true and fair view of the state of

affairs of the Group and of the results and cash flow for that period.

The Companies (Jersey) Law 1991 requires the Directors to prepare consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Company and its subsidiaries and of the profit or loss of the Company and its subsidiaries for that period. In preparing these consolidated financial statements, the directors are required to:

- **select suitable accounting policies and apply them consistently;**
- **make judgments and estimates which are reasonable and prudent;**
- **state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and**
- **prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.**

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the consolidated financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Chief Financial Officer of the Group is required to regularly present and explain to the Audit Committee and the Board reports on the Group's financial position and operating results, and report other matters that may have a material impact upon the financial performance and operations in order that the Audit Committee and the Board may make informed decisions.

The consolidated financial statements have been prepared in accordance with IFRS. The reporting responsibility of the external auditors of the Company on the financial statements of the Group are set out in the independent auditors' report on pages 205 to 211 of this Annual Report.

11. RISK MANAGEMENT AND INTERNAL CONTROL

The Company's risk management and internal control systems have been designed to achieve strategic objectives of the Company, safeguard the assets of the Company, determine the nature and extent of the risks, maintain proper accounting records, ensure execution with appropriate authority and compliance with relevant laws and regulations. The risk management system has always represented the core part of the Company's internal control system, however it has become of even greater importance due to the increased level of uncertainty and volatility on global markets. The Board fully acknowledges its responsibility to establish and maintain appropriate and effective risk management and internal control systems that are designed to achieve the Company's strategic objectives based on compliance with the risk appetite of shareholders alongside with interests of other stakeholders.

In accordance with CG Code provision C.2.1., the Board reviews the Company's risk management and internal control systems on a quarterly basis to ensure their effectiveness. The Company has an internal audit function in the bounds of the Directorate for Control, internal audit and business coordination (here in after referred to as the Directorate for Control¹) and Audit Committee that carry out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems.

The Board and the Directorate for Control provide assurance in terms of adequacy of resources, staff qualifications and experience, training programs and budgets of the core functions of the Group such as accounting, internal audit and financial reporting. There is a risk management group within the Directorate for control, which is responsible for developing and monitoring the Company's risk management policies. The risk management group includes employees that are appropriately qualified to manage financial, operational and compliance risks. The Directorate for Control reports regularly to the Board on its activities including those related to the risk management system.

The Company aims to promote a risk-based thinking among all its employees including all the management layers and those directly engaged in the production process. The Company's risk management policies, that are designed to identify, analyze and manage the risks, are delivered to relevant employees so that they could understand the coherence between their responsibilities and the risks faced by the Group as a whole. Thus, all the Group risks are consolidated in the Risk Map of the Group that is being monitored by all the management layers and responsible employees are allocated to each risk. The Directorate for Control considers risk management instruments to be applied for each risk. Annual insurance program is developed based on the risk map of the Group. In respect of potentially risky instruments, such as hedging of commodity prices, foreign currency exchange rates and interest rates, require special approval by the hedge committee of the Company. Such a transparent attitude to risk management improves risk awareness of employees including understanding of appropriate risk limits, relevant controls and instruments to monitor risks, adherence to risk limits alongside with the ability to respond to the changes of the business environment on a timely basis.

1. The Directorate for Control acts under the service agreement between UC Rusal Plc and Rusal Global Management B.V.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by the Company's internal audit function, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Board, the Company's Audit Committee and the Directorate for Control aim to ensure that the internal control capability is regularly improved and enhanced. However it is important to note that the Company's internal control and risk management system are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The results of the Board's quarterly reviews of the Company's risk management and internal control system during the year 2017 are as follows:

Operational Controls

Operational controls are established for management of a wide range of risks, including those related to the production process, procurement, cash flow management, foreign currency exchange rates, fraud, competitors, politics etc. (i.e. other than those related to compliance and financial reporting), covering the core scope of the Directorate for Control. The Audit Committee issues an annual plan of audits and revisions to be performed in 12 months. However, unplanned audits and revisions are performed on a regular basis to guarantee that operational controls are effective and efficient. The operational controls system is based on either best practice patterns or recommendations of audits and revisions (compliance to such recommendation is also regularly checked). The Directorate for Control reports to the Board on results of audits and revisions on a quarterly basis. During the year 2017 the Directorate for controls assessed all the material risks identified and developed relevant risk management patterns to be applied for them in accordance with the Company's risk management policies and risk appetites of shareholders.

Financial Controls

The Company's risk management and internal control systems are effective in terms of financial controls as the Board fully acknowledges its responsibility to provide stakeholders with true and fair financial statements which reflect all the material aspects of the Company affairs and thus might be used for reasonable decisions. The financial reporting function is regularly audited by the Directorate for Control and external auditors to prevent material misstatement due to fraud or error. The Board aims to increase the level of automation of the financial reporting function on an on-going basis to increase efficiency and effectiveness of financial controls of the Company. The Board ensures that financial controls of the Company are strong and based on best practice patterns. Financial controls are checked in the bounds of all the audits and revisions performed by the Directorate for Control.

Compliance Controls

The Company operates in five continents having business affairs in many countries all over the globe which creates a need to comply with various legal requirements including those related to environment. The Board and the Directorate for Control acknowledge the importance to comply with legal and environmental requirements in order to be a green aluminum manufacturer and a good corporate citizen. Compliance controls are checked in the bounds of all the audits and revisions performed by the Directorate for Control.

The internal control and risk management capability is regularly improved and enhanced. The key steps and directions thereof for the year 2017 are as follows:

Key steps and directions of the procurement optimization in 2017:

- ▼ **Gather and consolidate requirements for raw materials and equipment from different divisions to increase procurement power of the Group.**
- ▼ **Implement TCO (total cost of ownership) approach to procurement procedures for materials, equipment and trucks.**
- ▼ **Introduce brand new procurement technics and tools.**
- ▼ **Control of procurement of materials, equipment, transportation and construction services selection.**
- ▼ **Operation of the tender committee of the Group and participation in procurement corporate committees.**
- ▼ **Implementation of the disposal of nonliquid and non-core assets of the Company projects.**
- ▼ **Introduction of the new B2B trading platform. RUSAL works with 3 platforms: B2B, Fabrikant and Transtrade.**
- ▼ **Maintenance of transparency of procurement procedures by on-line monitoring Hotline and portal "Suppliers" on the Company's corporate website.**
- ▼ **Organization of training workshop related to the improvement of efficiency of procurement for the Beijing Office.**

- ▼ **Leading procurement campaigns for equipment and services on request from division's top-management for the most important investment projects in 2017: VgAZ anode plant, Taishet anode plant and JSC "Kremniy" degas system.**

- ▼ **Leadership in working with flux and ligature testing to find alternative suppliers in order to move from sole purchasing to competition and help purchasing managers to get low prices with standard quality.**

- ▼ **Development and implementation of tools to improve the efficiency of procurement activity:**

- ▼ **Development and implementation of tools to improve the efficiency of procurement activity: to move from sole purchasing to competition;**

- ▼ **Development and implementation of tools to improve the efficiency of procurement activity: to move from sole purcharency, to interact effectively with suppliers; and**

- ▼ **Development and implementation of the algorithm 'Organization of procurement process' in activities of UC RUSAL commercial divisions.**

Key steps and directions of the risk management optimization in 2017:

- ▼ **Organization of independent risk audits of Company production facilities conducted by specialists Willis Group for risk mitigation purposes and optimization of Company insurance programs.**

- ▀ **Development and analysis of the annual Consolidated Corporate Risk Map which is updated on a quarterly basis.**
- ▀ **Quarterly reporting on the Company's risk management affairs to the Audit Committee.**
- ▀ **Update of the insurance program for 2017-2018.**
- ▀ **Risk scenarios for all production facilities have been updated in line with the adopted methodology for modelling critical scenarios and preparing business continuity plans**
- ▀ **Special training was provided to risk supervisors at plants and in corporate subdivisions; an e-learning course on risk management was developed and uploaded to the intranet portal for all employees;**
- ▀ **The Directorate provided risk management coordination during the ISO 9001 certification by DNV-LG (www.dnvlg.ru), an independent auditor.**

Information Disclosure Controls

Since the Company's listing, it has been subject to requirements relating to continuous disclosure obligations, including determination and disclosure of inside information. In the beginning of 2010, the Board delegated its authority to assess whether information constitutes inside information, whether it is subject to immediate disclosure or whether any safe harbor provisions may apply; to determine the timing and format of disclosure; to appoint officers responsible for collection, preliminary analysis and processing of the information within various business subdivisions of the Group; to appoint the Company's authorized representatives to the Hong Kong Stock Exchange; and to decide on trading halts and other issues to be raised with the disclosure committee. At the same time, internal policy regulating the treatment of inside information was adopted within the Group.

The internal control system applied in the Group with respect to inside information ensures that any piece of information that may constitute inside information is promptly escalated to the disclosure committee and, should it constitute inside information, is disclosed. Disclosure of inside information is made through the tools available to the Company under applicable legislation in every jurisdiction where the Company is subject to such disclosure (e.g. via the Hong Kong Stock Exchange webpage in Hong Kong, Businesswire agency in France and Interfax agency in Russia).

It is important to note that the Directorate for Control did not identify in the year 2017 any significant violations of operational, financial or compliance controls and any significant risks such as those that may potentially give rise to uncertainties about ability of the Company to continue to operate as a going concern.

12. RELEVANT OFFICERS' SECURITIES TRANSACTIONS

The Company has also adopted a code for Securities Transactions by Relevant Officers of the Company (the "**Relevant Officers Code**"). The Relevant Officers Code was based on Appendix 10 to the Listing Rules but it was made more exacting. It was also based on the requirements of the French Monetary and Financial Code, Chapters II and III of Title II of Book II of the General Regulation of the AMF and Titles II and III of Book VI of the General Regulation of the AMF with respect to insider dealing and market misconduct. It applies to any employee of the Company or a director or employee of a subsidiary of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. The Relevant Officers Code was adopted by the Board on 9 April 2010.

The Company has not been notified of any transaction by any Relevant Officer in application of requirements of the French monetary and financial code and the General Regulations of the AMF.

13. DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the Review Period, all Directors of the Company (namely, Mr. Oleg Deripaska, Mr. Maxim Sokov, Mr. Vladislav Soloviev, Mr. Dmitry Afanasiev, Mr. Ivan Glasenberg, Mr. Maksim Goldman, Ms. Gulzhan Moldazhanova, Mr. Daniel Lesin Wolfe, Ms. Olga Mashkovskaya, Ms. Ekaterina Nikitina, Mr. Mark Garber, Mr. Philip Lader, Dr. Elsie Leung Oisie, Mr. Matthias Warnig, Mr. Dmitry Vasiliev, Mr. Bernard Zonneveld, Mr. Siegfried Wolf and Mr. Marco Musetti), received regular briefings and updates on the Group's business, operations, risk management and corporate governance matters. Materials on new or changes to salient rules and regulations applicable to the Group were provided to the Directors.

14. GOING CONCERN

As of 31 December 2017, there are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

15. INVESTOR RELATIONS

The Company has established a designated department for investor relations, which is responsible for matters concerning investor relations and has developed its own systems and process for communications with investors. The Company's management also maintains close communication with investors, analysts and the media.

The Memorandum and Articles of Association of the Company was amended during 2017. The amended Memorandum and Articles of Association of the Company became effective on 22 November 2017.

16. SHAREHOLDERS' RIGHT

Right to convene an extraordinary general meeting

Shareholder(s) holding, at the date of deposit of a written requisition to the Directors or the secretary of the Company, 5 per cent or more of the Company's voting share capital may require an extraordinary general meeting to be called for the transaction of any business specified in such requisition.

If the Directors do not within 21 days from the date of the deposit of the requisition call a meeting to be held within 2 months of the date of the deposit of the requisition, the requisitionists or any of them holding more than half of the total voting rights of all of them may call a meeting which may not be held after 3 months from that date. All reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

No business other than that stated in the requisition as the objects of the meeting shall be transacted at the meeting.

Putting forward proposals at general meetings

Shareholder(s) holding 2.5 per cent or more of the total voting rights of all shareholders or 50 or more of them holding shares on which there has been paid up an average sum, per shareholder, equivalent of 2,000 Hong Kong dollars or more have the right at their own expense (unless the Company otherwise resolves) to require the Company to (a) give to shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting and (b) circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The Company does not have to give notice of any resolution or circulate any statement unless (a) a copy of the requisition signed by the requisitionists is deposited at the Company's registered office (i) at least 6 weeks before the meeting in the case of a requisition requiring notice of a resolution (although this requirement does not apply if an annual general meeting is called for a date 6 weeks or less after the copy has been deposited) or (ii) at least 1 week before the meeting in the case of any other requisition and (b) there is deposited with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect to the requisition.

The Company shall also not be bound to circulate any statement if, on the application either of the Company or of any other person who claims to be aggrieved, a court is satisfied that the rights are being abused to secure needless publicity for defamatory matter; and the court may order the Company's costs on an application to be paid in whole or in part by the requisitionists, notwithstanding that they are not parties to the application.

Company's contact details

Any proposal to convene an extraordinary general meeting, to put forward a proposal at a general meeting and any general enquiries of the Board should be sent to "The Board of Directors c/o the Company Secretary, United Company RUSAL Plc, 44 Esplanade, St Helier, Jersey, JE4 9WG".

17. COMPANY SECRETARY

The Company engages Ms. Aby Wong Po Ying of Intertrust Resources Management Limited as its company secretary. The primary contract person of the Company is Mr. Eugene Choi, Authorised Representative of the Company.

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08 FINANCIAL STATEMENTS

EP CONNECTED WITH ALLOW

ALLOW's light weight, structural strength and thermal characteristics will power modern gadgets from our laptops, smartphones and beyond.

8

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors acknowledge that it is their responsibility to prepare the consolidated financial statements for the year ended 31 December 2017, in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards.

Under the company law in Jersey the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- ▶ **select suitable accounting policies and then apply them consistently;**
- ▶ **make judgements and estimates that are reasonable and prudent;**

- ▶ **state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and**

- ▶ **prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.**

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with Companies (Jersey) Law 1991. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT

To the Members of United Company RUSAL Plc

OPINION

We have audited the consolidated financial statements of United Company RUSAL Plc (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS"), and have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991 and the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER MATTER

In our report dated 22 February 2018, we expressed an opinion on the Group's consolidated financial statements as at and for the year ended 31 December 2017 that was qualified for the effect of such adjustments, if any, that might have been determined to be necessary had we been able to obtain sufficient and appropriate audit evidence in relation to the Group's estimate of the share of profit, other comprehensive income and foreign currency translation gain of the Group's equity investee, PJSC MMC Norilsk Nickel ("Norilsk Nickel") for the year ended 31 December 2017, and the carrying value of the Group's investment in Norilsk Nickel as at 31 December 2017.

Since that date as described in Note 15, the Directors have obtained the required information and have concluded that no adjustment to the Group's accounting for the Norilsk Nickel investment is required. We have audited the above information and concluded that it has been properly applied. Accordingly our present report on the Group's consolidated financial statements as at and for the year ended 31 December 2017, as presented herein and approved by the Board of Directors on 13 March 2018, is different from our previous report dated 22 February 2018.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of property, plant and equipment

Please refer to the note 13 in the consolidated financial statements.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
<p>The Group has significant property, plant and equipment balance which is material to the consolidated financial statements as at 31 December 2017. Current global market conditions, including continuing growth in LME aluminium prices, may indicate that some previously impaired property, plant and equipment items may demonstrate a need for reversal of impairment. This is in particular related to such cash generating unit ("CGUs") as Windalco.</p> <p>As at the reporting date management performs valuation of the recoverable amount of the Group's assets and cash generating units as their value in use. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is one of the key judgmental areas that our audit is concentrated on.</p>	<p>For aluminium, alumina and bauxite CGUs we evaluated the reasonableness of the expected cash flow forecasts by comparing them with the latest budgets approved by the Board of Directors, externally derived data as well as our own assessments in relation to key inputs such as production levels, forecasted aluminium sales prices, forecasted alumina purchase prices, costs inflation, foreign currency exchange rates, discount rates and terminal growth rates. We also considered the historic accuracy of management's forecasts by comparing prior year forecasts to actual results.</p> <p>We used our own valuation specialists to assist us in evaluating the assumptions and methodology used by the Group.</p> <p>In particular, we challenged:</p> <ul style="list-style-type: none"> – aluminium and alumina smelters costs projections by comparing them with historical results and industry peers; – the key assumptions for long term revenue growth rates in the forecasts by comparing them with historical results, economic and industry forecasts; and – the discount rates used. Specifically, we recalculated the Group's weighted average cost of capital using market comparable information. <p>We also performed sensitivity analysis on the discounted cash flow forecasts and assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions, including forecasted aluminium and alumina prices and discount rates, reflected the risks inherent in the valuation of property, plant and equipment.</p>

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, the Companies (Jersey) Law 1991 and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ **Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.**
- ▶ **Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.**
- ▶ **Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.**
- ▶ **Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.**
- ▶ **Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.**
- ▶ **Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Matter on which we are required to report by exception.

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- ▶ **adequate accounting records have not been kept by the Company; or**
- ▶ **returns adequate for our audit have not been received from branches not visited by us; or**
- ▶ **the financial statements of the company are not in agreement with the accounting records; or**
- ▶ **we have not received all the information and explanations we require for our audit.**

The engagement partner on the audit resulting in this independent auditors' report is:

Yerkozha Akylbek

For and on behalf of JSC "KPMG"

Recognized Auditors

Moscow, Russia

13 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTE	YEAR ENDED 31 DECEMBER	
		2017 USD MILLION	2016 USD MILLION
REVENUE	5	9,969	7,983
COST OF SALES	6(a)	(7,183)	(6,030)
GROSS PROFIT		2,786	1,953
DISTRIBUTION EXPENSES	6(b)	(446)	(376)
ADMINISTRATIVE EXPENSES	6(b)	(632)	(531)
(IMPAIRMENT) / REVERSAL OF IMPAIRMENT OF NON-CURRENT ASSETS	6(b)	(84)	44
NET OTHER OPERATING EXPENSES	6(b)	(101)	(22)
RESULTS FROM OPERATING ACTIVITIES		1,523	1,068

	NOTE	YEAR ENDED 31 DECEMBER	
		2017 USD MILLION	2016 USD MILLION
FINANCE INCOME	7	21	19
FINANCE EXPENSES	7	(876)	(879)
SHARE OF PROFITS OF ASSOCIATES AND JOINT VENTURES	15	620	848
RESULT FROM DISPOSAL AND DECONSOLIDATION OF SUBSIDIARIES INCLUDING ITEMS RECYCLED FROM OTHER COMPREHENSIVE INCOME	1(b)	—	298
PROFIT BEFORE TAXATION		1,288	1,354
INCOME TAX	8	(66)	(175)
PROFIT FOR THE YEAR		1,222	1,179
ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		1,222	1,179
PROFIT FOR THE YEAR		1,222	1,179
EARNINGS PER SHARE			
BASIC AND DILUTED EARNINGS PER SHARE (USD)	12	0.080	0.078
ADJUSTED EBITDA	6(d)	2,120	1,489

The consolidated statement of income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 210 to 328.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTE	YEAR ENDED 31 DECEMBER	
		2017 USD MILLION	2016 USD MILLION
PROFIT FOR THE YEAR		1,222	1,179
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NEVER BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:			
ACTUARIAL (LOSS)/GAIN ON POST RETIREMENT BENEFIT PLANS	20	(7)	1
		(7)	1
ITEMS THAT ARE OR MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:			
SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATES	15	(28)	—
CHANGE IN FAIR VALUE OF CASH FLOW HEDGES	21	—	36

	NOTE	YEAR ENDED 31 DECEMBER	
		2017 USD MILLION	2016 USD MILLION
ITEMS RECYCLED FROM OTHER COMPREHENSIVE INCOME ON DECONSOLIDATION OF SUBSIDIARIES	1(b)	—	22
FOREIGN CURRENCY TRANSLATION DIFFERENCES FOR EQUITY-ACCOUNTED INVESTEES	15	244	675
FOREIGN CURRENCY TRANSLATION DIFFERENCES ON FOREIGN OPERATIONS		13	245
		229	978
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		222	979
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,444	2,158
ATTRIBUTABLE TO:			
SHAREHOLDERS OF THE COMPANY		1,444	2,158
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,444	2,158

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

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 210 to 328.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	NOTE	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
ASSETS			
NON-CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT	13	4,323	4,065
INTANGIBLE ASSETS	14	2,552	2,470
INTERESTS IN ASSOCIATES AND JOINT VENTURES	15	4,448	4,147
DEFERRED TAX ASSETS	8	63	51
DERIVATIVE FINANCIAL ASSETS	21	34	51
OTHER NON-CURRENT ASSETS		72	52
TOTAL NON-CURRENT ASSETS		11,492	10,836

	NOTE	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
CURRENT ASSETS			
INVENTORIES	16	2,414	1,926
TRADE AND OTHER RECEIVABLES	17(a)	1,005	819
DIVIDENDS RECEIVABLE		3	311
DERIVATIVE FINANCIAL ASSETS	21	29	16
CASH AND CASH EQUIVALENTS	17(c)	831	544
TOTAL CURRENT ASSETS		4,282	3,616
TOTAL ASSETS		15,774	14,452

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 210 to 328.

	NOTE	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
EQUITY AND LIABILITIES			
EQUITY	18		
SHARE CAPITAL		152	152
SHARE PREMIUM		15,786	15,786
OTHER RESERVES		2,847	2,882
CURRENCY TRANSLATION RESERVE		(8,801)	(9,058)
ACCUMULATED LOSSES		(5,540)	(6,463)
TOTAL EQUITY		4,444	3,299
NON-CURRENT LIABILITIES			
LOANS AND BORROWINGS	19	7,744	7,532
PROVISIONS	20	427	423
DEFERRED TAX LIABILITIES	8	522	585
DERIVATIVE FINANCIAL LIABILITIES	21	61	3
OTHER NON-CURRENT LIABILITIES		104	51
TOTAL NON-CURRENT LIABILITIES		8,858	8,594

	NOTE	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
CURRENT LIABILITIES			
LOANS AND BORROWINGS	19	735	1,433
TRADE AND OTHER PAYABLES	17(b)	1,658	1,054
DERIVATIVE FINANCIAL LIABILITIES	21	52	32
PROVISIONS	20	27	40
TOTAL CURRENT LIABILITIES		2,472	2,559
TOTAL LIABILITIES		11,330	11,153
TOTAL EQUITY AND LIABILITIES		15,774	14,452
NET CURRENT ASSETS		1,810	1,057
TOTAL ASSETS LESS CURRENT LIABILITIES		13,302	11,893

Approved and authorised for issue by the Board of directors on 13 March 2018.

Vladislav A. Soloviev
Chief Executive Officer

Alexandra Y. Bouriko
Chief Financial Officer

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 210 to 328.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	NOTE	SHARE CAPITAL USD MILLION	SHARE PREMIUM USD MILLION	OTHER RESERVES USD MILLION	CURRENCY TRANSLA- TION RESERVE USD MILLION	ACCUMU- LATED LOSSES USD MILLION	TOTAL EQUITY USD MILLION
BALANCE AT 1 JANUARY 2017		152	15,786	2,882	(9,058)	(6,463)	3,299
PROFIT FOR THE YEAR		—	—	—	—	1,222	1,222
OTHER COMPREHENSIVE INCOME FOR THE YEAR		—	—	(35)	257	—	222
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		—	—	(35)	257	1,222	1,444
DIVIDENDS	11	—	—	—	—	(299)	(299)
BALANCE AT 31 DECEMBER 2017		152	15,786	2,847	(8,801)	(5,540)	4,444

	NOTE	SHARE CAPITAL USD MILLION	SHARE PREMIUM USD MILLION	OTHER RESERVES USD MILLION	CURRENCY TRANSLA- TION RESERVE USD MILLION	ACCUMU- LATED LOSSES USD MILLION	TOTAL EQUITY USD MILLION
BALANCE AT 1 JANUARY 2016		152	15,786	2,823	(9,978)	(7,392)	1,391
PROFIT FOR THE YEAR		—	—	—	—	1,179	1,179
OTHER COMPREHENSIVE INCOME FOR THE YEAR		—	—	59	920	—	979
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		—	—	59	920	1,179	2,158
DIVIDENDS	11	—	—	—	—	(250)	(250)
BALANCE AT 31 DECEMBER 2016		152	15,786	2,882	(9,058)	(6,463)	3,299

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 210 to 328.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	NOTE	YEAR ENDED 31 DECEMBER	
		2017 USD MILLION	2016 USD MILLION
OPERATING ACTIVITIES			
PROFIT FOR THE YEAR		1,222	1,179
ADJUSTMENTS FOR:			
DEPRECIATION	6	484	445
AMORTIZATION	6	4	8
IMPAIRMENT/(REVERSAL OF IMPAIRMENT) OF NON-CURRENT ASSETS	6(b)	84	(44)
IMPAIRMENT/(REVERSAL OF IMPAIRMENT) OF TRADE AND OTHER RECEIVABLES	6(b)	6	(3)
IMPAIRMENT/(REVERSAL OF IMPAIRMENT) OF INVENTORIES	16	2	(11)
REVERSAL OF PROVISION FOR LEGAL CLAIMS	6(b)	—	(1)

	NOTE	YEAR ENDED 31 DECEMBER	
		2017 USD MILLION	2016 USD MILLION
PENSION PROVISION		2	3
REVERSAL OF TAX PROVISION		(2)	—
CHANGE IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS	7	287	157
NET FOREIGN EXCHANGE (GAIN)/LOSS	7	(4)	105
LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	6(b)	25	12
INTEREST EXPENSE	7	589	617
INTEREST INCOME	7	(17)	(19)
INCOME TAX EXPENSE	8	66	175
RESULT FROM DISPOSAL AND DECONSOLIDATION OF SUBSIDIARIES INCLUDING ITEMS RECYCLED FROM OTHER COMPREHENSIVE INCOME	1(b)	—	(298)
SHARE OF PROFITS OF ASSOCIATES AND JOINT VENTURES	15	(620)	(848)
CASH FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS		2,128	1,477
INCREASE IN INVENTORIES		(462)	(73)
INCREASE IN TRADE AND OTHER RECEIVABLES		(167)	(62)
(INCREASE)/DECREASE IN PREPAID EXPENSES AND OTHER ASSETS		(1)	5

	NOTE	YEAR ENDED 31 DECEMBER	
		2017 USD MILLION	2016 USD MILLION
INCREASE/(DECREASE) IN TRADE AND OTHER PAYABLES		330	(13)
DECREASE IN PROVISIONS		(26)	(35)
CASH GENERATED FROM OPERATIONS BEFORE INCOME TAX PAID		1,802	1,299
INCOME TAXES PAID	8	(100)	(55)
NET CASH GENERATED FROM OPERATING ACTIVITIES		1,702	1,244
INVESTING ACTIVITIES			
PROCEEDS FROM DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		46	33
INTEREST RECEIVED		8	17
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT		(822)	(558)
DIVIDENDS FROM ASSOCIATES AND JOINT VENTURES		806	336
LOANS GIVEN		(11)	(6)
ACQUISITION OF INTANGIBLE ASSETS	14	(20)	(17)
PROCEEDS FROM DISPOSAL OF A SUBSIDIARY	1(b)	—	298
ACQUISITION OF A SUBSIDIARY		(1)	—
CHANGES IN RESTRICTED CASH	17(c)	(4)	1
NET CASH GENERATED FROM INVESTING ACTIVITIES		2	104

	NOTE	YEAR ENDED 31 DECEMBER	
		2017 USD MILLION	2016 USD MILLION
FINANCING ACTIVITIES			
PROCEEDS FROM BORROWINGS		5,928	2,923
REPAYMENT OF BORROWINGS		(6,339)	(3,066)
REFINANCING FEES AND OTHER EXPENSES		(36)	(14)
INTEREST PAID		(493)	(452)
SETTLEMENT OF DERIVATIVE FINANCIAL INSTRUMENTS		(182)	(446)
DIVIDENDS	11	(299)	(250)
NET CASH USED IN FINANCING ACTIVITIES		(1,421)	(1,305)
NET INCREASE IN CASH AND CASH EQUIVALENTS		283	43
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	17(c)	531	494
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS		—	(6)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	17(c)	814	531

Restricted cash amounted to USD17 million and USD13 million at 31 December 2017 and 31 December 2016, respectively.

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 210 to 328.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

1 BACKGROUND

(a) Organization

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 (refer to note 26) 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 December 2017 and 31 December 2016 was as follows:

	31 DECEMBER 2017	31 DECEMBER 2016
EN+ GROUP PLC ("EN+")	48.13%	48.13%
SUAL PARTNERS LIMITED ("SUAL PARTNERS")	20.50%	15.80%
AMOKENGA HOLDINGS LIMITED ("AMOKENGA HOLDINGS")	8.75%	8.75%
ONEXIM HOLDINGS LIMITED ("ONEXIM")	6.00%	17.02%
HELD BY DIRECTORS	0.02%	0.25%
PUBLICLY HELD	16.60%	10.05%
TOTAL	100.00%	100.00%

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

At 31 December 2017 and 2016, the directors consider the immediate parent of the Group to be En+, which is incorporated in Jersey with its registered office at 44 Esplanade, St Helier, Jersey, JE4 9WG, Channel Islands. En+ is controlled by Fidelitas International Investments Corp. (a company incorporated in Panama) through its wholly-owned subsidiary. Mr. Oleg V. Deripaska is the founder, the trustee and a principal beneficiary of a discretionary trust, which controls Fidelitas International Investments Corp.

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.

Fidelitas International Investments Corp. does not produce financial statements available for public use.

Related party transactions are disclosed in note 25.

(b) Deconsolidation and disposal of subsidiaries

In July 2016 the Group entered into an agreement to sell its 100% stake in the Alumina Partners of Jamaica ("Alpart") to the Chinese state industrial group, JIUQUAN IRON & STEEL (GROUP) Co. Ltd. ("JISCO") for a consideration of USD299 million. In November 2016 the Group completed the sale of Alpart and received the full consideration in cash.

(c) Operations

The Group operates in the aluminium industry primarily in the Russian Federation, Ukraine, Guinea, Jamaica, Ireland, Italy, Nigeria and Sweden and is principally engaged in the mining and refining of bauxite and nepheline ore into alumina, the smelting of primary aluminium from alumina and the fabrication of aluminium and aluminium alloys into semi-fabricated and finished products. The Group sells its products primarily in Europe, Russia, other countries of the Commonwealth of Independent States ("CIS"), Asia and North America.

(d) Business environment in emerging economies

The Russian Federation, Ukraine, Jamaica, Nigeria and Guinea have been experiencing political and economic changes that have affected, and may continue to affect, the activities of enterprises operating in these environments. Consequently, operations in these countries involve risks that typically do not exist in other markets, including reconsideration of privatisation terms in certain countries where the Group operates following changes in governing political powers.

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Ruble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

The consolidated financial statements reflect management's assessment of the impact of the Russian, Ukrainian, Jamaican, Nigerian and Guinean business environments on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance.

These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In preparing these consolidated financial statements the Group has applied the following standards and interpretations which are effective in respect of the financial years beginning on 1 January 2017.

- ▀ **Amendments to IAS 7 Statement of Cash Flows**
- ▀ **Amendments to IAS 12 Income taxes**
- ▀ **Annual Improvements to IFRSs (Amendments to IFRS 12 Disclosure of Interests in Other Entities)**

The IASB has issued the following amendments, new standards and interpretations which are not yet

effective in respect of the financial years included in these consolidated financial statements, and which have not been adopted in these consolidated financial statements.

	EFFECTIVE FOR ACCOUNTING PERIODS BEGINNING ON OR AFTER
IFRS 9, <i>FINANCIAL INSTRUMENTS</i>	1 JANUARY 2018
IFRS 15, <i>REVENUE FROM CONTRACTS WITH CUSTOMERS</i>	1 JANUARY 2018
IFRS 16, <i>LEASES</i>	1 JANUARY 2019

The Group is required to adopt IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018. The Group has assessed the estimated impact that the initial application of IFRS 9 and IFRS 15 will have on its consolidated financial statements. The Group is in the process of making an assessment of the impact of IFRS 16 on its consolidated financial statements.

Based on preliminary assessment the new Standards IFRS 15 and IFRS 9 are not expected to have a significant effect on the consolidated financial statements of the Group. The estimated impact of the adoption of these standards on the Group's equity as at 1 January 2018 is based on assessments undertaken to date and is summarised below. The actual impacts of adopting the standards at 1 January 2018 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

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*.

(i) Classification - Financial assets

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 amortized 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.

Based on its preliminary assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities.

(ii) Impairment - Financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances will be 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 trade receivables.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables without a significant financing component.

The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. Based on the impairment methodology described below, the Group has preliminary estimated that application of IFRS 9's impairment requirements at 1 January 2018 would not result in significant additional impairment losses.

Trade and other receivables

The estimated ECLs were calculated based on actual credit loss experience over the past two years.

The following table provides information about the estimated exposure to credit risk and ECLs for trade receivables as at 1 January 2018.

	ESTIMATED GROSS CARRYING AMOUNT USD MILLION	WEIGHTED-AVERAGE LOSS RATE	ESTIMATED LOSS ALLOWANCE RANGE USD MILLION	CREDIT-IMPAIRED
CURRENT (NOT PAST DUE)	319	1% - 5%	3 - 16	No
1-30 DAYS PAST DUE	61	15% - 25%	9 - 15	No
31-60 DAYS PAST DUE	4	30% - 40%	1 - 2	No
61-90 DAYS PAST DUE	2	50% - 75%	1 - 2	No
MORE THAN 90 DAYS PAST DUE	26	85% - 100%	22 - 26	Yes
	412		36 - 61	

Cash and cash equivalents

The cash and cash equivalents are held with bank and financial institution counterparties, which are rated moderate to minimal credit risk as at 31 December 2017.

The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Group monitors changes in credit risk by tracking published external credit ratings.

The Group preliminarily estimated that application of IFRS 9's impairment requirements at 1 January 2018 will not result in impairment to be recognised.

(iii) Classification - Financial liabilities

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 has not designated any financial liabilities at FVTPL and it has no current intention to do so. The Group's assessment did not indicate any material impact regarding the classification of financial liabilities at 1 January 2018.

(iv) 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.

(v) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

(vi) Transition

The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.

The following assessments was made on the basis of the facts and circumstances that existed at the date of initial application:

- ▀ **The determination of the business model within which a financial asset is held (held for collateral or held for trading);**

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

(i) Sales of goods

For the sale of primary aluminium, alloys, alumina, bauxite and other products revenue is currently recognised when related risks and rewards of ownership transfer under delivery terms of the contracts. Revenue is 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 will be recognised when a customer will obtain control of the goods. Based on management's assessment this will not significantly impact the Group's revenue recognition approach and the timing of revenue recognition.

As part of sales of goods the Group also performs transportation to the point of delivery to customer under contract terms. In certain cases the control for goods delivered is transferred to customer at earlier point than the transportation is completed. Currently revenue is 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, revenue from sale of goods will be recognised when a customer obtains control of the goods and revenue for the transportation after the above control transfer will be recognised over time from goods control transfer till completion of the transportation. Based on management's assessment such revenue deferral will not significantly impact the total amount of revenue recognised by the Group for each reporting period.

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 price finalisation the difference between estimated price and actual one is recognised as revenue from sale of goods. IFRS 15 application will not result in a significant change in the amount of revenue recognised and the moment of recognition. But IFRS 15 will impact the classification of the revenue recognised: revenue initially recognised at the moment of control transfer to the customer will be recognised as revenue from contract with customers. The amount of price adjustment on finalisation will be recognised as other revenue.

(ii) Rendering of services

The Group is involved in sales of energy and provision of transportation services. Revenue from energy sales is recognised over time during the period when the energy is transferred to the customer. Based on management's assessment this will not significantly impact the Group's revenue recognition approach in terms of the timing of revenue recognition and amount of revenue recognised for the reporting period. Revenue from transportation services is related to the sales of goods and is considered above.

(iii) Transition

The Group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

IFRS 16, Leases

IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group is currently assessing the impacts of adopting IFRS 16 on its financial statements.

(i) Transition

As a lessee, the Group can either apply the standard using a:

- ▀ **retrospective approach; or**
- ▀ **modified retrospective approach with optional practical expedients.**

The lessee applies the election consistently to all of its leases.

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

(b) Basis of measurement

The consolidated financial statements have been prepared in accordance with the historical cost basis except as set out in the significant accounting policies in the related notes below.

(c) Functional and presentation currency

The Company's functional currency is the United States Dollar ("USD") because it reflects the economic substance of the underlying events and circumstances of the Company. The functional currencies of the Group's significant subsidiaries are the currencies of the primary economic environment and key business processes of these subsidiaries and include USD, Russian Rubles ("RUB"), Ukrainian Hryvna and Euros ("EUR"). The consolidated financial statements are presented in USD, rounded to the nearest million, except as otherwise stated herein.

(d) Use of judgements, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported revenue and costs during the relevant period.

Management bases its judgements and estimates on historical experience and various other factors that are believed to be appropriate and reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year relate to:

- **measurement of recoverable amount of property, plant and equipment (note 13) and goodwill (note 14)**
- **measurement of net realizable value of inventories (note 16);**
- **measurement of recoverable amount of interests in associates and joint ventures (note 15);**
- **estimates in respect of legal proceedings, restoration and exploration, taxation and pension reserve (note 20).**

3 SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are described in the related notes to the financial statements captions and in this note. The following significant accounting policies have been applied in the preparation of the consolidated financial statements. The accounting policies and judgements applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2016 and have been consistently applied to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currencies***(i) Foreign currency transactions***

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary items in a foreign currency are measured based on historical cost and translated using the exchange rate at the date of transaction. Foreign currency differences arising on retranslation are recognised in the statement of income, except for differences arising on the retranslation of qualifying cash flow hedges to the extent the hedge is effective, which is recognised in the other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated from their functional currencies to USD at the exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to USD at exchange rates approximating exchange rates at the dates of the transactions.

Foreign currency differences arising on translation are recognised in the statement of comprehensive income and presented in the currency translation reserve in equity. For the purposes of foreign currency translation, the net investment in a foreign operation includes foreign currency intra-group balances for which settlement is neither planned nor likely in the foreseeable future and foreign currency differences arising from such a monetary item are recognised in the statement of comprehensive income.

When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount of the currency translation reserve is transferred to the statement of income as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the statement of income.

4 SEGMENT REPORTING

(a) Reportable segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance and for which discrete consolidated financial information or statements are available.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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 centers. None of these segments meet any of the quantitative thresholds for determining reportable segments in 2017 and 2016.

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 amortization 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, amortization, impairment and additions of non-current segment assets used by the segments in their operations. Inter-segment pricing is determined on a consistent basis using market benchmarks.

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

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

(i) Reportable segments

Year ended 31 December 2017

	ALUMINIUM USD MILLION	ALUMINA USD MILLION	ENERGY USD MILLION	MINING AND METALS USD MILLION	TOTAL SEGMENT RESULT USD MILLION
REVENUE FROM EXTERNAL CUSTOMERS	8,378	1,084	—	—	9,462
INTER-SEGMENT REVENUE	192	2,373	—	—	2,565
TOTAL SEGMENT REVENUE	8,570	3,457	—	—	12,027
SEGMENT PROFIT	1,482	479	—	—	1,961
IMPAIRMENT OF NON-CURRENT ASSETS	(43)	(59)	—	—	(102)
SHARE OF PROFITS OF ASSOCIATES AND JOINT VENTURES	—	—	91	528	619
DEPRECIATION/AMORTIZATION	(349)	(121)	—	—	(470)
NON-CASH (EXPENSE)/INCOME OTHER THAN DEPRECIATION	(7)	6	—	—	(1)
ADDITIONS TO NON-CURRENT SEGMENT ASSETS DURING THE YEAR	350	260	—	—	610
NON-CASH ADDITIONS/(DISPOSALS) TO NON-CURRENT SEGMENT ASSETS RELATED TO SITE RESTORATION	1	(2)	—	—	(1)
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)

Year ended 31 December 2016

	ALUMINIUM USD MILLION	ALUMINA USD MILLION	ENERGY USD MILLION	MINING AND METALS USD MILLION	TOTAL SEGMENT RESULT USD MILLION
REVENUE FROM EXTERNAL CUSTOMERS	6,613	655	1	—	7,269
INTER-SEGMENT REVENUE	95	1,416	284	—	1,795
TOTAL SEGMENT REVENUE	6,708	2,071	285	—	9,064
SEGMENT PROFIT/(LOSS)	1,157	2	—	—	1,159
REVERSAL OF/(IMPAIRMENT) OF NON-CURRENT ASSETS	134	(27)	—	—	107
SHARE OF PROFITS OF ASSOCIATES AND JOINT VENTURES	—	—	160	688	848
DEPRECIATION/AMORTIZATION	(362)	(88)	—	—	(450)
NON-CASH EXPENSE OTHER THAN DEPRECIATION	(26)	(48)	—	—	(74)
ADDITIONS TO NON-CURRENT SEGMENT ASSETS DURING THE YEAR	336	146	2	—	484
NON-CASH ADDITIONS TO NON- CURRENT SEGMENT ASSETS RELATED TO SITE RESTORATION	17	8	—	—	25
SEGMENT ASSETS	6,321	2,002	13	306	8,642
INTERESTS IN ASSOCIATES AND JOINT VENTURES	—	—	552	3,592	4,144
TOTAL SEGMENT ASSETS					12,786
SEGMENT LIABILITIES	(566)	(601)	(10)	—	(1,177)
TOTAL SEGMENT LIABILITIES					(1,177)

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

	YEAR ENDED 31 DECEMBER	
	2017 USD MILLION	2016 USD MILLION
REVENUE		
REPORTABLE SEGMENT REVENUE	12,027	9,064
ELIMINATION OF INTER-SEGMENT REVENUE	(2,565)	(1,795)
UNALLOCATED REVENUE	507	714
CONSOLIDATED REVENUE	9,969	7,983

	YEAR ENDED 31 DECEMBER	
	2017 USD MILLION	2016 USD MILLION
PROFIT		
REPORTABLE SEGMENT PROFIT	1,961	1,159
(IMPAIRMENT)/REVERSAL OF IMPAIRMENT OF NON-CURRENT ASSETS	(84)	44
SHARE OF PROFITS OF ASSOCIATES AND JOINT VENTURES	620	848
FINANCE INCOME	21	19
FINANCE EXPENSES	(876)	(879)
RESULT FROM DISPOSAL AND DECONSOLIDATION OF A SUBSIDIARIES INCLUDING OTHER ITEMS RECYCLED FROM OTHER COMPREHENSIVE INCOME	—	298
UNALLOCATED EXPENSES	(354)	(135)
CONSOLIDATED PROFIT BEFORE TAXATION	1,288	1,354

	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
ASSETS		
REPORTABLE SEGMENT ASSETS	13,474	12,786
UNALLOCATED ASSETS	2,300	1,666
CONSOLIDATED TOTAL ASSETS	15,774	14,452

	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
LIABILITIES		
REPORTABLE SEGMENT LIABILITIES	(1,818)	(1,177)
UNALLOCATED LIABILITIES	(9,512)	(9,976)
CONSOLIDATED TOTAL LIABILITIES	(11,330)	(11,153)

(iii) Geographic information

The Group's operating segments are managed on a worldwide basis, but operate in four principal geographical areas: the CIS, Europe, Africa and the Americas. In the CIS, production facilities operate in Russia and Ukraine. In Europe, production facilities are located in Italy, Ireland and Sweden. African production facilities are represented by bauxite mines and an alumina refinery in Guinea and an aluminium plant in Nigeria. In the Americas the Group operates one production facility in Jamaica, one in Guyana and a trading subsidiary in the United States of America.

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets and interests in associates and joint ventures ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset. Unallocated specified non-current assets comprise mainly goodwill and interests in associates and joint ventures.

	REVENUE FROM EXTERNAL CUSTOMERS YEAR ENDED 31 DECEMBER	
	2017 USD MILLION	2016 USD MILLION
RUSSIA	2,052	1,666
USA	1,440	1,189
JAPAN	872	610
NETHERLANDS	728	664
TURKEY	657	633
GREECE	450	260
POLAND	409	375
SOUTH KOREA	380	313
NORWAY	295	179
FRANCE	277	178
ITALY	255	240
SWEDEN	247	182
GERMANY	235	181
CHINA	52	24
OTHER COUNTRIES	1,620	1,289
	9,969	7,983

	SPECIFIED NON-CURRENT ASSETS	
	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
RUSSIA	7,588	7,162
IRELAND	407	414
GUINEA	200	117
UKRAINE	183	192
SWEDEN	153	152
UNALLOCATED	2,961	2,799
	11,492	10,836

5 REVENUE

Accounting policies

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the good and the amount

of revenue can be measured reliably. This is generally when title passes. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

For the majority of sales transactions agreements specify that title passes on the bill of lading date, which is the date the commodity is delivered to the shipping agent.

Disclosures

	YEAR ENDED 31 DECEMBER	
	2017 USD MILLION	2016 USD MILLION
SALES OF PRIMARY ALUMINIUM AND ALLOYS	8,324	6,614
THIRD PARTIES	5,537	3,991
RELATED PARTIES – COMPANIES CAPABLE OF EXERTING SIGNIFICANT INFLUENCE	2,622	2,489
RELATED PARTIES – COMPANIES UNDER COMMON CONTROL	165	134
SALES OF ALUMINA AND BAUXITE	778	655
THIRD PARTIES	434	377
RELATED PARTIES – COMPANIES CAPABLE OF EXERTING SIGNIFICANT INFLUENCE	227	186
RELATED PARTIES – ASSOCIATES AND JOINT VENTURES	117	92
SALES OF FOIL	323	240
THIRD PARTIES	323	239
RELATED PARTIES – COMPANIES UNDER COMMON CONTROL	—	1
OTHER REVENUE INCLUDING ENERGY AND TRANSPORTATION SERVICES	544	474
THIRD PARTIES	433	381
RELATED PARTIES – COMPANIES CAPABLE OF EXERTING SIGNIFICANT INFLUENCE	10	11
RELATED PARTIES – COMPANIES UNDER COMMON CONTROL	25	20
RELATED PARTIES – ASSOCIATES AND JOINT VENTURES	76	62
	9,969	7,983

The Group's customer base is diversified and includes only one major customer - Glencore International AG (a member of Glencore Plc Group which is a shareholder of the Company with a 8.75% share – refer to note

1(a)) - with whom transactions have exceeded 10% of the Group's revenue. In 2017 revenues from sales of primary aluminium and alloys to this customer amounted to USD2,431 million (2016: USD2,322 million).

6 COST OF SALES AND OPERATING EXPENSES

(a) Cost of sales

	YEAR ENDED 31 DECEMBER	
	2017 USD MILLION	2016 USD MILLION
COST OF ALUMINA, BAUXITE AND OTHER MATERIALS	(3,138)	(2,775)
THIRD PARTIES	(2,964)	(2,585)
RELATED PARTIES – COMPANIES CAPABLE OF EXERTING SIGNIFICANT INFLUENCE	(113)	(143)
RELATED PARTIES – COMPANIES UNDER COMMON CONTROL	(61)	(47)
PURCHASES OF PRIMARY ALUMINIUM	(686)	(444)
THIRD PARTIES	(384)	(202)
RELATED PARTIES – COMPANIES CAPABLE OF EXERTING SIGNIFICANT INFLUENCE	(10)	(3)
RELATED PARTIES – COMPANIES UNDER COMMON CONTROL	(13)	(10)
RELATED PARTIES – ASSOCIATES AND JOINT VENTURES	(279)	(229)
ENERGY COSTS	(2,149)	(1,630)
THIRD PARTIES	(1,258)	(1,030)
RELATED PARTIES – COMPANIES CAPABLE OF EXERTING SIGNIFICANT INFLUENCE	(10)	(5)
RELATED PARTIES – COMPANIES UNDER COMMON CONTROL	(864)	(484)
RELATED PARTIES – ASSOCIATES AND JOINT VENTURES	(17)	(111)
PERSONNEL COSTS	(582)	(491)
DEPRECIATION AND AMORTIZATION	(472)	(434)

	YEAR ENDED 31 DECEMBER	
	2017 USD MILLION	2016 USD MILLION
CHANGE IN FINISHED GOODS	184	69
OTHER COSTS	(340)	(325)
THIRD PARTIES	(169)	(170)
RELATED PARTIES – COMPANIES CAPABLE OF EXERTING SIGNIFICANT INFLUENCE	(1)	—
RELATED PARTIES – COMPANIES UNDER COMMON CONTROL	(35)	(29)
RELATED PARTIES – ASSOCIATES AND JOINT VENTURES	(135)	(126)
	(7,183)	(6,030)

Management reassessed classification of transportation and other expenses in comparative data to comply with current year presentation. After reclassification

they are recognised within distribution and administrative expenses instead of cost of sales and other operating expenses for the year ended 31 December 2016.

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

	YEAR ENDED 31 DECEMBER	
	2017 USD MILLION	2016 USD MILLION
TRANSPORTATION EXPENSES	(368)	(309)
PERSONNEL COSTS	(333)	(265)
(IMPAIRMENT)/REVERSAL OF IMPAIRMENT OF NON-CURRENT ASSETS	(84)	44
CONSULTING AND LEGAL EXPENSES	(76)	(63)
TAXES OTHER THAN ON INCOME	(40)	(41)
LEASE AND SECURITY	(54)	(42)
PACKAGING MATERIALS	(33)	(27)
REPAIR AND OTHER SERVICES	(31)	(25)
DEPRECIATION AND AMORTIZATION	(16)	(19)
LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	(25)	(12)
CHARITABLE DONATIONS	(24)	(14)
AUDITORS' REMUNERATION	(6)	(6)
(IMPAIRMENT)/REVERSAL OF IMPAIRMENT OF TRADE AND OTHER RECEIVABLES	(6)	3
REVERSAL OF PROVISION FOR LEGAL CLAIMS	—	1
OTHER EXPENSES	(167)	(110)
	(1,263)	(885)

Other expenses in the amount of USD167 million for the year ended 31 December 2017 include penalties of USD22 million that relate to the amount paid by the Group in relation to the legal claim from Swedish electricity supplier.

(c) Personnel costs

Accounting policies

Personnel costs comprise salaries, annual bonuses, annual leave and cost of non-monetary benefits. Salaries, annual bonuses, paid annual leave and cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The employees of the Group are also members of retirement schemes operated by local authorities. The Group is required to contribute a certain percentage of their payroll to these schemes to fund the benefits. The Group's total contribution to those schemes charged to the statement of income during the years presented is shown below.

The Group's net obligation in respect of defined benefit pension and other post-retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Where there is a change in actuarial assumptions, the resulting actuarial gains and losses are recognised directly in other comprehensive income.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the statement of income on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses.

Disclosures

	YEAR ENDED 31 DECEMBER	
	2017 USD MILLION	2016 USD MILLION
CONTRIBUTIONS TO DEFINED CONTRIBUTION RETIREMENT PLANS	194	160
CONTRIBUTIONS TO DEFINED BENEFIT RETIREMENT PLANS	3	2
TOTAL RETIREMENT COSTS	197	162
WAGES AND SALARIES	718	594
	915	756

(d) EBITDA and operating effectiveness measures

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

	YEAR ENDED 31 DECEMBER	
	2017 USD MILLION	2016 USD MILLION
RESULTS FROM OPERATING ACTIVITIES	1,523	1,068
ADD:		
AMORTIZATION AND DEPRECIATION	488	453
IMPAIRMENT/(REVERSAL OF IMPAIRMENT) OF NON-CURRENT ASSETS	84	(44)
LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	25	12
ADJUSTED EBITDA	2,120	1,489

7 FINANCE INCOME AND EXPENSES**Accounting policies**

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses and changes in the fair value of financial assets at fair value through profit or loss. All borrowing costs are recognised in the statement of income using the effective interest method, except for borrowing costs related to the acquisition, construction and production of qualifying assets which are recognised as part of the cost of such assets.

Foreign currency gains and losses are reported on a net basis.

Disclosures

	YEAR ENDED 31 DECEMBER	
	2017 USD MILLION	2016 USD MILLION
FINANCE INCOME		
INTEREST INCOME ON THIRD PARTY LOANS AND DEPOSITS	16	18
INTEREST INCOME ON LOANS TO RELATED PARTIES – COMPANIES UNDER COMMON CONTROL	1	1
NET FOREIGN EXCHANGE GAIN	4	—
	21	19
FINANCE EXPENSES		
INTEREST EXPENSE ON BANK LOANS AND BONDS WHOLLY REPAYABLE WITHIN 5 YEARS AND OTHER BANK CHARGES	(306)	(603)
INTEREST EXPENSE ON BANK LOANS AND BONDS WHOLLY REPAYABLE AFTER 5 YEARS	(275)	—
INTEREST EXPENSE ON COMPANY LOANS FROM RELATED PARTIES – COMPANIES EXERTING SIGNIFICANT INFLUENCE	(2)	(7)
CHANGE IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS (REFER TO NOTE 21)	(287)	(157)
NET FOREIGN EXCHANGE LOSS	—	(105)
INTEREST EXPENSE ON PROVISIONS	(6)	(7)
	(876)	(879)

8 INCOME TAX

Accounting policies

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of income and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse

in the foreseeable future. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liability. Such changes to tax liabilities will impact tax expenses in the period that such a determination is made. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group has both the right and the intention to settle its current tax assets and liabilities on a net or simultaneous basis.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividends is recognized.

Disclosures

(a) Income tax expense

	YEAR ENDED 31 DECEMBER	
	2017 USD MILLION	2016 USD MILLION
CURRENT TAX CURRENT TAX FOR THE YEAR	140	122
DEFERRED TAX ORIGINATION AND REVERSAL OF TEMPORARY DIFFERENCES	(74)	53
ACTUAL TAX EXPENSE	66	175

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 year ended 31 December 2017 were the same as for the year ended 31 December 2016 except for tax rate for Italy of 30.4%.

	YEAR ENDED 31 DECEMBER			
	2017 USD MILLION	%	2016 USD MILLION	%
PROFIT BEFORE TAXATION	1,288	100	1,354	100
INCOME TAX AT TAX RATE APPLICABLE TO THE TAX RESIDENCE OF THE COMPANY	161	13	169	13
EFFECT OF DIFFERENT INCOME TAX RATES	(56)	(4)	(8)	(1)
EFFECT OF CHANGES IN INVESTMENT IN NORILSK NICKEL	(35)	(3)	(64)	(5)
EFFECT OF IMPAIRMENT OF NON-CURRENT ASSETS	—	—	12	1
CHANGE IN UNRECOGNISED DEFERRED TAX ASSETS	14	1	31	2
CHANGE IN RECOGNISED TEMPORARY DIFFERENCES	(22)	(2)	30	2
OTHER NON-DEDUCTIBLE TAXABLE ITEMS	4	—	5	—
ACTUAL TAX EXPENSE	66	5	175	13

(b) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following temporary differences:

USD MILLION	ASSETS		LIABILITIES		NET	
	31 DECEMBER 2017	31 DECEMBER 2016	31 DECEMBER 2017	31 DECEMBER 2016	31 DECEMBER 2017	31 DECEMBER 2016
PROPERTY, PLANT AND EQUIPMENT	48	47	(595)	(580)	(547)	(533)
INVENTORIES	45	47	(13)	(8)	32	39
TRADE AND OTHER RECEIVABLES	12	14	(6)	(6)	6	8
DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)	16	—	(7)	(11)	9	(11)
TAX LOSS CARRY-FORWARDS	19	9	—	—	19	9
OTHERS	162	66	(140)	(112)	22	(46)
DEFERRED TAX ASSETS/ (LIABILITIES)	302	183	(761)	(717)	(459)	(534)
SET-OFF OF DEFERRED TAXATION	(239)	(132)	239	132	—	—
NET DEFERRED TAX ASSETS/ (LIABILITIES)	63	51	(522)	(585)	(459)	(534)

(c) Movement in deferred tax assets/(liabilities) during the year

USD MILLION	1 JANUARY 2016	RECOGNISED IN PROFIT OR LOSS	FOREIGN CURRENCY TRANSLATION	31 DECEMBER 2016
PROPERTY, PLANT AND EQUIPMENT	(519)	(14)	—	(533)
INVENTORIES	28	11	—	39
TRADE AND OTHER RECEIVABLES	10	(2)	—	8
DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)	(22)	11	—	(11)
TAX LOSS CARRY-FORWARDS	27	(17)	(1)	9
OTHERS	(4)	(42)	—	(46)
TOTAL	(480)	(53)	(1)	(534)

USD MILLION	1 JANUARY 2017	RECOGNISED IN PROFIT OR LOSS	FOREIGN CURRENCY TRANSLATION	31 DECEMBER 2017
PROPERTY, PLANT AND EQUIPMENT	(533)	(14)	—	(547)
INVENTORIES	39	(7)	—	32
TRADE AND OTHER RECEIVABLES	8	(2)	—	6
DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)	(11)	20	—	9
TAX LOSS CARRY-FORWARDS	9	10	—	19
OTHERS	(46)	67	1	22
TOTAL	(534)	74	1	(459)

Recognised tax losses expire in the following years:

YEAR OF EXPIRY	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
WITHOUT EXPIRY	19	9
	19	9

(d) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
DEDUCTIBLE TEMPORARY DIFFERENCES	691	565
TAX LOSS CARRY-FORWARDS	322	421
	1,013	986

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the

Group can utilize the benefits therefrom. Tax losses expire in the following years:

YEAR OF EXPIRY	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
WITHOUT EXPIRY	316	413
FROM 2 TO 5 YEARS	4	3
UP TO 1 YEAR	2	5
	322	421

(e) Unrecognised deferred tax liabilities

Retained earnings of the Group's subsidiaries where dividend distributions are subject to taxation included USD1,387 million and USD1,192 million as at 31 December 2017 and 31 December 2016, respectively, for which deferred taxation has not been provided because remittance of the earnings has been indefinitely postponed through reinvestment and, as a result, such amounts are

considered to be permanently invested. It was not practicable to determine the amount of temporary differences relating to investments in subsidiaries where the Group is able to control the timing of reversal of the difference. Reversal is not expected in the foreseeable future. For other subsidiaries in the Group, including the significant trading companies, the distribution of dividends does not give rise to taxes.

(f) Current taxation in the consolidated statement of financial position represents:

	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
NET INCOME TAX RECEIVABLE AT THE BEGINNING OF THE YEAR	19	54
INCOME TAX FOR THE YEAR	(140)	(122)
INCOME TAX PAID	100	55
DIVIDEND WITHHOLDING TAX	26	23
TRANSLATION DIFFERENCE	11	9
	16	19
REPRESENTED BY:		
INCOME TAX PAYABLE (NOTE 17)	(16)	(13)
PREPAID INCOME TAX (NOTE 17)	32	32
NET INCOME TAX RECOVERABLE	16	19

9 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 2 of the Companies (Disclosure of information about Benefits of Directors) Regulations are as follows:

	YEAR ENDED 31 DECEMBER 2017			
	DIRECTORS' FEES USD THOUSAND	SALARIES, ALLOWANCES, BENEFITS IN KIND USD THOUSAND	DISCRETIONARY BONUSES USD THOUSAND	TOTAL USD THOUSAND
EXECUTIVE DIRECTORS				
OLEG DERIPASKA	—	1,804	4,000	5,804
VLADISLAV SOLOVIEV	—	3,957	4,220	8,177
SIEGFRIED WOLF	—	1,711	—	1,711
NON-EXECUTIVE DIRECTORS				
MAKSIM GOLDMAN	195	—	—	195
DMITRY AFANASIEV	184	—	—	184
IVAN GLASENBERG	195	—	—	195
GULZHAN MOLDAZHANOVA	176	—	—	176
EKATERINA NIKITINA	182	—	—	182
OLGA MASHKOVSKAYA	169	—	—	169
DANIEL LESIN WOLFE	195	—	—	195
MAKSIM SOKOV	182	—	—	182
MARCO MUSETTI	181	—	—	181

	YEAR ENDED 31 DECEMBER 2017			
	DIRECTORS' FEES USD THOUSAND	SALARIES, ALLOWANCES, BENEFITS IN KIND USD THOUSAND	DISCRETIONARY BONUSES USD THOUSAND	TOTAL USD THOUSAND
INDEPENDENT NON-EXECUTIVE DIRECTORS				
MATTHIAS WARNIG (CHAIRMAN)	462	—	—	462
BERNARD ZONNEVELD	215	—	—	215
PHILIP LADER	314	—	—	314
ELSIE LEUNG OI-SIE	202	—	—	202
MARK GARBER	215	—	—	215
DMITRY VASILIEV	183	—	—	183
	3,250	7,472	8,220	18,942

	YEAR ENDED 31 DECEMBER 2016			
	DIRECTORS' FEES USD THOUSAND	SALARIES, ALLOWANCES, BENEFITS IN KIND USD THOUSAND	DISCRETIONARY BONUSES USD THOUSAND	TOTAL USD THOUSAND
EXECUTIVE DIRECTORS				
OLEG DERIPASKA	—	1,793	4,179	5,972
VLADISLAV SOLOVIEV	—	3,797	3,518	7,315
SIEGFRIED WOLF (A)	—	862	—	862
STALBEK MISHAKOV (B)	—	326	—	326
NON-EXECUTIVE DIRECTORS				
MAKSIM GOLDMAN	202	—	—	202
DMITRY AFANASIEV	184	—	—	184
LEN BLAVATNIK (C)	141	—	—	141
IVAN GLASENBERG	202	—	—	202
GULZHAN MOLDAZHANOVA	182	—	—	182
EKATERINA NIKITINA	188	—	—	188
OLGA MASHKOVSKAYA	175	—	—	175
DANIEL LESIN WOLFE	202	—	—	202
MAKSIM SOKOV	181	—	—	181
MARCO MUSETTI (D)	6	—	—	6

	YEAR ENDED 31 DECEMBER 2016			
	DIRECTORS' FEES USD THOUSAND	SALARIES, ALLOWANCES, BENEFITS IN KIND USD THOUSAND	DISCRETIONARY BONUSES USD THOUSAND	TOTAL USD THOUSAND
INDEPENDENT NON-EXECUTIVE DIRECTORS				
MATTHIAS WARNIG (CHAIRMAN)	461	—	—	461
NIGEL KENNY (E)	112	—	—	112
BERNARD ZONNEVELD (F)	110	—	—	110
PHILIP LADER	292	—	—	292
ELSIE LEUNG OI-SIE	209	—	—	209
MARK GARBER	222	—	—	222
DMITRY VASILIEV	188	—	—	188
	3,257	6,778	7,697	17,732

The remuneration of the executive directors disclosed above includes compensation received starting from the date of the appointment and/or for the period until their termination as a member of the Board of Directors.

Retirement scheme contributions for the directors, who are members of management, are not disclosed as the amount is considered not significant for either year presented. There are no retirement scheme contributions for non-executive directors.

- a. Siegfried Wolf was appointed as an Executive Director in June 2016.
- b. Stalbek Mishakov resigned from his position as a member of the Board of Directors in June 2016.
- c. Len Blavatnik resigned from his position as a member of the Board of Directors in November 2016.
- d. Marco Musetti was appointed as Non-executive Director in December 2016.
- e. Nigel Kenny resigned from his position as a member of the Board of Directors in June 2016.
- f. Bernard Zonneveld was appointed as Independent Non-executive Director in June 2016.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two were directors in the years ended 31 December 2017 and

2016, respectively, whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other individuals are as follows:

	YEAR ENDED 31 DECEMBER	
	2017 USD THOUSAND	2016 USD THOUSAND
SALARIES	8,990	9,718
DISCRETIONARY BONUSES	9,041	14,774
	18,031	24,492

The emoluments of the other individuals with the highest emoluments are within the following bands:

	YEAR ENDED 31 DECEMBER	
	2017 NUMBER OF INDIVIDUALS	2016 NUMBER OF INDIVIDUALS
HKD36,000,001 – HKD36,500,000 (USD4,600,001 – USD4,700,000)	1	—
HKD38,000,001 – HKD38,500,000 (USD4,800,001 – USD4,900,000)	—	1
HKD43,500,001 – HKD44,000,000 (USD5,500,001 – USD5,600,000)	1	—
HKD60,500,001 – HKD61,000,000 (USD7,750,001 – USD7,850,000)	1	—
HKD71,500,001 – HKD72,000,000 (USD9,200,001 – USD9,300,000)	—	1
HKD80,500,001 – HKD81,000,000 (USD10,350,001 – USD10,450,000)	—	1

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years presented.

Retirement scheme contributions to individuals with highest emoluments are not disclosed as the amount is considered not significant for either year presented.

11 DIVIDENDS

On 24 August 2017 the Board of Directors of the Company approved an interim dividend of USD299.3 million (USD0.0197 per ordinary share) for 2017. The interim dividend was paid on 10 October 2017.

In September 2016 the Board of Directors of the Company approved an interim dividend in the aggregate amount of USD250 million (USD0.01645 per ordinary

share) for the financial year ended 31 December 2016. Payment of the interim dividend was subject to the Company obtaining prior consents from certain lenders of the Company. On 25 October 2016, the required consents have been obtained by the Company. The interim dividend was paid on 31 October 2016 in cash.

The Company is subject to external capital requirements (refer to note 22(f)).

12 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Com-

pany and the weighted average number of shares in issue during the years ended 31 December 2017 and 31 December 2016. Weighted average number of shares:

	YEAR ENDED 31 DECEMBER	
	2017	2016
ISSUED ORDINARY SHARES AT BEGINNING OF THE YEAR	15,193,014,862	15,193,014,862
EFFECT OF TREASURY SHARES	—	(3,430)
WEIGHTED AVERAGE NUMBER OF SHARES AT END OF THE YEAR	15,193,014,862	15,193,011,432
PROFIT FOR THE YEAR, USD MILLION	1,222	1,179
BASIC AND DILUTED EARNINGS PER SHARE, USD	0.080	0.078

There were no outstanding dilutive instruments during the years ended 31 December 2017 and 2016.

13 PROPERTY, PLANT AND EQUIPMENT

Accounting policies

(i) Recognition and measurement

Items of property, plant and equipment, are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2004, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of periodic relining of electrolyzers is capitalised and depreciated over the expected production period.

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within gain/(loss) on disposal of property, plant and equipment in the statement of income.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of income as incurred.

(iii) Exploration and evaluation assets

Exploration and evaluation activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activities include:

- ▶ **researching and analysing historical exploration data;**
- ▶ **gathering exploration data through topographical, geochemical and geophysical studies;**
- ▶ **exploratory drilling, trenching and sampling;**
- ▶ **determining and examining the volume and grade of the resource;**
- ▶ **surveying transportation and infrastructure requirements; and**
- ▶ **conducting market and finance studies.**

Administration costs that are not directly attributable to a specific exploration area are charged to the statement of income.

License costs paid in connection with a right to explore in an existing exploration area are capitalised and amortized over the term of the permit.

Exploration and evaluation expenditure is capitalised as exploration and evaluation assets when it is expected that expenditure related to an area of interest will be recouped by future exploitation, sale, or, at the reporting date, the exploration and evaluation activities have not reached a stage that permits a reasonable assessment of the existence of commercially recoverable ore reserves. Capitalised exploration and evaluation expenditure is recorded as a component of property, plant and equipment at cost less impairment losses. As the asset is not available for use, it is not depreciated. All capitalised exploration and evaluation expenditure is monitored for indications of impairment. Where there are indicators of potential impairment, an assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash-generat-

ing unit) to which the exploration is attributed. Exploration areas at which reserves have been discovered but which require major capital expenditure before production can begin are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway or planned. To the extent that capitalised expenditure is not expected to be recovered it is charged to the statement of income.

Exploration and evaluation assets are transferred to mining property, plant and equipment or intangible assets when development is sanctioned.

(iv) Stripping costs

Expenditure relating to the stripping of overburden layers of ore, including estimated site restoration costs, is included in the cost of production in the period in which it is incurred.

(v) Mining assets

Mining assets are recorded as construction in progress and transferred to mining property, plant and equipment when a new mine reaches commercial production.

Mining assets include expenditure incurred for:

- ▀ **Acquiring mineral and development rights;**
- ▀ **Developing new mining operations.**

Mining assets include interest capitalised during the construction period, when financed by borrowings.

(vi) Depreciation

The carrying amounts of property, plant and equipment (including initial and any subsequent capital expenditure) are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned, or the estimated life of the associated mine or mineral lease, if shorter. Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated.

The property, plant and equipment is depreciated on a straight-line or units of production basis over the respective estimated useful lives as follows:

▀ Buildings	30 to 50 years;
▀ Plant, machinery and equipment	5 to 40 years;
▀ Electrolysers	4 to 15 years;
▀ Mining assets	units of production on proven and probable reserves;
▀ Other (except for exploration and evaluation assets)	1 to 20 years.

DISCLOSURES

USD MILLION	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	ELECTRO-LYSERS	OTHER	MINING ASSETS	CONSTRUCTION IN PROGRESS	TOTAL
COST/DEEMED COST							
BALANCE AT 1 JANUARY 2016	3,383	5,999	2,148	168	492	1,397	13,587
ADDITIONS	—	1	89	8	33	452	583
DISPOSALS	(98)	(435)	(15)	(2)	(90)	(10)	(650)
TRANSFERS	71	263	14	1	15	(364)	—
FOREIGN CURRENCY TRANSLATION	38	24	(19)	(6)	60	36	133
BALANCE AT 31 DECEMBER 2016	3,394	5,852	2,217	169	510	1,511	13,653
BALANCE AT 1 JANUARY 2017	3,394	5,852	2,217	169	510	1,511	13,653
ACQUIRED THROUGH BUSINESS COMBINATION	—	—	—	10	—	—	10
ADDITIONS	—	17	109	5	17	704	852
DISPOSALS	(18)	(44)	(13)	(3)	(74)	(18)	(170)
TRANSFERS	65	359	24	1	14	(463)	—
FOREIGN CURRENCY TRANSLATION	47	58	3	1	25	17	151
BALANCE AT 31 DECEMBER 2017	3,488	6,242	2,340	183	492	1,751	14,496

ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES

USD MILLION	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	ELECTRO-LYSERS	OTHER	MINING ASSETS	CONSTRUCTION IN PROGRESS	TOTAL
BALANCE AT 1 JANUARY 2016	1,877	4,549	1,763	145	450	949	9,733
DEPRECIATION CHARGE	75	231	152	6	1	—	465
IMPAIRMENT LOSS/ (REVERSAL) OF IMPAIRMENT LOSS	(66)	(85)	(4)	—	22	20	(113)
DISPOSALS	(93)	(426)	(13)	(2)	(77)	—	(611)
FOREIGN CURRENCY TRANSLATION	31	21	(19)	(6)	59	28	114
BALANCE AT 31 DECEMBER 2016	1,824	4,290	1,879	143	455	997	9,588
BALANCE AT 1 JANUARY 2017	1,824	4,290	1,879	143	455	997	9,588
DEPRECIATION CHARGE	80	269	149	7	1	—	506
IMPAIRMENT LOSS/ (REVERSAL) OF IMPAIRMENT LOSS	(1)	(33)	5	(2)	(29)	80	20
DISPOSALS	(4)	(30)	(11)	(1)	(23)	—	(69)
FOREIGN CURRENCY TRANSLATION	43	45	3	1	23	13	128
BALANCE AT 31 DECEMBER 2017	1,942	4,541	2,025	148	427	1,090	10,173
NET BOOK VALUE							
AT 31 DECEMBER 2016	1,570	1,562	338	26	55	514	4,065
AT 31 DECEMBER 2017	1,546	1,701	315	35	65	661	4,323

Depreciation expense of USD468 million (2016: USD426 million) has been charged to cost of goods sold, USD3 million (2016: USD3 million) to distribution expenses and USD13 million (2016: USD16 million) to administrative expenses.

During the year ended 31 December 2017 interest expense of USD16 million was capitalised following commencement of active construction at several projects. During the year ended 2016 no interest expense was capitalised due to postponement of construction projects as a result of the economic environment.

Included into construction in progress at 31 December 2017 and 2016 are advances to suppliers of property, plant and equipment of USD134 million and USD89 million, respectively.

The carrying value of property, plant and equipment subject to lien under loan agreements was USD3 million as at 31 December 2017 (31 December 2016: USD225 million), refer to note 19.

(g) Impairment

In accordance with the Group's accounting policies, each asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs of disposal and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties and is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal.

Value in use is also generally determined as the present value of the estimated future cash flows, but only those expected to arise from the continued use of the asset in its present form and its eventual disposal. Present values are determined using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset. Future cash flow estimates are based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), bauxite reserve estimate, operating costs, restoration and rehabilitation costs and future capital expenditure.

Bauxite reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. The Group determines ore reserves under the Australasian Code for Reporting of Mineral Resources and Ore Reserves September 1999, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves.

Management identified several factors that indicated that previously recognised impairment loss in respect of a number of the Group's cash-generating units may require reversal. These include significant increase of aluminium and alumina prices during the year as result of continued LME recovery. In aluminium production, the Group faced increase in cash cost due to increase in alumina costs partially counterbalanced by application of cash cost control measures. For alumina cash generating units, major influence was on the part of recovery in alumina prices and increase in prices of energy resources being a significant part of cash cost. Bauxite cash generating units incurred more or less stable sale price of bauxite.

For the purposes of impairment testing the recoverable amount of each cash generating unit was determined by discounting expected future net cash flows of the cash generating unit.

Based on results of impairment testing as at 31 December 2017, management has concluded that a reversal of previously recognised impairment loss relating to property, plant and equipment should be recognised in these consolidated financial statements in respect of the Windalco cash generating unit in the amount of USD63 million.

Based on results of impairment testing as at 31 December 2016, management has concluded that an impairment loss relating to property, plant and equipment should be recognised in these financial statements in respect of the Bauxite Company of Guyana Inc., Armenal and Ural Foil cash generating units in the amounts of USD58 million, USD48 million and USD13 million, respectively, as the determined recoverable amount was nega-

tive. Management has also concluded that a reversal of previously recognised impairment loss relating to property, plant and equipment should be recognised in these financial statements in respect of the Kubikenborg Aluminium, Kremniy, Windalco, Aughinish Alumina, Kandalaksha smelter and Irkutsk smelter cash generating units in the amounts of USD124 million, USD52 million, USD48 million, USD38 million, USD30 million and USD7 million, respectively.

For the purposes of impairment testing the recoverable amount of each cash generating unit was determined by discounting expected future net cash flows of the cash generating unit. The pre-tax discount rates applied to the above mentioned cash generating units, estimated in nominal terms based on an industry weighted average cost of capital, are presented in the table below.

	YEAR ENDED 31 DECEMBER	
	2017	2016
BAUXITE COMPANY OF GUYANA INC.	16.7%	16.7%
ARMENAL	20.0%	20.0%
URAL FOIL	15.3%	15.3%
KUBIKENBORG ALUMINIUM	14.4%	13.2%
KREMNIY	15.9%	19.0%
WINDALCO	22.7%	31.5%
AUGHINISH ALUMINA	14.3%	13.5%
KANDALAKSHA SMELTER	18.6%	18.5%
IRKUTSK SMELTER	16.3%	16.4%

The recoverable amount of a number of the cash generating units tested for impairment are particularly sensitive to changes in forecast aluminium and alumina prices, foreign exchange rates and applicable discount rates.

Additionally, management identified specific items of property, plant and equipment that are no longer in use and therefore are not considered to be recoverable amounting to USD83 million at 31 December 2017 (2016: USD67 million). These assets have been impaired in full. No further impairment of property, plant and equipment or reversal of previously recorded impairment was identified by management.

(h) Leased assets

Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to

the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

The corresponding finance lease obligation is included within interest bearing liabilities. The interest element is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

Assets held under other leases (operating leases) are not recognised in the statement of financial position. Payments made under the lease are charged to the statement of income in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the statement of income as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the statement of income in the accounting period in which they are incurred.

	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
OWNED AND LEASED PROPERTIES		
IN THE RUSSIAN FEDERATION		
FREEHOLD	1,380	1,404
SHORT-TERM LEASES	18	22
MEDIUM-TERM LEASES	7	7
OUTSIDE THE RUSSIAN FEDERATION		
FREEHOLD	141	137
	1,546	1,570
REPRESENTING		
LAND AND BUILDINGS	1,546	1,570

Included in the above mentioned amounts is the land held on long lease in the Russian Federation that comprised USD25 million and USD29 million at 31 December

2017 and 31 December 2016, respectively. The Group does not hold land in Hong Kong.

14 INTANGIBLE ASSETS

Accounting policies

(i) Goodwill

On the acquisition of a subsidiary, an interest in a joint venture or an associate or an interest in a joint arrangement that comprises a business, the identifiable assets, liabilities and contingent liabilities of the acquired business (or interest in a business) are recognised at their fair values unless the fair values cannot be measured reliably. Where the fair values of assumed contingent liabilities cannot be measured reliably, no liability is recognised but the contingent liability is disclosed in the same manner as for other contingent liabilities.

Goodwill arises when the cost of acquisition exceeds the fair value of the Group's interest in the net fair value of identifiable net assets acquired. Goodwill is not amortized but is tested for impairment annually. For this purpose, goodwill arising on a business combination is allocated to the cash-generating units expected to benefit from the acquisition and any impairment loss recognised is not reversed even where circumstances indicate a recovery in value.

When the fair value of the Group's share of identifiable net assets acquired exceeds the cost of acquisition, the difference is recognised immediately in the statement of income.

In respect of associates or joint ventures, the carrying amount of goodwill is included in the carrying amount of the interest in the associate and joint venture and the investment as a whole is tested for impairment whenever there is objective evidence of impairment. Any impairment loss is allocated to the carrying amount of the interest in the associate and joint venture.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of income when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use and capitalised borrowing costs. Other development expenditure is recognised in the statement of income when incurred.

Capitalised development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of income when incurred.

(v) Amortization

Amortization is recognized in the statement of income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives are as follows:

 software	5 years;
 other	2-8 years.

The amortization method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

DISCLOSURES

	GOODWILL USD MILLION	OTHER INTANGIBLE ASSETS USD MILLION	TOTAL USD MILLION
COST			
BALANCE AT 1 JANUARY 2016	2,639	535	3,174
ADDITIONS	—	17	17
DISPOSALS	—	(13)	(13)
TRANSFERS TO OTHER NON-CURRENT ASSETS	—	(2)	(2)
FOREIGN CURRENCY TRANSLATION	198	4	202
BALANCE AT 31 DECEMBER 2016	2,837	541	3,378

DISCLOSURES

	GOODWILL USD MILLION	OTHER INTANGIBLE ASSETS USD MILLION	TOTAL USD MILLION
BALANCE AT 1 JANUARY 2017	2,837	541	3,378
ADDITIONS	17	20	37
DISPOSALS	—	(15)	(15)
FOREIGN CURRENCY TRANSLATION	63	1	64
BALANCE AT 31 DECEMBER 2017	2,917	547	3,464
AMORTIZATION AND IMPAIRMENT LOSSES			
BALANCE AT 1 JANUARY 2016	(449)	(451)	(900)
AMORTIZATION CHARGE	—	(8)	(8)
BALANCE AT 31 DECEMBER 2016	(449)	(459)	(908)
BALANCE AT 1 JANUARY 2017	(449)	(459)	(908)
AMORTIZATION CHARGE	—	(4)	(4)
BALANCE AT 31 DECEMBER 2017	(449)	(463)	(912)
NET BOOK VALUE			
AT 31 DECEMBER 2016	2,388	82	2,470
AT 31 DECEMBER 2017	2,468	84	2,552

The amortization charge is included in cost of sales in the consolidated statement of income.

Goodwill recognised in these consolidated financial statements initially arose on the formation of the

Group in 2000 and the acquisition of a 25% additional interest in the Group by its controlling shareholder in 2003. The amount of goodwill was principally increased in 2007 as a result of the acquisition of certain businesses of SUAL Partners and Glencore.

(i) Impairment testing of goodwill and other intangible assets

For the purposes of impairment testing, the entire amount of goodwill is allocated to the aluminium segment of the Group's operations. The aluminium segment represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The recoverable amount represents value in use as determined by discounting the future cash flows generated from the continuing use of the plants within the Group's aluminium segment.

Similar considerations to those described above in respect of assessing the recoverable amount of property, plant and equipment apply to goodwill.

At 31 December 2017, management analysed changes in the economic environment and developments in the aluminium industry and the Group's operations since 31 December 2016 and performed an impairment test for goodwill at 31 December 2017 using the following assumptions to determine the recoverable amount of the segment:

- ▶ **Total production was estimated based on average sustainable production levels of 3.8 million metric tonnes of primary aluminium, of 8.0 million metric tonnes of alumina and of 12.3 million metric tonnes of bauxite. Bauxite and alumina will be used primarily internally for production of primary aluminium;**
- ▶ **Sales prices were based on the long-term aluminium price outlook derived from available industry and market sources at USD2,058 per tonne for primary aluminium in 2018, USD2,043 in 2019, USD2,035 in 2020, USD2,037 in 2021, USD2,053 in 2022. Operating costs were projected based on the historical performance adjusted for inflation;**
- ▶ **Nominal foreign currency exchange rates applied to convert operating costs of the Group denominated in RUB into USD were RUB62.3 for one USD in 2018, RUB61.4 in 2019, RUB62.2 in 2020, RUB60.5 in 2021, RUB59.5 in 2022. Inflation of 3.9% – 4.9% in RUB and 1.3% - 2.3% in USD was assumed in determining recoverable amounts;**

- ▶ **The pre-tax discount rate was estimated in nominal terms based on the weighted average cost of capital basis and was 13.1%;**

- ▶ **A terminal value was derived following the forecast period assuming a 1.7% annual growth rate.**

Values assigned to key assumptions and estimates used to measure the units' recoverable amount was based on external sources of information and historic data. Management believes that the values assigned to the key assumptions and estimates represented the most realistic assessment of future trends. The results were particularly sensitive to the following key assumptions:

- ▶ **A 5% reduction in the projected aluminium price level would have resulted in a decrease in the recoverable amount by 26% but would not lead to an impairment;**

- ▶ **A 5% increase in the projected level of electricity and alumina costs in the aluminium production would have resulted in a 17% decrease in the recoverable amount but would not lead to an impairment;**

- ▶ **A 1% increase in the discount rate would have resulted in a 7% decrease in the recoverable amount but would not lead to an impairment.**

Based on results of impairment testing of goodwill, management concluded that no impairment should be recorded in the consolidated financial statements as at 31 December 2017.

At 31 December 2016, management analysed changes in the economic environment and developments in the aluminium industry and the Group's operations since 31 December 2015 and performed an impairment test for goodwill at 31 December 2016 using the following assumptions to determine the recoverable amount of the segment:

- ▶ **Total production was estimated based on average sustainable production levels of 3.7 million metric tonnes of primary aluminium, of 7.8 million metric tonnes of alumina and of 12.0 million metric tonnes of bauxite. Bauxite and alumina will be used primarily internally for production of primary aluminium;**

- Sales prices were based on the long-term aluminium price outlook derived from available industry and market sources at USD1,673 per tonne for primary aluminium in 2017, USD1,703 in 2018, USD1,726 in 2019, USD1,789 in 2020, USD1,911 in 2021. Operating costs were projected based on the historical performance adjusted for inflation;**
- Nominal foreign currency exchange rates applied to convert operating costs of the Group denominated in RUB into USD were RUB62.4 for one USD in 2017, RUB67.7 in 2018, RUB69.7 in 2019, RUB71.0 in 2020, RUB69.0 in 2021. Inflation of 4.4% – 5.4% in RUB and 1.3% - 2.2% in USD was assumed in determining recoverable amounts;**
- The pre-tax discount rate was estimated in nominal terms based on the weighted average cost of capital basis and was 13.7%;**
- A terminal value was derived following the forecast period assuming a 1.8% annual growth rate.**

Values assigned to key assumptions and estimates used to measure the units' recoverable amount was based on external sources of information and historic data. Management believes that the values assigned to the key assumptions and estimates represented the most realistic assessment of future trends. The results were particularly sensitive to the following key assumptions:

- A 5% reduction in the projected aluminium price level would have resulted in a decrease in the recoverable amount by 23% but would not lead to an impairment;**
- A 5% increase in the projected level of electricity and alumina costs in the aluminium production would have resulted in a 15% decrease in the recoverable amount but would not lead to an impairment;**
- A 1% increase in the discount rate would have resulted in a 8% decrease in the recoverable amount but would not lead to an impairment.**

Based on results of impairment testing of goodwill, management concluded that no impairment should be recorded in the consolidated financial statements as at 31 December 2016.

15 INTERESTS IN ASSOCIATES AND JOINT VENTURES

Accounting policies

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In accordance with the Group's accounting policies, each investment in an associate or joint venture is evaluated every reporting period to determine whether there are any indications of impairment after application of the equity method of accounting. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an investment in an associate or joint venture is measured at the higher of fair

value less costs of disposal and value in use.

Similar considerations to those described above in respect of assessing the recoverable amount of property, plant and equipment apply to investments in associates or joint venture. In addition to the considerations described above the Group may also assess the estimated future cash flows expected to arise from dividends to be received from the investment, if such information is available and considered reliable.

DISCLOSURES

	YEAR ENDED 31 DECEMBER	
	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
BALANCE AT THE BEGINNING OF THE YEAR	4,147	3,214
GROUP'S SHARE OF PROFITS, IMPAIRMENT AND REVERSAL OF IMPAIRMENT	620	848
REVERSAL OF PROVISION FOR A GUARANTEE INCLUDED IN THE SHARE OF PROFITS	—	(100)
DIVIDENDS	(535)	(490)
GROUP'S SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATES	(28)	—
FOREIGN CURRENCY TRANSLATION	244	675
BALANCE AT THE END OF THE YEAR	4,448	4,147
GOODWILL INCLUDED IN INTERESTS IN ASSOCIATES	2,609	2,477

The following list contains only the particulars of associates and joint ventures, all of which are corporate entities, which principally affected the results or assets of the Group.

NAME OF ASSOCIATE/ JOINT VENTURE	PLACE OF INCORPORATION AND OPERATION	PARTICULARS OF ISSUED AND PAID UP CAPITAL	OWNERSHIP INTEREST		PRINCIPAL ACTIVITY
			GROUP'S EFFECTIVE INTEREST	GROUP'S NOMINAL INTEREST	
PJSC MMC NORILSK NICKEL	RUSSIAN FEDERATION	158,245,476 SHARES, RUB1 PAR VALUE	27.82%	27.82%	NICKEL AND OTHER METALS PRODUCTION
QUEENSLAND ALUMINA LIMITED	AUSTRALIA	2,212,000 SHARES, AUD2 PAR VALUE	20%	20%	PRODUCTION OF ALUMINA UNDER A TOLLING AGREEMENT
BEMO PROJECT	CYPRUS, RUSSIAN FEDERATION	BOGES LIMITED, BALP LIMITED – 10,000 SHARES EUR1.71 EACH	50%	50%	ENERGY/ALUMINIUM PRODUCTION

The summary of the consolidated financial statements of associates and joint ventures for the year ended 31 December 2017 is presented below:

	PJSC MMC NORILSK NICKEL		QUEENSLAND ALUMINA LIMITED		BEMO PROJECT		OTHER JOINT VENTURES	
	GROUP SHARE	100%	GROUP SHARE	100%	GROUP SHARE	100%	GROUP SHARE	100%
NON-CURRENT ASSETS	5,889	12,109	119	552	1,422	2,970	170	328
CURRENT ASSETS	1,259	4,526	29	153	100	200	107	301
NON-CURRENT LIABILITIES	(2,698)	(9,625)	(76)	(207)	(960)	(1,920)	(40)	(81)
CURRENT LIABILITIES	(654)	(2,352)	(72)	(358)	(39)	(78)	(108)	(280)
NET ASSETS	3,796	4,658	—	140	523	1,172	129	268

	PJSC MMC NORILSK NICKEL		QUEENSLAND ALUMINA LIMITED		BEMO PROJECT		OTHER JOINT VENTURES	
	GROUP SHARE	100%	GROUP SHARE	100%	GROUP SHARE	100%	GROUP SHARE	100%
REVENUE	2,545	9,146	134	670	273	546	859	2,377
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	528	2,129	—	14	58	(17)	34	64
OTHER COMPREHENSIVE INCOME	188	223	—	9	25	51	(1)	8
TOTAL COMPREHENSIVE INCOME	716	2,352	—	23	83	34	33	72

The summary of the consolidated financial statements of associates and joint ventures for the year ended 31 December 2016 is presented below:

	PJSC MMC NORILSK NICKEL		QUEENSLAND ALUMINA LIMITED		BEMO PROJECT		OTHER JOINT VENTURES	
	GROUP SHARE	100%	GROUP SHARE	100%	GROUP SHARE	100%	GROUP SHARE	100%
NON-CURRENT ASSETS	4,994	8,881	136	587	1,275	2,818	158	311
CURRENT ASSETS	1,577	5,668	22	115	77	153	146	412
NON-CURRENT LIABILITIES	(2,281)	(8,115)	(89)	(242)	(880)	(1,817)	(34)	(70)
CURRENT LIABILITIES	(698)	(2,508)	(69)	(345)	(36)	(73)	(151)	(412)
NET ASSETS	3,592	3,926	—	115	436	1,081	119	241

	PJSC MMC NORILSK NICKEL		QUEENSLAND ALUMINA LIMITED		BEMO PROJECT		OTHER JOINT VENTURES	
	GROUP SHARE	100%	GROUP SHARE	100%	GROUP SHARE	100%	GROUP SHARE	100%
REVENUE	2,289	8,165	125	625	282	563	893	2,539
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	688	2,198	—	(24)	40	16	20	3
OTHER COMPREHENSIVE INCOME	602	381	—	(1)	67	139	6	4
TOTAL COMPREHENSIVE INCOME	1,290	2,579	—	(25)	107	155	26	7

(a) PJSC MMC Norilsk Nickel

The Group's investment in Norilsk Nickel is accounted for using equity method and the carrying value as at 31 December 2017 and 31 December 2016 amounted USD3,796 million and USD3,592 million, respectively. The market value amounted USD8,294 million and USD7,348 million as at 31 December 2017 and 31 December 2016, respectively, and is determined by multiplying the quoted bid price per share on the Moscow Exchange on the year-end date by the number of shares held by the Group.

The Group has previously issued consolidated financial statements as at and for the year ended 31 December 2017 dated 22 February 2018. At that date the Group was unable to obtain consolidated financial statements of PJSC MMC Norilsk Nickel, as at and for the year ended 31 December 2017. Consequently management estimated the Group's share of profit, other comprehensive income and foreign currency translation gain in relation to Norilsk Nickel for the year ended 31 December 2017 based on the latest publicly available information reported by Norilsk Nickel for six months ended 30 June 2017 adjusted by the Group to account for Norilsk Nickel's performance in the second half of 2017. On 6 March 2018 PJSC MMC Norilsk Nickel published its audited consolidated financial statements prepared in accordance with IFRS as at and for the year ended 31 December 2017. Management has used this information to reassess the Group's share in the profits and other comprehensive income of the investee and compare these amounts to their previous estimates. As a result of this comparison, management has concluded

that the Group's share of profit, foreign currency translation gain and other comprehensive income for the year ended 31 December 2017 as well as the carrying amount of the Group's interest in associates as at 31 December 2017 reported in the Group's consolidated financial statements issued on 22 February 2018 do not require restatement.

(b) Queensland Alumina Limited ("QAL")

The carrying value of the Group's investment in Queensland Alumina Limited as at both 31 December 2017 and 31 December 2016 amounted to USD nil million. At 31 December 2017 management has not identified any impairment reversal indicators relating to the Group's investment in QAL and as a result no detailed impairment testing was performed in relation to this investment.

(c) BEMO project

The carrying value of the Group's investment in BEMO project as at 31 December 2017 and 31 December 2016 amounted USD523 million and USD436 million, respectively.

For the purposes of impairment testing, the BEMO project was separated into two cash generating units – the Boguchansky Aluminium Smelter ("BoAZ") and the Boguchansky Hydro Power Plant ("BoGES"). The recoverable amount was determined by discounting the expected future net cash flows of each cash generating unit.

At 31 December 2017 management has not identified any impairment indicators relating to the Group's investment in BoGES and as a result no detailed impairment testing was performed in relation to this investment. Results of impairment testing of BoAZ investment for the year ended 31 December 2017 showed that investment in BoAZ is fully impaired and no reversal of previously recorded impairment was identified by management.

At 31 December 2017, accumulated losses of USD573 million (2016: USD550 million) related to impairment charges at BoAZ have not been recognised because the Group's investment has already been fully written down to USD nil million.

At 31 December 2016 management has not identified any impairment indicators relating to the Group's

investment in BoGES and as a result no detailed impairment testing was performed in relation to this investment. Results of impairment testing of BoAZ investment for the year ended 31 December 2016 showed that investment in BoAZ is fully impaired and no reversal of previously recorded impairment was identified by management.

The recoverable amounts of the two cash generating units are particularly sensitive to changes in forecast aluminium and electricity prices, foreign exchange rates, applicable discount rates and, in respect to BoAZ, the forecast period to reach full production capacity.

Summary of the additional financial information of the Group's effective interest in BEMO project for the year ended 31 December 2017 and 31 December 2016 is presented below (all in USD million):

	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
CASH AND CASH EQUIVALENTS	21	18
CURRENT FINANCIAL LIABILITIES	(11)	(7)
NON-CURRENT FINANCIAL LIABILITIES	(920)	(844)
DEPRECIATION AND AMORTIZATION	(18)	(16)
INTEREST INCOME	1	1
INTEREST EXPENSE	(25)	(28)
INCOME TAX EXPENSE	(4)	(11)

16 INVENTORIES

Accounting policies

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is determined under the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

The production costs include mining and concentrating costs, smelting, treatment and refining costs, other cash costs and depreciation and amortization of operating assets.

The Group recognises write-downs of inventories based on an assessment of the net realisable value of the inventories. A write-down is applied to the inventories where events or changes in circumstances indicate that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact the carrying value of the inventories and the write-down of inventories charged to the statement of income in the periods in which such estimate has been changed.

DISCLOSURES

	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
RAW MATERIALS AND CONSUMABLES	1,001	819
WORK IN PROGRESS	682	578
FINISHED GOODS AND GOODS HELD FOR RESALE	898	714
	2,581	2,111
PROVISION FOR INVENTORY OBSOLESCENCE	(167)	(185)
	2,414	1,926

Inventories at 31 December 2017 and 31 December 2016 are stated at cost.

Inventory with a carrying value of USD367 million was pledged under existing secured bank loans at 31 December 2017 (31 December 2016: USD392 million), refer to note 19.

Inventory with a carrying value of USD314 million was pledged under existing trading contracts at 31 December 2017 (31 December 2016: USD78 million).

The analysis of the amount of inventories recognised as an expense is as follows:

	YEAR ENDED 31 DECEMBER	
	2017 USD MILLION	2016 USD MILLION
CARRYING AMOUNT OF INVENTORIES SOLD	7,027	5,774
(WRITE-DOWN)/REVERSAL OF INVENTORIES	(2)	11
	7,025	5,785

17 NON-DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policies

Non-derivative financial instruments comprise investments in securities, trade and other receivables (excluding prepayments and tax assets), cash and cash equivalents, loans and borrowings and trade and other payables (excluding advances received and tax liabilities).

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents comprise cash balances and call deposits with maturities at initial recognition of three months or less that are subject to insignificant risk of changes in their fair values, and are used by the Group in the management of its short-term commitments.

Subsequent to initial recognition non-derivative financial instruments are measured as follows:

- ▀ **Trade and other receivables and other non-derivative financial assets are measured at amortized cost using the effective interest method, less any impairment losses.**
- ▀ **Trade and other payables and other non-derivative financial liabilities subsequent to initial recognition, are measured at amortized cost using the effective interest method.**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset occurred after the initial recognition of that asset and the impact can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy and the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognised in the statement of income.

Impairment losses for trade receivables included within trade and other receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the statement of income.

Disclosures

(a) Trade and other receivables

	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
TRADE RECEIVABLES FROM THIRD PARTIES	358	252
IMPAIRMENT LOSS ON TRADE RECEIVABLES	(16)	(14)
NET TRADE RECEIVABLES FROM THIRD PARTIES	342	238
TRADE RECEIVABLES FROM RELATED PARTIES, INCLUDING:	54	73
RELATED PARTIES – COMPANIES CAPABLE OF EXERTING SIGNIFICANT INFLUENCE	31	56
RELATED PARTIES – COMPANIES UNDER COMMON CONTROL	11	8
RELATED PARTIES – ASSOCIATES AND JOINT VENTURES	12	9
VAT RECOVERABLE	333	243
IMPAIRMENT LOSS ON VAT RECOVERABLE	(28)	(26)
NET VAT RECOVERABLE	305	217
ADVANCES PAID TO THIRD PARTIES	98	85
IMPAIRMENT LOSS ON ADVANCES PAID	(1)	(3)

	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
NET ADVANCES PAID TO THIRD PARTIES	97	82
ADVANCES PAID TO RELATED PARTIES, INCLUDING:	46	51
RELATED PARTIES – COMPANIES UNDER COMMON CONTROL	6	7
RELATED PARTIES – ASSOCIATES AND JOINT VENTURES	40	44
PREPAID EXPENSES	3	4
PREPAID INCOME TAX	32	32
PREPAID OTHER TAXES	28	16
OTHER RECEIVABLES FROM THIRD PARTIES	104	107
IMPAIRMENT LOSS ON OTHER RECEIVABLES	(8)	(7)
NET OTHER RECEIVABLES FROM THIRD PARTIES	96	100
OTHER RECEIVABLES FROM RELATED PARTIES, INCLUDING:	2	6
RELATED PARTIES – COMPANIES UNDER COMMON CONTROL	4	4
IMPAIRMENT LOSS ON OTHER RECEIVABLES FROM RELATED PARTIES - COMPANIES UNDER COMMON CONTROL	(3)	—
NET OTHER RECEIVABLES TO RELATED PARTIES - COMPANIES UNDER COMMON CONTROL	1	4
RELATED PARTIES – ASSOCIATES AND JOINT VENTURES	1	2
	1,005	819

All of the trade and other receivables are expected to be settled within one year or are repayable on demand.

The specific allowance for doubtful trade and other receivables during the year ended 31 December 2017 amounted to USD3 million (the specific allowance for doubtful trade and other receivables and the uncollectible amount of trade and other receivables written off during the year ended 31 December 2016 amounted to USD6 million and USD11 million, respectively).

There are no pledged trade receivables under existing secured loans from related parties at 31 December 2017 and 31 December 2016.

(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 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
CURRENT	319	273
PAST DUE 0-90 DAYS	67	32
PAST DUE 91-365 DAYS	7	4
PAST DUE OVER 365 DAYS	3	2
AMOUNTS PAST DUE	77	38
	396	311

Ageing 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. Further details of the Group's credit policy are set out in note 22(e).

(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:

	YEAR ENDED 31 DECEMBER	
	2017 USD MILLION	2016 USD MILLION
BALANCE AT THE BEGINNING OF THE YEAR	(14)	(25)
(IMPAIRMENT)/REVERSAL OF IMPAIRMENT RECOGNISED	(2)	11
BALANCE AT THE END OF THE YEAR	(16)	(14)

As at 31 December 2017 and 31 December 2016, the Group's trade receivables of USD16 million and USD14 million, respectively, were individually determined to be impaired. Management assessed that the receivables were not expected to be recovered. Consequently, specific allowances for doubtful debts were recognised.

The Group does not hold any collateral over these balances.

(b) Trade and other payables

	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
ACCOUNTS PAYABLE TO THIRD PARTIES	605	423
Accounts payable to related parties, including:	96	69
RELATED PARTIES – COMPANIES CAPABLE OF EXERTING SIGNIFICANT INFLUENCE	14	18
RELATED PARTIES – COMPANIES UNDER COMMON CONTROL	53	26
RELATED PARTIES – ASSOCIATES AND JOINT VENTURES	29	25
ADVANCES RECEIVED	390	141
ADVANCES RECEIVED FROM RELATED PARTIES, INCLUDING:	308	165
RELATED PARTIES – COMPANIES CAPABLE OF EXERTING SIGNIFICANT INFLUENCE	288	165
RELATED PARTIES – ASSOCIATES AND JOINT VENTURES	20	–
OTHER PAYABLES AND ACCRUED LIABILITIES	174	139
OTHER PAYABLE AND ACCRUED LIABILITIES RELATED PARTIES, INCLUDING:	–	8
RELATED PARTIES – ASSOCIATES AND JOINT VENTURES	–	8
CURRENT TAX LIABILITIES	16	13
OTHER TAXES PAYABLE	69	96
	1,658	1,054

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

Included in trade and other payables are trade payables with the following ageing analysis as at the

reporting date. Ageing analysis is performed based on number of days payable is overdue.

	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
CURRENT	639	404
PAST DUE 0-90 DAYS	51	75
PAST DUE 91-120 DAYS	1	1
PAST DUE OVER 120 DAYS	10	12
AMOUNTS PAST DUE	62	88
	701	492

(c) Cash and cash equivalents

	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
BANK BALANCES, USD	559	374
BANK BALANCES, RUB	31	43
BANK BALANCES, OTHER CURRENCIES	101	92
CASH IN TRANSIT	30	7
SHORT-TERM BANK DEPOSITS	93	15
CASH AND CASH EQUIVALENTS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS	814	531
RESTRICTED CASH	17	13
	831	544

As at 31 December 2017 and 31 December 2016 included in cash and cash equivalents was restricted cash of USD17

million and USD13 million, respectively, pledged under a Swiss Law Pledged Agreement with BNP Paribas (Suisse) SA and Allied Irish Bank.

18 EQUITY

(a) Share capital

	31 DECEMBER 2017		31 DECEMBER 2016	
	USD	NUMBER OF SHARES	USD	NUMBER OF SHARES
ORDINARY SHARES AT THE END OF THE YEAR, 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 YEAR OF USD0.01 EACH, ISSUED AND PAID	151,930,148	15,193,014,862	151,930,148	15,193,014,862

(b) Other reserves

The acquisition of RUSAL Limited by the Company has been accounted for as a non-substantive acquisition. The consolidated share capital and share premium represent only the share capital and share premium of the Company and the share capital and other paid in capital of RUSAL Limited prior to the acquisition has been included in other reserves.

In addition, 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 payouts are restricted in accordance with the credit facilities.

(e) 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. The reserve is dealt with in accordance with the accounting policies set out in note 3(b).

(e) Movement in components of equity within the Company

USD MILLION	SHARE CAPITAL	RESERVES	TOTAL
BALANCE AT 1 JANUARY 2016	152	7,640	7,792
PROFIT FOR THE YEAR	—	2,139	2,139
DIVIDENDS	—	(250)	(250)
BALANCE AT 31 DECEMBER 2016	152	9,529	9,681
BALANCE AT 1 JANUARY 2017	152	9,529	9,681
PROFIT FOR THE YEAR	—	3,787	3,787
DIVIDENDS	—	(299)	(299)
BALANCE AT 31 DECEMBER 2017	152	13,017	13,169

19 LOANS AND BORROWINGS

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

information about the Group's exposure to interest rate and foreign currency risk refer to notes 22(c) (ii) and 22(c) (iii), respectively.

	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
NON-CURRENT LIABILITIES		
SECURED BANK LOANS	6,200	6,991
UNSECURED BANK LOANS	145	346
BONDS	1,399	195
	7,744	7,532
CURRENT LIABILITIES		
SECURED BANK LOANS	662	1,365
UNSECURED BANK LOANS	3	—
BONDS	22	1
ACCRUED INTEREST	48	67
	735	1,433

(j) Loans and borrowings

Terms and debt repayment schedule as at 31 December 2017

	TOTAL	2018	2019	2020	2021	2022	LATER YEARS
	USD MILLION	USD MILLION	USD MILLION	USD MILLION	USD MILLION	USD MILLION	USD MILLION
SECURED BANK LOANS VARIABLE							
USD – 3M LIBOR + 3.75%	4,161	—	—	—	670	792	2,699
USD – 3M LIBOR + 2.5%	1,678	—	278	562	562	276	—
USD – 3M LIBOR + 3.5%*	385	82	81	81	81	60	—
EUR – 3M LIBOR + 3.5%*	66	13	14	14	14	11	—
USD – 3M LIBOR + 4.8%	95	95	—	—	—	—	—
USD – 2.15% + COST OF FUNDS	100	100	—	—	—	—	—
USD – 2.25% + COST OF FUNDS	25	25	—	—	—	—	—
EUR – 2.25% + COST OF FUNDS	14	14	—	—	—	—	—
USD – 2.05% + COST OF FUNDS	9	9	—	—	—	—	—
EUR – 2.05% + COST OF FUNDS	24	24	—	—	—	—	—
USD – 1M LIBOR + 2.2%	117	117	—	—	—	—	—
EUR – 1M LIBOR + 2.2%	28	28	—	—	—	—	—

	TOTAL	2018	2019	2020	2021	2022	LATER YEARS
	USD MILLION	USD MILLION	USD MILLION	USD MILLION	USD MILLION	USD MILLION	USD MILLION
FIXED RUB – 5%	9	4	5	—	—	—	—
USD – 4%	31	31	—	—	—	—	—
EUR – 2.6%	120	120	—	—	—	—	—
	6,862	662	378	657	1,327	1,139	2,699
UNSECURED BANK LOANS VARIABLE USD – 3M LIBOR + 3.0%*	100	—	100	—	—	—	—
FIXED RUB 8.75%	43	3	13	13	14	—	—
RUB 5%	5	—	1	2	2	—	—
TOTAL	7,010	665	492	672	1,343	1,139	2,699
ACCRUED INTEREST	48	48	—	—	—	—	—
TOTAL	7,058	713	492	672	1,343	1,139	2,699

* - balances repaid as at the date of issue of these financial statements from proceeds of new loan and third Eurobonds placement, see note 28 for details.

The secured bank loans are secured by pledges of shares of the following Group companies as at 31 December 2017:

- 11% of RUSAL Ural
- 25% + 1 shares of RUSAL Sayanogorsk
- 25% + 1 shares of RUSAL Bratsk
- 100% of Gershvin Investments Corp. Limited
- 100% of Aktivium Holding B.V.
- 50% interest in RUSAL Taishet

The secured bank loans are also secured by pledges of shares of associate both as at 31 December 2017 and 31 December 2016:

- 25% +1 share and 27.8% share of Norilsk Nickel, respectively.

The secured bank loans are also secured by the following:

- property, plant and equipment with a carrying amount of USD3 million (31 December 2016: USD248 million);
- inventory with a carrying value of USD367 million (31 December 2016: USD392 million).

As at 31 December 2017 and 31 December 2016 rights, including all monies and claims, arising out of certain sales contracts between the Group's trading subsidiaries and its ultimate customers, were assigned to secure the new syndicated Pre-Export Finance Term Facility Agreement (PXF) dated 24 May 2017 and the Combined PXF Facility dated 18 August 2014, respectively.

The nominal value of the Group's loans and borrowings was USD7,072 million at 31 December 2017 (31 December 2016: USD8,852 million).

On 17 March 2017 the Group executed amendments to the existing credit facilities with Sberbank. Under USD credit agreements the interest rate decreased from 3M Libor + 5.75% p.a. (incl. 1.05% PIK) to 3M Libor + 4.75% p.a. (subject to min 3M Libor at the level of 1%), effective from 29 December 2016. Under RUB credit facility outstanding exposure was converted into USD (at the rate of Central Bank of Russia as of the date of conversion). The interest rate of 3M Libor + 4.75% p.a. (subject to min 3M Libor at the level of 1%), is effective from 18 March 2017. On 31 August 2017 the Group has agreed with Sberbank to extend final maturity under loans secured by Norilsk Nickel shares to 2024, decrease interest margin from 4.75% to 3.75% and adjust covenants mostly in line with PXF.

On 28 March 2017 the Group through its subsidiaries entered into the REPO transaction backed by bonds issued by RUSAL Bratsk – in number of 7,527,646 series 08 bonds. As a result of the transactions the Group raised funding in the amount of EUR100 million (USD107 million) with fifteen months maturity at an effective rate of 2.6% p.a.

On 24 May 2017 the Group entered into a new syndicated Pre-Export Finance Term Facility Agreement (PXF) in the amount of USD1.7 billion, interest rate 3M LIBOR+3% per annum, maturity 5 years (repayment starting in 2 years). The proceeds of the facility were used for the purpose of refinancing the Group's current debt. In December 2017, the margin was reduced to 2.5 per cent per annum.

On 22 August 2017 the Group executed amendments to Gazprombank facilities, reducing interest margin from 4.5% to 3.5%, extending final maturity and adjusting covenants in line with PXF. As at the date of these financial statements Gazprombank facilities were repaid in full out of proceeds of the third Eurobond placement in February 2018.

During 2017 the Group made principal repayments in the total amounts of USD3,211 million and EUR79 million (USD104 million) under the Combined PXF Facility, credit facilities with Sberbank, Gazprombank, VTB Capital, Sovcombank and Credit Bank of Moscow.

Terms and debt repayment schedule as at 31 December 2016

	TOTAL	2017	2018	2019	2020	2021	LATER YEARS
	USD MILLION	USD MILLION	USD MILLION	USD MILLION	USD MILLION	USD MILLION	USD MILLION
SECURED BANK LOANS VARIABLE							
USD – 3M LIBOR + 3.6%	1,188	395	793	—	—	—	—
USD – 3M LIBOR + 3.75%	403	—	163	162	78	—	—
USD – 3M LIBOR + 5.65%	852	61	96	347	348	—	—
EUR – 3M EURIBOR + 3.6%	83	28	55	—	—	—	—
USD – 3M LIBOR + 5.75%*	4,132	—	—	197	2,194	1,741	—
USD – 3M LIBOR + 5.05%	189	94	95	—	—	—	—
USD – 3M LIBOR + 4.5%	475	163	161	98	53	—	—
USD – 3M LIBOR + 3.15% 19	19	—	—	—	—	—	—
EUR – 3M LIBOR + 4.5%	71	28	34	9	—	—	—
USD – 3M LIBOR + 2.5%	45	45	—	—	—	—	—

	TOTAL	2017	2018	2019	2020	2021	LATER YEARS
	USD MILLION	USD MILLION	USD MILLION	USD MILLION	USD MILLION	USD MILLION	USD MILLION
USD – 2.5% + COST OF FUNDS	95	95	—	—	—	—	—
EUR – 2.5% + COST OF FUNDS	15	15	—	—	—	—	—
USD – 1M LIBOR + 2%	23	23	—	—	—	—	—
USD – 1M LIBOR + 2.5%	100	100	—	—	—	—	—
FIXED RUB – 10.9%**	321	—	—	15	169	137	—
RUB – 5%	8	—	4	4	—	—	—
USD – 4.54%	20	20	—	—	—	—	—
USD – 4.75%	100	100	—	—	—	—	—
USD – 4.3%	16	16	—	—	—	—	—
EUR – 3.55%	64	26	38	—	—	—	—
USD – 2.5%	137	137	—	—	—	—	—
	8,356	1,365	1,439	832	2,842	1,878	—

	TOTAL	2017	2018	2019	2020	2021	LATER YEARS
	USD MILLION	USD MILLION	USD MILLION	USD MILLION	USD MILLION	USD MILLION	USD MILLION
UNSECURED BANK LOANS							
VARIABLE							
USD – 3M LIBOR + 4.15%	200	—	—	200	—	—	—
USD – 3M LIBOR + 4.8%	100	—	100	—	—	—	—
FIXED							
RUB 11%	41	—	3	13	13	12	—
RUB 5%	5	—	—	1	2	2	—
TOTAL	8,702	1,365	1,542	1,046	2,857	1,892	—
ACCRUED INTEREST	67	67	—	—	—	—	—
TOTAL	8,769	1,432	1,542	1,046	2,857	1,892	—

* including payment in kind ("PIK") margin. Following the approval from Sberbank UC RUSAL Board approved decrease of interest rate margin to 4.75% (subject to min 3M Libor at the level of 1%). The change became effective from 29 December 2016 following execution of the relevant amendment documentation.

** including payment in kind ("PIK") margin. Following the approval from Sberbank UC RUSAL Board approved the conversion of the outstanding RUB exposure into USD or EUR with rate margin of 4.75%, 4% respectively (subject to min 3M Libor at the level of 1%). The change became effective upon execution of the relevant amendment documentation.

The secured bank loans are secured by pledges of shares of the following Group companies as at 31 December 2016:

- 40% + 1 share of RUSAL Novokuznetsk
- 36% + 1 share of RUSAL Ural
- 50% - 1 shares of RUSAL Sayanogorsk
- 50% - 1 shares of RUSAL Bratsk
- 50% - 1 shares of RUSAL Krasnoyarsk
- 100% of Gershvin Investments Corp. Limited
- 100% Seledar Holding Corp Limited
- 100% Aktivium Holding B.V.

On 26 April 2016 the Group entered into an amendment and restatement agreement with the lenders under the Combined PXF Facility dated 18 August 2014 to introduce new refinancing tranches under the Combined PXF Facility dated 18 August 2014. On 29 April 2016 the Group prepaid three scheduled repayment instalments falling due in 2016 under the Combined PXF Facility dated 18 August 2014 and amended 26 April 2016 in the total amount of USD524 million, utilizing USD415 million of available commitments under the new refinancing tranches as well as USD109 million of the Company's own funds.

In September 2016 the Group entered into a new credit facility of USD200 million with JSC Credit Bank of Moscow with a maturity 3 years and an interest rate of 3M Libor + 4.15% p.a.

In October 2016 the Group entered into new credit facilities with Gazprombank for the total amount of USD178 million with maturity 4 years and interest rate 3M Libor + 4.5%.

During 2016 the Group made a principal repayment in total amounts of USD1,139 million and EUR84 million (USD93 million) under the Combined PXF Facility, credit facilities with Gazprombank, VTB Capital and Credit Bank of Moscow.

On 23 January 2017 the Group made a principal prepayment in total amounts of USD292 million and EUR17 million (USD18 million) under the Combined PXF Facility of amounts due in 2017.

(k) Bonds

As at 31 December 2017 1,289,314 series 07 bonds, 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 December 2017 was RUB1,008, RUB1,016, RUB1,062 per bond for the first, second and the third tranches, respectively.

In February 2017 the Group completed the debut offering of Eurobonds with the following key terms: principal amount of USD600 million, tenor of 5 years, coupon rate of 5.125% per annum. The bonds proceeds, excluding related expenses, in the amount of USD597 million were applied for partial prepayment of RUSAL's existing pre-export finance facility. The closing market price at 31 December 2017 was USD1,024 per bond.

In February 2017 the Group registered Panda Bond Offering Circular for the total amount of RMB10 billion (c.USD1.5 billion) with the Shanghai Stock Exchange with the right to make placement in tranches with different maturities but not higher than 7 years. In March 2017 the first tranche of RMB1 billion was placed for 3 years and 5.5% per annum. In September 2017 the second tranche of RMB500 million was placed for 3 years and 5.5% per annum. The tranches are subject to put option after 2 years. The funds were used for working capital needs and refinancing of existing debt.

On 3 April 2017 RUSAL Bratsk announced a coupon rate in respect to the series 08 bonds at the level of 9% per annum for the 13-16 semi-annual coupon periods after which the series 08 bonds will be subject to a put option and coupon rate revision. On 12 April 2017 the Group exercised an option to repurchase the outstanding RUB-denominated bonds series 08.

In May 2017 the Group completed the offering of Eurobonds with the following key terms: principal amount of USD500 million, tenor of 6 years, coupon rate of 5.3% per annum. The bonds proceeds were applied for partial prepayment of RUSAL's debt. The closing market price at 31 December 2017 was USD1,013 per bond.

20 PROVISIONS

Accounting policies

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that

an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

Disclosures

USD MILLION	PENSION LIABILITIES	SITE RESTORATION	PROVISIONS FOR LEGAL CLAIMS	TAX PROVISIONS	PROVISION FOR GUARANTEE	TOTAL
BALANCE AT 1 JANUARY 2016	52	365	13	42	100	572
PROVISIONS MADE DURING THE YEAR	7	28	—	—	—	35
PROVISIONS REVERSED DURING THE YEAR	—	—	(1)	—	(100)	(101)
ACTUARIAL GAIN	(1)	—	—	—	—	(1)
PROVISIONS UTILIZED DURING THE YEAR	(4)	(2)	(12)	(17)	—	(35)
DISPOSAL OF SUBSIDIARY (NOTE 1(B))	—	(22)	—	—	—	(22)
FOREIGN CURRENCY TRANSLATION	3	12	—	—	—	15
BALANCE AT 31 DECEMBER 2016	57	381	—	25	—	463
NON-CURRENT	53	364	—	6	—	423
CURRENT	4	17	—	19	—	40

USD MILLION	PENSION LIABILITIES	SITE RESTORATION	PROVISIONS FOR LEGAL CLAIMS	TAX PROVISIONS	PROVISION FOR GUARANTEE	TOTAL
BALANCE AT 1 JANUARY 2017	57	381	—	25	—	463
PROVISIONS MADE DURING THE YEAR	7	6	3	—	—	16
PROVISIONS REVERSED DURING THE YEAR	—	(41)	—	(10)	—	(51)
ACTUARIAL LOSS	7	—	—	—	—	7
PROVISIONS UTILIZED DURING THE YEAR	(4)	—	—	(13)	—	(17)
FOREIGN CURRENCY TRANSLATION	2	36	—	(2)	—	36
BALANCE AT 31 DECEMBER 2017	69	382	3	—	—	454
NON-CURRENT	64	363	—	—	—	427
CURRENT	5	19	3	—	—	27

(a) Pension liabilities

Group subsidiaries in the Russian Federation

The Group voluntarily provides long-term and post-employment benefits to its former and existing employees including death-in-service, jubilee, lump sum upon retirement, material support for pensioners and death-in-pension benefits. Furthermore, the Group provides regular social support payments to some of its veterans of World War II.

The above employee benefit programs are of a defined benefit nature. The Group finances these programs on a pay-as-you-go basis, so plan assets are equal to zero.

Group subsidiaries in Ukraine

Due to legal requirements, the Ukrainian subsidiaries are responsible for partial financing of the state hardship pensions for those of its employees who worked, or still work, under severe and hazardous labor conditions (hardship early retirement pensions). These pensions are paid until the recipient reaches the age of entitlement to the State old age pension (55-60 years for female (dependent on year of birth) and 60 years for male employees). In Ukraine, the Group also voluntarily provides long-term and post-employment benefits to its employees including death-in-service, lump sum benefits upon retirement and death-in-pension benefits.

The above employee benefit programs are of a defined benefit nature. The Group finances these programs on a pay-as-you-go basis, so plan assets are equal to zero.

Group subsidiaries outside the Russian Federation and Ukraine

At its Guinean and Nigerian entities the Group provides a death-in-service benefit and lump-sum benefits upon disability and old-age retirement.

At its Guyana subsidiary, the Group provides a death-in-service benefit.

At its Italian subsidiary (Eurallumina) the Group only provides lump sum benefits upon retirement, which relate to service up to 1 January 2007.

In Sweden (Kubikenborg Aluminium AB), the Group provides defined benefit lifelong and temporary pension benefits. The lifelong benefits are dependent on the past service and average salary level of the employee, with an accrual rate that depends on the salary bracket the employee is in. The liability relates only to benefits accrued before 1 January 2004.

The number of employees in all jurisdictions eligible for the plans as at 31 December 2017 and 2016 was 57,423 and 56,611, respectively. The number of pensioners in all jurisdictions as at 31 December 2017 and 2016 was 45,044 and 45,915, respectively.

The Group expects to pay under the defined benefit retirement plans an amount of USD5 million during the 12 month period beginning on 1 January 2018.

Actuarial valuation of pension liabilities

The actuarial valuation of the Group and the portion of the Group funds specifically designated for the Group's employees were completed by a qualified actuary, Robert van Leeuwen AAG, as at 31 December 2017, using the projected unit credit method as stipulated by IAS 19.

The key actuarial assumptions (weighted average, weighted by DBO) are as follows:

	31 DECEMBER 2017 % PER ANNUM	31 DECEMBER 2016 % PER ANNUM
DISCOUNT RATE	7.2	8.0
EXPECTED RETURN ON PLAN ASSETS	N/A	N/A
FUTURE SALARY INCREASES	8.3	7.7
FUTURE PENSION INCREASES	4.6	4.3
STAFF TURNOVER	4.0	4.0
MORTALITY	USSR POPULATION TABLE FOR 1985,	USSR POPULATION TABLE FOR 1985,
	UKRAINIAN POPULATION TABLE FOR 2000	UKRAINIAN POPULATION TABLE FOR 2000
DISABILITY	70% MUNICH RE FOR RUSSIA; 40% OF DEATH PROBABILITY FOR UKRAINE	70% MUNICH RE FOR RUSSIA; 40% OF DEATH PROBABILITY FOR UKRAINE

As at 31 December 2017 and 31 December 2016 the Group's obligations were fully uncovered as the Group has only wholly unfunded plans.

(b) Site restoration

The mining, refining and smelting activities of the Group can give rise to obligations for site restoration and rehabilitation. Restoration and rehabilitation works can include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation, and site restoration. The extent of work required and the associated costs are dependent on the requirements of law and the interpretations of the relevant authorities.

The Group provides for site restoration obligations when there is a specific legal or constructive obligation for mine reclamation, landfill closure (primarily comprising red mud basin disposal sites) or specific lease restoration requirements. The Group does not record any obligations with respect to decommissioning of its refining or smelting facilities and restoration and rehabilitation of the surrounding areas unless there is a specific plan to discontinue operations at a facility. This is because any significant costs in connection with decommissioning of refining or smelting facilities and restoration and rehabilitation of the surrounding areas would be incurred no earlier than when the facility is closed and the facilities are currently expected to operate over a term in excess of 50-100 years due to the perpetual nature of the refineries and smelters and continuous maintenance and upgrade programs resulting in the fair values of any such liabilities being negligible.

Costs included in the provision encompass obligated and reasonably estimable restoration and rehabilitation activities expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances at the reporting date. Routine operating costs that may impact the ultimate restoration and rehabilitation activities, such as waste material handling conducted as an integral part of a mining or production process, are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognised as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation.

Restoration and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. Discount rates used are specific to the country in which the operation is located. Significant judgements and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements.

When provisions for restoration and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of restoration and rehabilitation activities is amortized over the estimated economic life of the operation on a units of production or straight-line basis. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognised as part of finance expenses.

Restoration and rehabilitation provisions are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the unamortized capitalised cost, in which case the capitalised cost is reduced to nil and the remaining adjustment is recognised in the statement of income. Changes to the capitalised cost result in an adjustment to future amortization charges. Adjustments to the estimated amount and timing of future restoration and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved. Factors influencing those changes include revisions to estimated reserves, resources and lives of operations; developments in technology; regulatory requirements and environmental management strategies; changes in the estimated costs of anticipated activities, including the effects of inflation and movements in foreign exchange rates; and movements in general interest rates affecting the discount rate applied.

The site restoration provision recorded in these consolidated financial statements relates primarily to mine reclamation and red mud basin disposal sites at alu-

mina refineries and is estimated by discounting the risk-adjusted expected expenditure to its present value based on the following key assumptions:

	31 DECEMBER 2017	31 DECEMBER 2016
TIMING OF INFLATED CASH OUTFLOWS	2018: USD19 MILLION	2017: USD17 MILLION
	2019-2023:	2018-2022:
	USD225 MILLION	USD251 MILLION
	2024-2033:	2023-2032:
	USD105 MILLION	USD100 MILLION
	AFTER 2033:	AFTER 2032:
	USD182 MILLION	USD132 MILLION
RISK FREE DISCOUNT RATE AFTER ADJUSTING FOR INFLATION ^(A)	2.29%	2.01%

(a) the risk free rate for the year 2016-2017 represents an effective rate, which comprises rates differentiated by years of obligation settlement and by currencies in which the provisions were calculated

At each reporting date the Directors have assessed the provisions for site restoration and environmental matters and concluded that the provisions and disclosures are adequate.

(c) Provisions for legal claims

In the normal course of business the Group may be involved in legal proceedings. Where management considers that it is more likely than not that proceedings will result in the Group compensating third parties a provision is recognised for the best estimate of the amount expected to be paid. Where management considers that it is more likely than not that proceedings will not result in the Group compensating third parties or where, in rare circumstances, it is not considered possible to provide a sufficiently reliable estimate of the amount expected to be paid, no provision is made for any potential liability under the litigation but the circumstances and uncertainties involved are disclosed as contingent liabilities. The assessment of the likely outcome of legal proceedings and the amount of any potential liability involves significant judgement. As law and regulations in many of the countries in which the Group operates are continuing to evolve, particularly in the areas of taxation, sub-soil rights and protection of the environment, uncertainties regarding litigation and regulation are greater than those typically found in countries with more developed legal and regulatory frameworks.

The Group's subsidiaries are subject to a variety of lawsuits and claims in the ordinary course of its business. As at 31 December 2017, there were several claims filed against the Group's subsidiaries contesting breaches of contract terms and non-payment of existing obligations. Management has reviewed the circumstances and estimated that the amount of probable outflow related to these claims should not exceed USD3 million (31 December 2016: USD nil million). The amount of claims, where management assesses outflow as possible approximates USD36 million (31 December 2016: USD60 million).

At each reporting date the Directors have assessed the provisions for litigation and claims and concluded that the provisions and disclosures are adequate.

(d) Tax provisions

The Group's accounting policy for taxation requires management's judgement in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the statement of financial position. Deferred tax assets, including those arising from carried forward tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and is not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, restoration and rehabilitation costs, capital expenditure, dividends and other capital management transactions. Assumptions are also required about the application of income tax legislation. These estimates and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of income.

The Group generally provides for current tax based on positions taken (or expected to be taken) in its tax returns. Where it is more likely than not that upon examination by the tax authorities of the positions taken by the Group additional tax will be payable, the Group provides for its best estimate of the amount expected to be paid (including any interest and/or penalties) as part of the tax charge.

At each reporting date the Directors have assessed the provisions for taxation and concluded that the provisions and disclosures are adequate.

(e) Provision for guarantees

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies, controlled by the beneficial shareholder of the Group, the Group considers these to be insurance arrangements and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

In September 2013 the Group entered into an agreement with OJSC RusHydro to provide funds to BoAZ, if the latter is unable to fulfil its obligations under its credit facility with GK Vnesheconombank ("VEB"). This agreement represents a surety for the increased credit limit obtained for the financing of BoAZ. The aggregate exposure under the agreement is limited to RUB16.8 billion (31 December 2017 and 2016 USD292 and USD277 million, respectively) and is split between the Group and OJSC RusHydro in equal proportion.

During 2016 USD100 million of provision previously recognised was reversed due to fact that maturity of the initial loan agreement between BoAZ and VEB was extended from 2027 to 2030 accordingly shifting the date principal repayments commence and the fact that BoGES will continue to support BoAZ in settling its liabilities under the credit facility including principal and interest repayments.

21 DERIVATIVE FINANCIAL ASSETS/ LIABILITIES

Accounting policies

The Group enters, from time to time, into various derivative financial instruments to manage its exposure to commodity price risk, foreign currency risk and interest rate risk.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% - 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variation in cash flows that ultimately could affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the statement of income when incurred. Subsequent to initial recognition, derivatives are measured at fair value.

The measurement of fair value of derivative financial instruments, including embedded derivatives, is based on quoted market prices. Where no price information is available from a quoted market source, alternative market mechanisms or recent comparable transactions, fair value is estimated based on the Group's views on relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates. Changes in the fair value therein are accounted for as described below.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in the statement of comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of a derivative is recognised in the statement of income.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases, the amount accumulated in equity is reclassified to the statement of income in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to the statement of income.

Changes in the fair value of separated embedded derivatives and derivative financial instruments not designated for hedge accounting are recognised immediately in the statement of income.

Disclosures

	31 DECEMBER 2017		31 DECEMBER 2016	
	USD MILLION DERIVATIVE ASSETS	DERIVATIVE LIABILITIES	USD MILLION DERIVATIVE ASSETS	DERIVATIVE LIABILITIES
PETROLEUM COKE SUPPLY CONTRACTS AND OTHER RAW MATERIALS	36	82	62	5
FORWARD CONTRACTS FOR ALUMINIUM AND OTHER INSTRUMENTS	27	31	5	30
TOTAL	63	113	67	35

Derivative financial instruments are recorded at their fair value at each reporting date. Fair value is estimated in accordance with Level 3 of the fair value hierarchy based on management estimates and consensus economic forecasts of relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other

risks implicit in such estimates. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the date of the event or change in circumstances that caused the transfer. The following significant assumptions were used in estimating derivative instruments:

	2018	2019	2020	2021	2022	2023	2024	2025
LME AL CASH, USD PER TONNE	2,284	2,328	2,359	2,385	2,413	2,450	2,497	2,545
PLATT'S FOB BRENT, USD PER BARREL	66	62	59	58	58	—	—	—

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

	31 DECEMBER 2017 USD MILLION	2016 USD MILLION
BALANCE AT THE BEGINNING OF THE YEAR	32	(300)
UNREALISED CHANGES IN FAIR VALUE RECOGNISED IN OTHER COMPREHENSIVE INCOME (CASH FLOW HEDGE) DURING THE YEAR	—	36
UNREALISED CHANGES IN FAIR VALUE RECOGNISED IN STATEMENT OF INCOME (FINANCE EXPENSE) DURING THE PERIOD	(287)	(157)
REALISED PORTION DURING THE YEAR	205	453
BALANCE AT THE END OF THE YEAR	(50)	32

During the year 2017 there have been no changes in valuation techniques used to calculate the derivative financial instruments compared to prior year.

Management believes that the values assigned to the key assumptions and estimates represented the most realistic assessment of future trends. The results for the derivative instruments are not particularly sensitive to any factors other than the assumptions disclosed above.

Petroleum coke supply contracts and other raw materials

In May and September 2011, the Group entered into long-term petroleum coke supply contracts where the price of coke is determined with reference to the LME aluminium price and the Brent oil price. The strike price for aluminium is set at USD2,403.45 per tonne and USD1,735.03 per

tonne, respectively, while the strike price for oil is set at USD61.10 per barrel and USD47.7 per barrel, respectively.

In May 2014, the Group entered into long-term petroleum coke supply contract where the price of coke is determined with reference to the LME aluminium price and average monthly aluminium quotations, namely of Aluminium MW US Transaction premium, MB Aluminium Premium Rotterdam Low - High» and Aluminium CIF Japan premium. The strike price for aluminium is set at USD1,809.65 per tonne while the strike aluminium premium quotations for US, Europe and Japan are set at USD403.96 per tonne, USD313.30 per tonne and USD366.00 per tonne, respectively.

In November 2015, the Group entered into long-term pitch supply contract where the price of pitch is determined with reference to the LME aluminium price. The strike price for aluminium is set at USD1,508 per tonne.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

(a) Fair values

Management believes that the fair values of short-term financial assets and liabilities approximate their carrying amounts.

The methods used to estimate the fair values of the financial instruments are as follows:

Trade and other receivables, cash and cash equivalents, current loans and borrowings and trade and other payables: the carrying amounts approximate fair value because of the short maturity period of the instruments.

Long-term loans and borrowings, other non-current liabilities: the fair values of other non-current liabilities are based on the present value of the anticipated cash flows and approximate carrying value, other than Eurobonds and RUSAL Bratsk bonds issued.

Derivatives: the fair value of derivative financial instruments, including embedded derivatives, is based on quoted market prices. Where no price information is available from a quoted market source, alternative market mechanisms or recent comparable transactions, fair value is estimated based on the Group's views on relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates. Option-based derivatives are valued using Black-Scholes models and Monte-Carlo simulations. The derivative financial instruments are recorded at their fair value at each reporting date.

The following table presents the fair value of Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined by IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- ▶ **Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date**
- ▶ **Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available**
- ▶ **Level 3 valuations: Fair value measured using significant unobservable inputs.**

The Group as at 31 December 2017

	NOTE	CARRYING AMOUNT	FAIR VALUE							
		DERIVATIVES USD MILLION	FAIR VALUE - HEDG- ING INSTRU- MENT USD MILLION	LOANS AND RECEIV- ABLES USD MILLION	OTHER FINAN- CIAL LIABILI- TIES USD MILLION	TOTAL USD MILLION	LEVEL 1 USD MILLION	LEVEL 2 USD MILLION	LEVEL 3 USD MILLION	TOTAL USD MILLION
FINANCIAL ASSETS MEASURED AT FAIR VALUE										
PETROLEUM COKE SUPPLY CONTRACTS AND OTHER RAW MATERIALS	21	36	—	—	—	36	—	—	36	36
FORWARD CONTRACTS FOR ALUMINIUM AND OTHER INSTRUMENTS	21	27	—	—	—	27	—	—	27	27
		63	—	—	—	63	—	—	63	63
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE*										
TRADE AND OTHER RECEIVABLES	17	—	—	799	—	799	—	799	—	799
CASH AND CASH EQUIVALENTS	17	—	—	831	—	831	—	831	—	831
		—	—	1,630	—	1,630	—	1,630	—	1,630
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE										
PETROLEUM COKE SUPPLY CONTRACTS AND OTHER RAW MATERIALS	21	(82)	—	—	—	(82)	—	—	(82)	(82)

	NOTE	CARRYING AMOUNT				FAIR VALUE				
		DERIVATIVES USD MILLION	FAIR VALUE - HEDGING INSTRUMENT USD MILLION	LOANS AND RECEIVABLES USD MILLION	OTHER FINANCIAL LIABILITIES USD MILLION	TOTAL USD MILLION	LEVEL 1 USD MILLION	LEVEL 2 USD MILLION	LEVEL 3 USD MILLION	TOTAL USD MILLION
FORWARD CONTRACTS FOR ALUMINIUM AND OTHER INSTRUMENTS	21	(31)	—	—	—	(31)	—	—	(31)	(31)
		(113)	—	—	—	(113)	—	—	(113)	(113)
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE*										
SECURED BANK LOANS AND COMPANY LOANS	19	—	—	—	(6,910)	(6,910)	—	(7,038)	—	(7,038)
UNSECURED BANK LOANS	19	—	—	—	(148)	(148)	—	(150)	—	(150)
UNSECURED BOND ISSUE	19	—	—	—	(1,421)	(1,421)	(1,231)	(233)	—	(1,464)
TRADE AND OTHER PAYABLES	17	—	—	—	(944)	(944)	—	(944)	—	(944)
		—	—	—	(9,423)	(9,423)	(1,231)	(8,365)	—	(9,596)

* The Group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values.

The Group as at 31 December 2016

	NOTE	CARRYING AMOUNT				FAIR VALUE				
		DERIVATIVES USD MILLION	FAIR VALUE - HEDG- ING INSTRU- MENT USD MILLION	LOANS AND RECEIV- ABLES USD MILLION	OTHER FINAN- CIAL LIABILI- TIES USD MILLION	TOTAL USD MILLION	LEVEL 1 USD MILLION	LEVEL 2 USD MILLION	LEVEL 3 USD MILLION	TOTAL USD MILLION
FINANCIAL ASSETS MEASURED AT FAIR VALUE										
PETROLEUM COKE SUPPLY CONTRACTS AND OTHER RAW MATERIALS	21	62	—	—	—	62	—	—	62	62
FORWARD CONTRACTS FOR ALUMINIUM AND OTHER INSTRUMENTS	21	5	—	—	—	5	—	—	5	5
		67	—	—	—	67	—	—	67	67
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE*										
TRADE AND OTHER RECEIVABLES	17	—	—	634	—	634	—	634	—	634
CASH AND CASH EQUIVALENTS	17	—	—	544	—	544	—	544	—	544
		—	—	1,178	—	1,178	—	1,178	—	1,178
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE										
CROSS-CURRENCY SWAPS	21	(5)	—	—	—	(5)	—	—	(5)	(5)

	NOTE	CARRYING AMOUNT				FAIR VALUE				
		DERIVATIVES USD MILLION	FAIR VALUE - HEDG- ING INSTRU- MENT USD MILLION	LOANS AND RECEIV- ABLES USD MILLION	OTHER FINAN- CIAL LIABILI- TIES USD MILLION	TOTAL USD MILLION	LEVEL 1 USD MILLION	LEVEL 2 USD MILLION	LEVEL 3 USD MILLION	TOTAL USD wMILLION
FORWARD CONTRACTS FOR ALUMINIUM AND OTHER INSTRUMENTS	21	(30)	—	—	—	(30)	—	—	(30)	(30)
		(35)	—	—	—	(35)	—	—	(35)	(35)
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE*										
SECURED BANK LOANS AND COMPANY LOANS	19	—	—	—	(8,423)	(8,423)	—	(8,724)	—	(8,724)
UNSECURED BANK LOANS	19	—	—	—	(346)	(346)	—	(346)	—	(346)
UNSECURED BOND ISSUE	19	—	—	—	(196)	(196)	(208)	—	—	(208)
TRADE AND OTHER PAYABLES	17	—	—	—	(735)	(735)	—	(735)	—	(735)
		—	—	—	(9,700)	(9,700)	(208)	(9,805)	—	(10,013)

* The Group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values.

(b) Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans and trade payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. Management reviews and agrees policies for managing each of these risks which are summarised below.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a risk management group within its Department of Internal Control, which is responsible for developing and monitoring the Group's risk management policies. The Department reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by the Group's Internal Audit function which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

(i) Commodity price risk

During the years ended 31 December 2017 and 2016, the Group has entered into certain long term electricity contracts and other commodity derivatives contracts in order to manage its exposure of commodity price risks. Details of the contracts are disclosed in notes 21.

(ii) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates (refer to note 19). The Group's policy is to manage its interest costs by monitoring changes in interest rates with respect to its borrowings.

The following table details the interest rate profile of the Group's borrowings at the reporting date.

	31 DECEMBER 2017		31 DECEMBER 2016	
	EFFECTIVE INTEREST RATE %	USD MILLION	EFFECTIVE INTEREST RATE %	USD MILLION
FIXED RATE LOANS AND BORROWINGS	2.60%-12.85%	1,629	2.50%-12.85%	908
		1,629		908
VARIABLE RATE LOANS AND BORROWINGS	1.55%-7.04%	6,802	2.15%-7.08%	7,990
		6,802		7,990
		8,431		8,898

The following table demonstrates the sensitivity to cash flows from interest rate risk arising from floating rate non-derivative instruments held by the Group at the reporting date in respect of a reasonably possible change in interest rates, with all other variables held constant. The

impact on the Group's profit before taxation and equity and retained profits/accumulated losses is estimated as an annualised input on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis for all years presented.

	INCREASE/DECREASE IN BASIS POINTS	EFFECT ON PROFIT BEFORE TAXATION FOR THE YEAR USD MILLION	EFFECT ON EQUITY FOR THE YEAR USD MILLION
AS AT 31 DECEMBER 2017			
BASIS PERCENTAGE POINTS	+100	(68)	67
BASIS PERCENTAGE POINTS	-100	68	(67)
AS AT 31 DECEMBER 2016			
BASIS PERCENTAGE POINTS	+100	(80)	77
BASIS PERCENTAGE POINTS	-100	80	(77)

(iii) Foreign currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of group entities, primarily USD but also the Russian Ruble, Ukrainian Hryvna and Euros. The currencies in which these

transactions primarily are denominated are RUB, USD and EUR.

Borrowings are primarily denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily USD but also RUB and EUR. This provides an economic hedge.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances or entering into currency swap arrangements.

The Group's exposure at the reporting date to foreign currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate is set out in the table below. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are ignored.

AS AT 31 DECEMBER	USD-DENOMINATED VS. RUB FUNCTIONAL CURRENCY		RUB-DENOMINATED VS. USD FUNCTIONAL CURRENCY		EUR-DENOMINATED VS. USD FUNCTIONAL CURRENCY		DENOMINATED IN OTHER CURRENCIES VS. USD FUNCTIONAL CURRENCY	
	2017 USD MILLION	2016 USD MILLION	2017 USD MILLION	2016 USD MILLION	2017 USD MILLION	2016 USD MILLION	2017 USD MILLION	2016 USD MILLION
NON-CURRENT ASSETS	—	—	3	3	1	3	—	1
TRADE AND OTHER RECEIVABLES	1	—	429	324	91	44	26	18
CASH AND CASH EQUIVALENTS	1	1	68	49	106	86	19	18
DERIVATIVE FINANCIAL ASSETS	—	—	36	59	—	—	—	—
LOANS AND BORROWINGS	—	(137)	(57)	(329)	(251)	(232)	—	—
PROVISIONS	—	—	(100)	(71)	(41)	(33)	(11)	(15)
DERIVATIVE FINANCIAL LIABILITIES	—	—	(33)	(5)	—	—	—	—
NON-CURRENT LIABILITIES	—	—	(9)	(9)	(8)	(8)	—	—
INCOME TAXATION	—	—	(2)	(60)	—	—	(7)	—
TRADE AND OTHER PAYABLES	(3)	(2)	(403)	(440)	(63)	(41)	(50)	(57)
NET EXPOSURE ARISING FROM RECOGNISED ASSETS AND LIABILITIES	(1)	(138)	(68)	(479)	(165)	(181)	(23)	(35)

Foreign currency sensitivity analysis

The following tables indicate the instantaneous change in the Group's profit before taxation (and accumulated losses) and other comprehensive income that could

arise if foreign exchange rates to which the Group has significant exposure at the reporting date had changed at that date, assuming all other risk variables remained constant.

	YEAR ENDED 31 DECEMBER 2017		
	CHANGE IN EXCHANGE RATES	USD MILLION EFFECT ON PROFIT BEFORE TAXATION FOR THE YEAR	USD MILLION EFFECT ON EQUITY FOR THE YEAR
DEPRECIATION OF USD VS. RUB	15%	(10)	(10)
DEPRECIATION OF USD VS. EUR	5%	(8)	(8)
DEPRECIATION OF USD VS. OTHER CURRENCIES	5%	(1)	(1)

	YEAR ENDED 31 DECEMBER 2016		
	CHANGE IN EXCHANGE RATES	USD MILLION EFFECT ON PROFIT BEFORE TAXATION FOR THE YEAR	USD MILLION EFFECT ON EQUITY FOR THE YEAR
DEPRECIATION OF USD VS. RUB	15%	(51)	(51)
DEPRECIATION OF USD VS. EUR	5%	(9)	(9)
DEPRECIATION OF USD VS. OTHER CURRENCIES	5%	(2)	(2)

Results of the analysis as presented in the above tables represent an aggregation of the instantaneous effects on the Group entities' profit before taxation and other comprehensive income measured in the respective functional currencies, translated into USD at the exchange rates ruling at the reporting date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the reporting date. The analysis excludes differences that would result from the translation of other financial statements of foreign operations into the Group's presentation currency. The analysis has been performed on the same basis for all years presented.

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The group policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its operating and financial commitments.

The following tables show the remaining contractual maturities at the reporting date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates, or if floating, based on rates current at the reporting date) and the earliest the Group can be required to pay.

	31 DECEMBER 2017 CONTRACTUAL UNDISCOUNTED CASH OUTFLOW					
	WITHIN 1 YEAR OR ON DEMAND USD MILLION	MORE THAN 1 YEAR BUT LESS THAN 2 YEARS USD MILLION	MORE THAN 2 YEARS BUT LESS THAN 5 YEARS USD MILLION	MORE THAN 5 YEARS USD MILLION	TOTAL USD MILLION	CARRYING AMOUNT USD MILLION
TRADE AND OTHER PAYABLES TO THIRD PARTIES	848	—	—	—	848	848
TRADE AND OTHER PAYABLES TO RELATED PARTIES	96	—	—	—	96	96
BONDS, INCLUDING INTEREST PAYABLE	101	379	757	513	1,750	1,421
LOANS AND BORROWINGS, INCL. INTEREST PAYABLE	997	813	3,909	2,916	8,635	7,058
GUARANTEES	75	71	—	—	146	—
	2,117	1,263	4,666	3,429	11,475	9,423

	31 DECEMBER 2016 CONTRACTUAL UNDISCOUNTED CASH OUTFLOW					
	WITHIN 1 YEAR OR ON DEMAND	MORE THAN 1 YEAR BUT LESS THAN 2 YEARS	MORE THAN 2 YEARS BUT LESS THAN 5 YEARS	MORE THAN 5 YEARS	TOTAL	CARRYING AMOUNT
	USD MILLION	USD MILLION	USD MILLION	USD MILLION	USD MILLION	USD MILLION
TRADE AND OTHER PAYABLES TO THIRD PARTIES	658	—	—	—	658	658
TRADE AND OTHER PAYABLES TO RELATED PARTIES	77	—	—	—	77	77
BONDS, INCLUDING INTEREST PAYABLE	26	225	—	—	251	196
LOANS AND BORROWINGS, INCLUDING INTEREST PAYABLE	1,842	1,983	6,718	—	10,543	8,769
GUARANTEES	71	67	—	—	138	—
	2,674	2,275	6,718	—	11,667	9,700

At 31 December 2017 and 31 December 2016 the Group's guarantee in respect of credit arrangement between BoAZ and VEB (note 20(e)) is presented as contingent liability and included at maximum exposure for the Group in the liquidity risk disclosure above.

(e) Credit risk

The Group trades only with recognised, credit-worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The majority of the Group's third party trade receivables represent balances with the world's leading international corporations operating in the metals industry. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Goods are normally sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables. The details of impairment of trade and other receivables are disclosed in note 17. The extent of the Group's credit exposure is represented by the aggregate balance of financial assets and financial guarantees given.

At 31 December 2017 and 2016, the Group has certain concentrations of credit risk as 1.9% and 7.5% of the total trade receivables were due from the Group's largest customer and 9.5% and 19.5% of the total trade receivables were due from the Group's five largest customers, respectively (refer to note 5 for the disclosure on revenue from largest customer).

With respect to credit risk arising from guarantees, the Group's policy is to provide financial guarantees only to wholly-owned subsidiaries, associates and joint ventures. During the year ended 31 December 2016 management have derecognised a provision of USD100 million against the Group's exposure to guarantees (refer to note 20(e)).

(f) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding non-controlling interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries were subject to externally imposed capital requirements in the both years presented in these consolidated financial statements.

(g) Master netting or similar agreements

The Group may enter into sales and purchase agreements with the same counterparty in the normal course of business. The related amount receivable and payable do not always meet the criteria for offsetting in the statement of financial position. This is because the Group may not have any currently legally enforceable right to offset recognised amounts, because the right to offset may be enforceable only on the occurrence of future events.

There are no financial instruments that meet the offsetting criteria in the statement of financial position for the year ended 31 December 2017 and 31 December 2016.

23 COMMITMENTS

(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 December 2017 and 31 December 2016 approximated USD213 million and USD157 million, respectively. These commitments are due over a number of years.

(b) Purchase commitments

Commitments with third parties for purchases of alumina, bauxite, other raw materials and other purchases in 2018-2034 under supply agreements are estimated from USD3,593 million to USD4,381 million at 31 December 2017 (31 December 2016: USD3,156 million to USD4,089 million) depending on the actual purchase volumes and applicable prices.

Commitments with a related party - joint venture for purchases of primary aluminium and alloys in 2018-2030 under supply agreements are estimated from USD6,837 million to USD9,351 million (31 December 2016: USD5,748 million to USD7,127 million) depending on the actual purchase volumes and applicable prices.

(c) Sale commitments

Commitments with third parties for sales of alumina and other raw materials in 2018-2034 are estimated from USD815 million to USD1,041 million at 31 December 2017 (31 December 2016: from USD806 million to USD1,445 million) and will be settled at market prices at the date of delivery. Commitments with related parties for sales of alumina in 2018-2019 approximated from USD414 million to USD516 million at 31 December 2017 (31 December 2016: from USD546 million to USD680 million).

Commitments with related parties for sales of primary aluminium and alloys in 2018-2021 are estimated from USD4,358 million to USD4,770 million at 31 December 2017 (31 December 2016: from USD4,450 million to USD4,618 million). Commitments with third parties for sales of primary aluminium and alloys in 2018-2021 are estimated to range from USD1,266 million to USD1,654 million at 31 December 2017 (31 December 2016: from USD941 million to USD1,252 million).

(d) Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
LESS THAN ONE YEAR	18	12
BETWEEN ONE AND FIVE YEARS	64	41
	82	53

(e) Social commitments

The Group contributes to the maintenance and upkeep of the local infrastructure and the welfare of its employees, including contributions toward the development and maintenance of housing, hospitals, transport services, recreation and other social needs of the regions of the Russian Federation where the Group's production entities are located. The funding of such assistance is periodically determined by management and is appropriately capitalised or expensed as incurred.

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 December 2017 is USD30 million (31 December 2016: USD225 million).

24 CONTINGENCIES**(a) 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.

(b) 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.

(c) 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 financial statements (refer to note 20). As at 31 December 2017 the amount of claims, where management assesses outflow as possible approximates USD36 million (31 December 2016: USD60 million).

In January 2013, the Company received a writ of summons and statement of claim filed in the High Court of Justice of the Federal Capital Territory of Nigeria (Abuja) by plaintiff BFIG Group Divino Corporation ("BFIG") against certain subsidiaries of the Company. It is a claim for damages arising out of the defendants' alleged tortious interference in the bid process for the sale of the Nigerian government's majority stake in the Aluminium Smelter Company of Nigeria ("ALSCON") and alleged loss of BFIG's earnings resulting from its failed bid for the said stake in ALSCON. BFIG seeks compensatory damages in the amount of USD2.8 billion 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.

(d) Risks and concentrations

A description of the Group's major products and its principal markets, as well as exposure to foreign currency risks are provided in note 1 "Background" and note 22 "Financial risk management and fair values". The price at which the Group can sell its products is one of the primary drivers of the Group's revenue. The Group's prices are largely determined by prices set in the international market. The Group's future profitability and overall performance is strongly affected by the price of primary aluminium that is set in the international market.

(e) Insurance

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies, controlled by the beneficial shareholder of the Group, the Group considers these to be insurance arrangements and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

25 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 (refer to note 6(c)):

	YEAR ENDED 31 DECEMBER	
	2017 USD MILLION	2016 USD MILLION
SALARIES AND BONUSES	61	66
	61	66

(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 17.

(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 Plc or entities under its control or Onexim Holdings Limited or its controlling shareholders.

Sales to related parties for the year are disclosed in note 5, purchases from related parties are disclosed in note 6, accounts receivable from related parties as well as accounts payable to related parties are disclosed in note 17, commitments with related parties are disclosed in note 23, directors remuneration in notes 9 and 10 and other transactions with shareholders are disclosed in note 11.

Electricity contracts

In November 2016, the Group entered into the new long-term electricity contracts to supply several Group's smelters from En+ subsidiaries over the years 2016-2026. Purchases will be made under a price formula close to market prices. The volumes committed under the long-term electricity contracts are as follows:

YEAR	2018	2019	2020	2021	2022	2023	2024	2025	2026
MILLION KWH	37,598	37,598	37,700	37,598	37,598	37,598	37,700	37,598	37,598
MILLION USD	592	592	594	592	592	592	594	592	592

(d) Related parties balances

At 31 December 2017, included in non-current assets are balances of related parties — companies under common control of USD43 million and balances of related parties – associates and joint ventures of USD11 million (31 December 2016: USD41 million and USD nil million, respectively). At 31 December 2017, included in non-current liabilities are balances of related parties – associates and joint ventures of USD9 million (31 December 2016: USD nil million, respectively).

(e) Pricing policies

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

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

(f) Connected transactions

Not all the related party transactions and balances disclosed above meet the definition of connected transactions as per Chapter 14 of the Listing Rules of Hong Kong Stock Exchange. For particulars of the continuing connected transactions please refer to the Director's Report section of the Annual Report of the Company for the year ended 31 December 2017.

26 PARTICULARS OF SUBSIDIARIES

As at 31 December 2017 and 2016, the Company has direct and indirect interests in the following subsidiaries, which principally affected the results, assets and liabilities of the Group:

NAME	PLACE OF INCORPORATION AND OPERATION	DATE OF INCORPORATION	PARTICULARS OF ISSUED AND PAID UP CAPITAL	ATTRIBUTABLE EQUITY INTEREST	PRINCIPAL ACTIVITIES
COMPAGNIE DES BAUXITES DE KINDIA S.A.	GUINEA	29 NOVEMBER 2000	2,000 SHARES OF GNF 25,000 EACH	100.0%	BAUXITE MINING
FRIGUIA	GUINEA	9 FEBRUARY 1957	758,966,200,000 GNF	100.0%	ALUMINA
JSC RUSAL ACHINSK	RUSSIAN FEDERATION	20 APRIL 1994	4,188,531 SHARES OF RUB1 EACH	100.0%	ALUMINA
RUSAL MYKOLAEV LTD	UKRAINE	16 SEPTEMBER 2004	1,524,126,720 UAH	100.0%	ALUMINA
JSC RUSAL BOXITOGORSK ALUMINA	RUSSIAN FEDERATION	27 OCTOBER 1992	1,012,350 SHARES OF RUB1 EACH	100.0%	ALUMINA
EURALLUMINA SPA	ITALY	21 MARCH 2002	10,000,000 SHARES OF EUR1.55 EACH	100.0%	ALUMINA
PJSC RUSAL BRATSK	RUSSIAN FEDERATION	26 NOVEMBER 1992	5,505,305 SHARES OF RUB0.2 EACH	100.0%	SMELTING
JSC RUSAL KRASNOYARSK	RUSSIAN FEDERATION	16 NOVEMBER 1992	85,478,536 SHARES OF RUB20 EACH	100.0%	SMELTING
JSC RUSAL NOVOKUZNETSK	RUSSIAN FEDERATION	26 JUNE 1996	53,997,170 SHARES OF RUB0.1 EACH	100.0%	SMELTING

NAME	PLACE OF INCORPORATION AND OPERATION	DATE OF INCORPORATION	PARTICULARS OF ISSUED AND PAID UP CAPITAL	ATTRIBUTABLE EQUITY INTEREST	PRINCIPAL ACTIVITIES
JSC RUSAL SAYANOGORSK	RUSSIAN FEDERATION	29 JULY 1999	208,102,580,438 SHARES OF RUB0.068 EACH	100.0%	SMELTING
RUSAL RESAL LTD	RUSSIAN FEDERATION	15 NOVEMBER 1994	CHARTER FUND OF RUB67,706,217.29	100.0%	PROCESSING
JSC RUSAL SAYANAL	RUSSIAN FEDERATION	29 DECEMBER 2001	59,902,661,099 SHARES OF RUB0.006 EACH	100.0%	FOIL
CJSC RUSAL ARMENAL	ARMENIA	17 MAY 2000	36,699,295 SHARES OF AMD 1,000 EACH	100.0%	FOIL
RUS-ENGINEERING LTD	RUSSIAN FEDERATION	18 AUGUST 2005	CHARTER FUND OF RUB 1,751,832,184	100.0%	REPAIRS AND MAINTENANCE
JSC RUSSIAN ALUMINIUM	RUSSIAN FEDERATION	25 DECEMBER 2000	23,124,000,000 SHARES OF RUB1 EACH	100.0%	HOLDING COMPANY
RUSAL GLOBAL MANAGEMENT B.V.	NETHERLANDS	8 MARCH 2001	CHARTER FUND OF EUR25,000	100.0%	MANAGEMENT COMPANY
JSC UNITED COMPANY RUSAL TRADING HOUSE	RUSSIAN FEDERATION	15 MARCH 2000	163,660 SHARES OF RUB100 EACH	100.0%	TRADING
RUSAL AMERICA CORP.	USA	29 MARCH 1999	1,000 SHARES OF USD0.01 EACH	100.0%	TRADING
RS INTERNATIONAL GMBH	SWITZERLAND	22 MAY 2007	1 SHARE WITH NOMINAL VALUE OF CHF 20,000	100.0%	TRADING
RUSAL MARKETING GMBH	SWITZERLAND	22 MAY 2007	CAPITAL QUOTA OF CHF2,000,000	100.0%	TRADING
RTI LIMITED	JERSEY	27 OCTOBER 2006	352,970,220 SHARES OF USD1 EACH	100.0%	TRADING
ALUMINA & BAUXITE COMPANY LIMITED	BRITISH VIRGIN ISLANDS	3 MARCH 2004	231,179,727 SHARES OF USD1 EACH	100.0%	TRADING
JSC KOMI ALUMINII	RUSSIAN FEDERATION	13 FEBRUARY 2003	4,303,000,000 SHARES OF RUB1 EACH	100.0%	ALUMINA

NAME	PLACE OF INCORPORATION AND OPERATION	DATE OF INCORPORATION	PARTICULARS OF ISSUED AND PAID UP CAPITAL	ATTRIBUTABLE EQUITY INTEREST	PRINCIPAL ACTIVITIES
JSC BAUXITE-TIMANA	RUSSIAN FED-ERATION	29 DECEMBER 1992	44,500,000 SHARES OF RUB10 EACH	100.0%	BAUXITE MINING
JSC SEVERO-URALSKY BAUXITE MINE	RUSSIAN FED-ERATION	24 OCTOBER 1996	10,506,609 SHARES OF RUB275.85 EACH	100.0%	BAUXITE MINING
JSC RUSAL URAL	RUSSIAN FED-ERATION	26 SEPTEMBER 1996	2,542,941,932 SHARES OF RUB1 EACH	100.0%	PRIMARY ALUMINUM AND ALUMINA PRODUCTION
SUAL-PM LLC	RUSSIAN FED-ERATION	20 OCTOBER 1998	CHARTER FUND OF RUB56,300,959	100.0%	ALUMINUM POWDERS PRODUCTION
JSC KREMNIY	RUSSIAN FED-ERATION	3 AUGUST 1998	320,644 SHARES OF RUB1,000 EACH	100.0%	SILICON PRODUCTION
SUAL-KREMNIY-URAL LLC	RUSSIAN FED-ERATION	1 MARCH 1999	CHARTER FUND OF RUB8,763,098	100.0%	SILICON PRODUCTION
UC RUSAL ALUMINA JAMAICA LIMITED	JAMAICA	26 APRIL 2001	1,000,000 SHARES OF JMD1 EACH	100.0%	ALUMINA
KUBIKENBORG ALUMINIUM AB	SWEDEN	26 JANUARY 1934	25,000 SHARES OF SEK 1,000 EACH	100.0%	SMELTING
RFCL SARL	LUXEMBOURG	13 MARCH 2013	RUB90,000,000	100.0%	FINANCE SERVICES
AKTIVIUM B.V.	NETHERLANDS	28 DECEMBER 2010	215,458,134,321 SHARES OF RUB1 EACH	100.0%	HOLDING AND INVESTMENT COMPANY
AUGHINISH ALUMINA LTD	IRELAND	22 SEPTEMBER 1977	1,000 SHARES OF EUR2 EACH	100.0%	ALUMINA
LLC RUSAL ENERGO	RUSSIAN FED-ERATION	26 DECEMBER 2005	RUB715,000,000	100.0%	ELECTRIC POWER

Trading entities are engaged in the sale of products to and from the production entities.

27 STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER 2017

	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
ASSETS		
NON-CURRENT ASSETS		
INVESTMENTS IN SUBSIDIARIES	18,965	17,308
LOANS TO RELATED PARTIES	2,223	1,616
TOTAL NON-CURRENT ASSETS	21,188	18,924
CURRENT ASSETS		
LOANS TO RELATED PARTIES	1,166	—
OTHER RECEIVABLES	381	121
CASH AND CASH EQUIVALENTS	12	11
TOTAL CURRENT ASSETS	1,559	132
TOTAL ASSETS	22,747	19,056

	31 DECEMBER 2017 USD MILLION	31 DECEMBER 2016 USD MILLION
EQUITY AND LIABILITIES		
EQUITY		
SHARE CAPITAL	152	152
RESERVES	13,017	9,529
TOTAL EQUITY	13,169	9,681
NON-CURRENT LIABILITIES		
LOANS AND BORROWINGS	7,065	6,497
TOTAL NON-CURRENT LIABILITIES	7,065	6,497
CURRENT LIABILITIES		
LOANS AND BORROWINGS	1,694	1,921
TRADE AND OTHER PAYABLES	748	760
OTHER CURRENT LIABILITIES	71	197
TOTAL CURRENT LIABILITIES	2,513	2,878
TOTAL LIABILITIES	9,578	9,375
TOTAL EQUITY AND LIABILITIES	22,747	19,056
NET CURRENT LIABILITIES	(954)	(2,746)
TOTAL ASSETS LESS CURRENT LIABILITIES	20,234	16,178

28 EVENTS SUBSEQUENT TO THE REPORTING DATE

In January 2018 the Company entered into a bilateral facility agreement with Nordea Bank AB (publ) 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 Group's existing debt.

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 Group's existing debt.

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

STATEMENT OF RESPONSIBILITY FOR THIS ANNUAL REPORT

I, Alexandra Bouriko, declare, to the best of my knowledge, that the financial statements contained in this Annual Report have been prepared in accordance with applicable accounting principles and give a true and fair view of the business, results of operations and financial condition of the Company and the other entities to which the financial statements apply as at 31 December 2017 (unless otherwise specified), and that the management report (comprising the Business Overview, Management Discussion and Analysis, Directors' Report and Corporate Governance Report sections) of this Annual Report presents a fair review of developments in the business, results of operations and financial conditions of the Company and the other entities to which the financial statements apply, as well as a description of the main risks and uncertainties that they are facing as at 31 December 2017 (unless otherwise specified).

I wish to emphasise again that, as stated in the Warning at the beginning of this Annual Report, the information presented in this Annual Report only reflects the Company's position (financial or otherwise) during the Review Period (unless otherwise specified). Accordingly, all forward-looking statements, analyses, reviews, discussions, commentaries and risks presented in this Annual Report (save for the Warning and unless otherwise specified) are based upon the financial information of the Company covering the Review Period only and not thereafter. For further details, please refer to the Warning at the beginning of this Annual Report.

ALEXANDRA BOURIKO

CHIEF EXECUTIVE OFFICER

27 April 2018

FORWARD LOOKING STATEMENTS

This Annual Report contains certain statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "seeks", "expects", "intends", "forecasts", "targets", "may", "will", "should", "could" and "potential" or, in each case, their negative or other variations, or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and include, but are not limited to, statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's business, results of operations, financial position, liquidity, prospects, growth, strategies and the bauxite, alumina and aluminium industries.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and of the actual results of the Group's operations, financial position and liquidity, and the development of the markets and the

industries in which the Group operates may differ materially from the development of those same industries as described in, or suggested by, the forward-looking statements contained in this Annual Report. In addition, even if the Group's results of operations, financial position and liquidity, and the development of the markets and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Annual Report, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- **materially adverse changes in economic or industry conditions generally or in the markets served by the Group;**
- **changes in the supply and demand for and the price of aluminium, alumina, aluminium products and other products;**
- **fluctuations in inflation, interest rates and exchange rates;**

- ▶ **the Group's ability to repay pursuant to or comply with the terms of its credit facility agreements, or obtain further financing, refinancing or otherwise waiver of forbearance in respect of the Group's payment obligations under its facility of financing;**
- ▶ **changes in the costs of the materials required for the Group's production of aluminium and alumina;**
- ▶ **changes in the Group's operating costs, including the costs of energy and transportation;**
- ▶ **changes in the Group's capital expenditure requirements, including those relating to the Group's potential environmental liabilities or the ability of the Group to fund its capital expenditure requirements through borrowing or otherwise;**
- ▶ **the Group's ability to successfully and timely implement any of its business strategies;**
- ▶ **the Group's ability to obtain or extend the terms of the licences necessary for the operation of the Group's business;**
- ▶ **developments in, or changes to, laws, regulations, governmental policies, taxation or accounting standards or practices affecting the Group's operations;**
- ▶ **the Group's ability to recover its reserves or develop new resources and reserves;**
- ▶ **the Group's success in accurately identifying future risks to its business and managing the risks of the aforementioned factors; and**
- ▶ **other future events, risks, uncertainties, factors and assumptions discussed in the consolidated financial statements and other sections of this Annual Report.**

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Annual Report reflect the Group management's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's business, results of operations, financial position, liquidity, prospects, growth, strategies and the bauxite, alumina and aluminium industries. Investors should specifically consider the factors identified in this Annual Report, which could cause actual results to differ, before making any investment decision. Subject to the requirements of the Listing Rules and except as may be required by applicable law, the Company undertakes no obligation to revise any forward-looking statements that appear in this Annual Report to reflect any change in the Company's expectations, or any events or circumstances, that may occur or arise after the date of this Annual Report.

All forward-looking statements in this Annual Report are qualified by reference to this cautionary statement.



09 GLOSSARY



9

GLOSSARY

“Achinsk Alumina Refinery”, “RUSAL Achinsk”, “JSC RUSAL Achinsk” or “AGK” means JSC “RUSAL Achinsk”, a company incorporated under the laws of the Russian Federation, which is a wholly-owned subsidiary of the Company.

“Achinsk Cement” means Achinsk Cement Limited Liability Company, a company incorporated in the Russian Federation, more than 30% of which is indirectly controlled by Mr. Deripaska.

“Adjusted EBITDA” for any period means the results from operating activities adjusted for amortization and depreciation, impairment charges and loss on disposal of property, plant and equipment.

“Adjusted EBITDA margin” is calculated as Adjusted EBITDA to revenue for the relevant period.

“Adjusted Net Profit” for any period is defined as the net profit adjusted for the net effect from share in the results of Norilsk Nickel, the net effect of embedded derivative financial instruments, the difference between effective and nominal interest rate charge on restructured debt and net effect of non-current assets impairment.

“Adjusted Profit/(Loss)” for any period is defined as Profit/(Loss) adjusted for the net effect of the Company’s investment in Norilsk Nickel, the net effect of derivative financial instruments, gains and losses recycled from other reserves and the net effect of non-current assets impairment and restructuring costs.

“Adjusted profit/(loss) margin” is calculated as Adjusted Profit/(Loss) to revenue for the relevant period.

“Agreed Subsidiaries” means an agreed list of subsidiaries of the Company, as defined in the Shareholders’ Agreement between Major Shareholders only.

“Alpart” means Alumina Partners of Jamaica.

“ALSCON” means Aluminium Smelter Company of Nigeria, a company incorporated in Nigeria and in which the Company indirectly holds a 85% interest.

“Aluminium Division” means the Company’s division comprising the smelters located in Russia and Sweden.

"Aluminium segment cost per tonne" means aluminium segment revenue, less aluminium segment results, less amortization and depreciation, divided by sales volume of aluminium segment.

"AMF" means the Autorité des marchés financiers. English: "Financial Markets Regulator". AMF is the stock market regulator in France.

"Amokenga Holdings" means Amokenga Holdings Limited, a company incorporated in Bermuda and which is a wholly owned subsidiary of Glencore and a shareholder of the Company.

"Annual Report" means this annual report dated 27 April 2018.

"Articles of Association" means the articles of association of the Company, conditionally adopted on 24 November 2009, and effective on the Listing Date, and subsequently amended on 22 November 2017.

"Audit Committee" means the audit committee established by the Board in accordance with the requirements of the CG Code.

"Aughinish Alumina Refinery" means Aughinish Alumina Limited, a company incorporated in Ireland, which is a wholly owned subsidiary of the Company.

"Basic Element" means Basic Element Limited, a company incorporated in Jersey, of which Mr. Oleg Deripaska is the ultimate beneficial owner.

"BAZ" or "BAZ-SUAL" or "Bogoslovsk Alumina Refinery" means Bogoslovsky aluminium smelter, a branch of RUSAL Ural JSC.

"BEMO" means the companies comprising the Boguchanskoye Energy and Metals Complex.

"BEMO HPP" or "BOGES" means the Boguchanskaya hydro power plant.

"BEMO Project" means the Boguchanskoye Energy & Metals project involving the construction of the BEMO HPP and the Boguchansky aluminium smelter as described at pages 22 and 27 of this Annual Report.

"Board" means the board of Directors of the Company.

"Boguchansky aluminium smelter" or "BEMO aluminium smelter" or "BoAZ" means the aluminium smelter project involving the construction of a 600 thousand tpa green-field aluminium smelter on a 230 hectare site, located approximately 8 km to the south-east of the settlement of Tayozhny in the Krasnoyarsk region, and approximately 160 km (212 km by road) from the BEMO HPP, as described at pages 22 and 27 of this Annual Report.

"Bratsk Shelekhov" (formerly known as **"Irkutsk aluminium smelter" or "IrkAZ"**) means a branch of PJSC "RUSAL Bratsk" in Shelekhov.

"Boksitogorsk Alumina Refinery" means JSC RUSAL Boksitogorsk, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Group.

"CEAC" means the Central European Aluminium Company.

"C.B.K" or "Kindia" means Compagnie des Beauxites de Kindia, located in Guinea.

"CG Code" means the Code setting out, among others, the principles of good corporate governance practices as set out in Appendix 14 to the Listing Rules (as amended from time to time).

"Century Aluminium Company" means Century Aluminium Company, a company incorporated under the laws of Delaware and the common stock of which is traded on the NASDAQ, in which Glencore AG has a 47.4% interest.

"CEO" or "Chief Executive Officer" means the chief executive officer of the Company.

"Chairman" or "Chairman of the Board" means the chairman of the Board.

"CIS" means the Commonwealth of Independent States.

"CJSC Kremniy" or "ZAO Kremniy" means a company incorporated under the laws of the Russian Federation and a subsidiary of the Company.

"Code for Securities Transactions" means the Code for Securities Transactions by Directors of the Company adopted by the Board on 9 April 2010 and based on Appendix 10 to the Listing Rules.

"Company" or **"UC RUSAL"** or **"RUSAL"** means United Company RUSAL Plc. 俄鋁, a company incorporated under the laws of Jersey with limited liability.

"Connected transaction(s)" has the meaning ascribed to such expression in the Listing Rules.

"Controlling Shareholder" has the meaning ascribed to such expression in the Listing Rules.

"Corporate Governance and Nomination Committee" means the corporate governance and nomination committee established by the Board in accordance with the requirements of the CG Code.

"Covenant EBITDA" has the meaning given to it in the PXF Facility.

"Crispian" means Crispian Investment Limited, a company incorporated in Cyprus, to the best knowledge information and belief of the Directors is affiliated with Mr. Roman Abramovich.

"Directors" means the directors of the Company.

"EBITDA" means earnings before interest, taxes, depreciation, and amortization.

"ECD" means the Engineering and Construction Division of the Company.

"En+" means En+ Group Plc, formerly En+ Group Limited, a company incorporated in Jersey and which is a shareholder of the Company.

"EPCM" means Engineering, Procurement, Construction and Management.

"EUR" means Euros, the lawful currency of the relevant member states of the European Union that have adopted the Euro as their currency.

"Euronext Paris" means the Professional Segment of Euronext Paris.

"Eurallumina" means the alumina refinery located in Portoscuso, on the southwest coast of Sardinia, Italy. During the year ended 31 December 2006, the Group entered into an agreement with Rio Tinto Aluminium Ltd and acquired a 56.2% interest in Eurallumina, the remaining 43.8% interest in Eurallumina was owned by Glencore and was acquired by the Group as part of the acquisition of SUAL and Glencore Businesses during the year ended 31 December 2007.

"financial year" means the financial year ended 31 December 2017.

"Friguia Alumina Refinery" means Friguia S.A., a company incorporated in Guinea, which is a wholly owned subsidiary of the Company.

"Gazprombank" means "Gazprombank" (Joint – stock Company).

"GBP" means Pounds Sterling, the lawful currency of the United Kingdom.

"Glencore" means Glencore Plc, a public company incorporated in Jersey and listed on the London Stock Exchange, with a secondary listing on the Johannesburg Stock Exchange, which is an indirect shareholder of the Company.

"Glencore Businesses" means the alumina and aluminium businesses of Glencore.

"Glencore Call Option" means a deed dated 25 July 2008 between En+, SUAL Partners and Glencore whereby Glencore granted En+ and SUAL Partners an option to acquire certain Shares held by Glencore.

"Global Depositary Shares" or "GDS" means global depositary shares evidenced by global depositary receipts, each of which represents 20 Shares.

"GWh" means gigawatts hours.

"Group" or "UC RUSAL Group" means UC RUSAL and its subsidiaries from time to time, including a number of production, trading and other entities controlled by the Company directly or through its wholly owned subsidiaries.

"Hawesville aluminium smelter" means the Hawesville Aluminium Smelter, which is owned and operated by Century Kentucky, Inc., a company incorporated under the laws of Delaware, which is a wholly-owned subsidiary of Century Aluminium Company, an entity in which Glencore AG holds a 47.4% interest.

"HKD" means Hong Kong dollars, the lawful currency of Hong Kong.

"Hong Kong Companies Ordinance" means the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (as amended from time to time).

"Hong Kong Stock Exchange" means the Main Board of The Stock Exchange of Hong Kong Limited.

"IFRS" means the International Financial Reporting Standards.

"Indicated Mineral Resource" or **"Indicated"** means the part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

"Inferred" means a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

"Interros" means Interros International Investments Limited.

"Irkutsk aluminium smelter" or **"IrkAZ"** means Irkutsk Aluminium Smelter, a branch of RUSAL Ural JSC (before 1 January 2015).

"IPO" means the initial public offering of UC RUSAL on the Hong Kong Stock Exchange and Euronext Paris.

"Jersey Companies Law" means the Companies (Jersey) Law 1991, as amended.

"JORC" means Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists & the Minerals Council of Australia.

"Joint Stock Company «Boksit Timana»", **"JSC «Boksit Timana»"**, **"Boksit Timana"** or **"Timan Bauxite"** means Joint Stock Company «Boksit Timana», a company incorporated under the laws of the Russian Federation, which is a non-wholly owned subsidiary of the Company.

"JSC Irkutskenergo" means Irkutsk Joint Stock Company of Energetics and Electrification, a power generating company controlled by En+ as to more than 30% of its issued share capital.

"kA" means kilo-amperes.

"Kandalaksha aluminium smelter" or **"KAZ"** or **"KAZ-SUAL"** means Kandalaksha Aluminium Smelter, a branch of RUSAL Ural JSC.

"Khakas aluminium smelter" or **"KhAZ"** means Khakas Aluminium Smelter as it is described on the official website of the Company: <http://www.rusal.ru/en/about/39/index.php>

"KPIs" means key performance indicators.

"KraMZ" or **"KraMZ Ltd."** means Limited liability company «Krasnoyarsk metallurgical plant» ("KraMZ" Ltd.), a company incorporated in the Russian Federation.

"KraMZ-Auto" means KraMZ-Auto LLC, a company incorporated in the Russian Federation.

"Krasnoyarsk aluminium smelter", **"RUSAL Krasnoyarsk"** or **"KraAZ"** means JSC "RUSAL Krasnoyarsk", a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Company.

"Krasnoyarskaya HPP" means JSC Krasnoyarsk Hydro-Power Plant, a hydroelectric power station controlled by En+ as to more than 30% of its issued share capital.

"kt" means kilotonnes.

"KUBAL" means Kubikenborg Aluminium AB, a company incorporated in Sweden, which is a wholly owned subsidiary of the Company.

"KUMZ JSC" means Kamensk-Uralsky Metallurgical Works Joint Stock Company, a company incorporated under the laws of the Russian Federation.

"kWh" means kilowatt hour.

"Latest Practicable Date" means 17 April 2018, being the latest practicable date prior to the printing of this Annual Report for ascertaining certain information in this Annual Report.

"LIBOR" means in relation to any loan:

- (a) the applicable screen rate (being the British Bankers' Association Interest Settlement Rate for dollars for the relevant period, displayed on the appropriate page of the Reuters screen); or
- (b) (if no screen rate is available for dollars for the interest period of a particular loan) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the agent at its request quoted by the reference banks to leading banks in the London interbank market, as of the specified time (11:00 a.m. in most cases) on the quotation day (generally two business days before the first day of that period unless market practice differs in the Relevant Interbank Market, in which case the quotation day will be determined by the agent in accordance with market practice in the Relevant Interbank Market) for the offering of deposits in dollars and for a period comparable to the interest period for that loan.

"Listing" means the listing of the Shares on the Hong Kong Stock Exchange.

"Listing Date" means the date on which the Shares were listed on the Hong Kong Stock Exchange, being 27 January 2010.

"Listing Rules" means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time).

"LLC GAZ" means LLC Torgovo-Zakupochnaya Kompaniya GAZ, being a member of the group of companies which also include "GAZ Group Autocomponents" LLC, J-S.C. AVTODIZEL (YaMZ) and others, collectively, the "GAZ Group", of which PJSC "GAZ" being the holding company, is controlled by Mr. Deripaska as to more than 30%.

"LLP Bogatyr Komir" or **"Bogatyr Coal"** Limited Liability Partnership means the joint venture described at page 27 of this Annual Report.

"LME" means the London Metal Exchange.

"LTIFR" means the Lost Time Injury Frequency Rate which was calculated by the Group as a sum of fatalities and lost time injuries per 200,000 man-hours.

"Major Shareholders" means En+, SUAL Partners, Glencore and Onexim.

"Major Shareholders' Shares" means the Shares held by the Major Shareholders and their respective wholly owned subsidiaries.

"Management Company" or **"RUSAL Management Company"** means a subsidiary of the Group retained for accounting, general management, administration and secretarial functions.

"Market Council" means the non-commercial organization formed as a result of a non-commercial partnership, which is intended to unite energy market participants and major consumers of electrical energy through membership of that body. The council is intended to ensure the proper functioning of commercial market infrastructure and effective exchanges between the wholesale and retail electrical energy markets. Additionally, it is intended to promote investment in the electrical energy industry by creating a healthy market and even playing field for participants of both the wholesale and retail electrical energy

markets, when drafting new rules and regulations concerning the electrical energy industry, and facilitate self-regulation of the wholesale and retail trade in electrical energy, power and other products and services which is permissible in the wholesale and retail electrical energy markets. The council's aim is to ensure the security of energy supply in the Russian Federation, unity within the economic space, economic freedom and competition in the wholesale and retail electrical energy markets, by striking a balance between the interests of suppliers and buyers and the needs of society in general in terms of having a reliable and stable source of electrical energy.

"Measured Mineral Resource" or **"Measured"** means a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

"Memorandum" means the memorandum of association of the Company conditionally adopted on 26 December 2009, and effective on the Listing Date, and subsequently amended on 22 November 2017.

"MOEX" means the Moscow Exchange.

"Mineral Resource" means a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

"Model Code" means the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

"mt" means million tonnes.

"MW" means megawatt.

"Natixis" means the investment bank listed on the Paris stock exchange, and a party to the International Override Agreement.

"Net Debt" is calculated as Total Debt less cash and cash equivalents as at 31 December 2017.

"Nadvoitsy aluminium smelter" or **"NAZ"** means Nadvoitsy Aluminium Smelter, a branch of RUSAL Ural JSC.

"Nikolaev Alumina Refinery" or **"NGZ"** means Nikolaev Alumina Refinery Company Limited, a company incorporated under the laws of the Ukraine, which is a wholly owned subsidiary of the Company.

"Norilsk Nickel" means PJSC "MMC "NORILSK NICKEL", a company incorporated under the laws of the Russian Federation.

"Novokuznetsk aluminium smelter" or **"NkAZ"** or **"RUSAL Novokuznetsk"** means JSC "RUSAL Novokuznetsk", a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Company.

"OFAC" means the Office of Foreign Assets Control of the Department of the Treasury of the United States of America.

"OFAC Sanctions" means the designation on 6 April 2018 by the Office of Foreign Assets Control of the Department of the Treasury of the United States of America of, amongst others, certain persons and certain companies which are controlled or deemed to be controlled by some of these persons to be added to its Specially Designated Nationals List, including Mr. Oleg Deripaska, the Company, En+, B-Finance Ltd., and Basic Element, each controlled by Mr. Deripaska, together with certain other companies owned or controlled or deemed to be controlled by Mr. Deripaska.

"OHSAS 18001" means Occupational Health and Safety Specification (OHSAS) 18001.

"Onexim" means Onexim Holdings Limited, a company incorporated in Cyprus and which is a shareholder of the Company.

"Ore Reserves" means the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.

“Possible Share Transfer” means a non-binding term sheet entered into by En+ and Amokenga Holdings in relation to a possible share transfer whereby Amokenga Holdings will subscribe for a certain number of GDRs in En+ and as consideration for the subscription, Amokenga Holdings will transfer approximately 8.75% of the total issued share capital of the Company to En+.

“Probable Ore Reserve” means the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

“Production System” means the system developed and implemented at all of the Company’s production facilities by the Company’s Production Development Directorate business unit, for the purposes of introducing best practices to increase efficiency and the standardizing of production processes.

“Proved Ore Reserve” means the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

“Prospectus” means the Company’s prospectus for the Listing dated 31 December 2009. The Prospectus is available on the Company’s website under the link <http://www.rusal.ru/investors/EWP101.pdf>.

“PXF Facility” means up to USD2,000,000,000 Aluminium Pre-Export Finance Term Facility Agreement (dated 24 May 2017), as amended and restated from time to time, among inter alios, UC RUSAL Plc as Borrower and ING Bank N.V. as Facility Agent and Security Agents and Natixis as Offtake Agent.

“QAL” means Queensland Alumina Limited, a company incorporated in Queensland, Australia, in which the Company indirectly holds a 20% equity interest.

“RA” means JSC Russian Aluminium.

“related party” of an entity means a party who is:

- (a) directly, or indirectly through one or more intermediaries, a party which:
 - i. controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - ii. has an interest in the entity that gives it significant influence over the entity; or
 - iii. has joint control over the entity;
- (b) an associate of the entity;
- (c) a joint venture in which the entity is a venturer;
- (d) a member of the key management personnel of the entity or its parent;
- (e) a close member of the family of any individual referred to in (a) or (b) above;
- (f) an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e) above;
- (g) a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

“related party transaction” means a transfer of resources, services or obligations between related parties, regardless of whether the price is charged.

“Recurring Net Profit” for any period means Adjusted Net Profit plus the Company’s effective share of Norilsk Nickel’s profits, net of tax.

“Relevant Officer” means any employee of the Company or a director or employee of a subsidiary of the Company.

“Relevant Officers Code” means the code for Securities Transactions by Relevant Officers of the Company.

“Remuneration Committee” means the remuneration committee established by the Board in accordance with the requirements of the CG Code.

“Review Period” means the period commencing from 1 January 2017 and ending on 31 December 2017.

“Risk Map” means a systematic list of all risks of the Company with a description of the each risk, probability of its occurrence, financial assessment of the risk, consequences of its occurrence, responsible persons and risk control procedures.

“RSPP” means the Russian Union of Industrialists and Entrepreneurs.

“RUB” or **“Ruble”** means Rubles, the lawful currency of the Russian Federation.

“RUSAL ARMENAL” CJSC or **“RUSAL ARMENAL”** or **“ARMENAL”** means Closed Joint Stock Company “RUSAL ARMENAL”, an indirect wholly-owned subsidiary of the Company.

“RUSAL Global” means “RUSAL Global Management B.V.”, a company incorporated under the laws of the Netherlands.

“RUSAL RESAL” means Limited Liability Company “RUSAL RESAL”, an indirect wholly-owned subsidiary of the Company.

“RUSAL-Sayana Foil” LLC or **“Sayana Foil”** means Limited Liability Company «RUSAL-Sayana Foil», an indirect wholly-owned subsidiary of the Company.

JSC “RUSAL SAYANAL” or **“SAYANAL”** means Joint-Stock Company RUSAL SAYANAL, an indirect wholly-owned subsidiary of the Company.

JSC «UC RUSAL TH», “RUSAL TH” or **“UC RUSAL TH”** means Joint-stock company «United Company RUSAL - Trading House», an indirect wholly-owned subsidiary of the Company.

“RUSAL Ural JSC” means Joint Stock Company «United Company RUSAL Ural Aluminium», formerly JSC “Siberian-Urals Aluminium Company” (official short name JSC “SUAL”), a company incorporated under the laws of the Russian Federation, an indirect wholly-owned subsidiary of the Company.

“RUS-Engineering” means RUS-Engineering LLC, an indirect wholly-owned subsidiary of the Company.

“RusHydro” means PJSC “RusHydro” (“Public Joint-Stock Company Federal Hydro-Generating Company – RusHydro”), a company organized under the laws of the Russian Federation, which is an independent third party.

“R&D” means research and development or the Research and Development Centers operated by the Company, as the context requires.

“Samruk-Energo” means Samruk-Energo, a company incorporated in Kazakhstan, which is an independent third party.

"Samruk-Kazyna" means the Kazakhstan state controlled national welfare fund.

"Sayanogorsk aluminium smelter", "RUSAL Sayanogorsk" or "SAZ" means JSC "RUSAL Sayanogorsk", a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Company.

"Sberbank" means Sberbank of Russia.

"SFO" means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

"Share(s)" means the ordinary share(s) with nominal value of USD0.01 each in the share capital of the Company.

"Shareholder(s)" means the holders of Shares.

"Shareholders' Agreement between Major Shareholders only" means the shareholders' agreement dated 22 January 2010 between the Major Shareholders.

"Shareholders' Agreement with the Company" means the shareholders' agreement dated 22 January 2010 between the Major Shareholders and the Company.

"South Ural Cryolite Plant" or "Cryolite" means Joint-Stock Company "South Ural Cryolite Plant", an indirect non wholly-owned subsidiary of the Company.

"Standing Committee" means the standing committee of the Company.

"STIP" means the Company's Short-Term Incentive Program.

"SUAL-Kremniy-Ural" or "SUAL-Silicon-Ural LLC" or "SU-Silicon LLC" means SU-Silicon LLC, an indirect non wholly-owned subsidiary of the Company.

"SUAL Partners" means SUAL Partners Limited, a company incorporated under the laws of the Bahamas, which is a shareholder of the Company.

"SUAL PM" means SUAL-PM LLC, an indirect wholly-owned subsidiary of the Company.

"SUBR" or "North Urals" means JSC Sevuralboksitruda, a company incorporated in Russia, which is a wholly-owned subsidiary of the Company.

Limited Liability Company "RUSAL Taishet Aluminium Smelter", "RUSAL Taishet" LLC, "Taishet", "Taishet aluminium smelter" or "TAZ" means Limited Liability Company "RUSAL Taishet Aluminium Smelter", a wholly-owned subsidiary of the Company.

"Taishet Anode plant" or "Taishet Anode shop" means the new anode shop which is a project currently being implemented not far from the town of Taishet in the Irkutsk region of the Russian Federation.

"total attributable alumina output" is calculated based on pro rata share of the Group's ownership in corresponding alumina refineries.

“total attributable bauxite output” is calculated based on pro rata shares of the Group’s ownership in corresponding bauxite mines and mining complexes, including the total production of Timan and Bauxite Co. De Guyana., notwithstanding that minority interests in these subsidiaries are held by third parties.

“Total Net Debt” has the meaning given to it in the PXF Facility.

“tpa” means tonnes per annum.

“TSA” means Trading System Administrator of Wholesale Electricity Market Transactions.

JSC “Ural Foil” or **“Ural Foil”** means Joint-Stock Company “Ural Foil”, an indirect non wholly-owned subsidiary of the Company.

“Urals aluminium smelter”, “Urals Alumina Refinery”, “UAZ” means Urals Aluminium Smelter, a branch of RUSAL Ural JSC.

“USD” or **“US dollar”** means United States dollars, the lawful currency of the United States of America.

“VAP” means value added products. VAP include wire rod, foundry alloys, billets, slabs, high purity and other VAP.

“VAT” means value added tax.

“VEB” means State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)”.

“Volgograd aluminium smelter”, “VgAZ” or **“VgAZ SUAL”** means Volgograd Aluminium Smelter, a branch of RUSAL Ural JSC.

“Volkhov aluminium smelter” or **“VAZ”** means Volkhov Aluminium Smelter, a branch of RUSAL Ural JSC.

“Wholesale Electricity Market” means the wholesale market for the sale of electrical energy and power within the confines of the “Russian United Energy System” in the unified economic space of the Russian Federation. Large suppliers and purchasers of electrical energy and power participate in this market, as well as other participants which have obtained the status of wholesale market participants and act in accordance with the Wholesale Electricity Market Rules.

“Wholesale Electricity Market Rules” means the regulatory act (passed by the government of the Russian Federation as specified in the law “On the Electric Energy Industry”), which regulates the sale of electrical energy and power in the Wholesale Electricity Market.

“Winalco” means West Indies Alumina Company, a company incorporated in Jamaica, in which the Company indirectly holds a 100% interest.

“Working Capital” means trade and other receivables and inventories less trade and other payables.

APPENDIX A — PRINCIPAL TERMS OF THE SHAREHOLDERS' AGREEMENT WITH THE COMPANY



APPENDIX A — PRINCIPAL TERMS OF THE SHAREHOLDERS' AGREEMENT WITH THE COMPANY

The principal terms of the Shareholders' Agreement with the Company are described below. Unless otherwise stated, references to En+, SUAL Partners, Glencore and Onexim are deemed to include reference to other entities controlled by those Major Shareholders (other than any member of the Group).

RIGHT OF FIRST REFUSAL — BAUXITE, ALUMINA, ALUMINIUM

The Major Shareholders must offer the Company a right of first refusal in respect of any assets or development opportunities related to the production of bauxite, alumina or aluminium ("Industrial Assets") that they wish to acquire where such Industrial Assets or a group of related Industrial Assets has a value in excess of an amount determined by reference to the prevailing LME (high grade premium aluminium three month offer side) price of aluminium at the time of the proposed acquisition. If that LME price is USD1,500 per tonne or less then the trigger value is USD500 million, if it is USD4,500 or more than the trigger price is USD1 billion and if it is between these two prices then the trigger price is pro-rated on a straight line basis.

Each Major Shareholder must disclose to the Company any opportunity which has come to their (or their associates') respective attentions to acquire Industrial Assets of whatever value.

RELATIONSHIP BETWEEN THE COMPANY AND THE MAJOR SHAREHOLDERS

Each Major Shareholder must ensure that any contract between it or any of its associates and any member of the Group is entered into on an arms' length commercial basis and on terms that are not unfairly prejudicial to the interests of any Major Shareholder or the Group.

If there is a dispute between a Major Shareholder or any of its associates and the Company, that Shareholder will not, and will procure that any Directors appointed by it will not, do anything to prevent or hinder the Company's handling of the dispute.

The Major Shareholders agree to act in good faith in relation to the Group and in a manner that is not unfairly prejudicial to the interests of the Shareholders generally, and that the Group will be operated in accordance with the corporate governance standards set out in the CG Code.

TERMINATION FOR PARTICULAR SHAREHOLDERS

The Shareholders' Agreement with the Company shall terminate in respect of the relevant Major Shareholder in the following circumstances:

- Upon Onexim ceasing to hold a minimum shareholding of 5% of the total Shares in issue, other than as a result of dilution on a further share issue, it shall lose all of its rights and obligations under the Shareholders' Agreement with the Company.
- If Onexim holds less than 5% of the total Shares in issue, but still has any rights under the Shareholders' Agreement with the Company, it shall lose all of its rights and obligations under the Shareholders' Agreement with the Company upon any subsequent disposal by it of Shares or entry into derivative contracts or arrangements in relation to Shares.
- Upon any Major Shareholder ceasing to hold at least 3% of the total Shares in issue, for whatever reason, it shall lose all of its rights and obligations under the Shareholders' Agreement with the Company.
- Subject to certain exceptions, if there is a change of control of Glencore or a third party acquires all or substantially all of Glencore's assets, it shall lose its rights and obligations of first refusal outlined above.
- If there is a change of control of Onexim or a third party acquires all or substantially all of Onexim's assets, it shall lose all rights and its obligations under the Shareholders' Agreement with the Company.

APPENDIX B — PRINCIPAL TERMS OF THE SHAREHOLDERS' AGREEMENT BETWEEN MAJOR SHAREHOLDERS



APPENDIX B — PRINCIPAL TERMS OF THE SHAREHOLDERS' AGREEMENT BETWEEN MAJOR SHAREHOLDERS

The principal terms of the Shareholders' Agreement between Major Shareholders are described below. Unless otherwise stated, references to En+, SUAL Partners, Glencore and Onexim are deemed to include reference to other entities controlled by those Major Shareholders (other than any member of the Group).

BOARD OF THE COMPANY

For as long as En+ holds at least 30% of the Major Shareholders' Shares, the Major Shareholders have agreed to use their respective voting and other rights to procure, so far as they are able, that the Board shall consist of a minimum of 16 and a maximum of 18 Directors and that Directors proposed for nomination or removal under the Articles of Association or otherwise by the shareholders of the Company will be appointed to or removed from the Board to achieve the following:

For as long as En+ holds at least 40% of the Major Shareholders' Shares, Directors representing at least 50% of the Board shall be directors proposed by En+ (excluding independent Directors), one of whom shall be the Vice Chairman of the Board. For as long as En+ holds at least 30% of the Major Shareholders' Shares, En+ shall have the right to nominate for appointment and removal the CEO. The appointment of the CEO will be subject to approval by a majority of the Board and the Board will retain the ability to remove the CEO. The number of Directors (other than independent Directors) that En+ is entitled to propose for nomination to and removal from the Board shall reduce by one for as long as its shareholding, as a percentage of the Major Shareholders' Shares, is between 35% and 40%, and by two for as long as such percentage is between 30% and 35%. In addition, En+ shall be entitled to propose for nomination and removal of two independent Directors for as long as it holds at least 40% of the Major Shareholders' Shares and one independent Director for as long as that percentage remains between 10% and 40%. En+ shall have the right to veto

the appointment of any independent Director nominated by SUAL Partners or Onexim on the grounds set out in the Shareholders' Agreement between Major Shareholders only.

- For as long as Glencore holds at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue), Glencore shall have the right to propose for nomination and removal of the chief executive officer of Glencore and to veto the appointment of any independent Director nominated by En+, SUAL Partners or Onexim on the grounds set out in the Shareholders' Agreement between Major Shareholders only.
- For as long as SUAL Partners holds at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue), SUAL Partners shall have the right to propose for nomination and removal of three Directors, one of whom shall be independent, and to veto the appointment of any independent Director nominated by En+ or Onexim on the grounds set out in the Shareholders' Agreement between Major Shareholders only.
- For as long as Onexim holds at least 5% of the total Shares in issue, Onexim shall have the right to propose for nomination and removal of one Director and to veto the appointment of any independent Director nominated by En+ or SUAL Partners on the grounds set out in the Shareholders' Agreement between Major Shareholders only.
- For as long as En+ holds less than 30% of the Major Shareholders' Shares, the Major Shareholders have agreed to use their respective voting and other rights to procure, so far as they are able, that the Board shall consist of between 15 and 19 directors comprising:

 - four independent Directors, to be nominated in accordance with the rights of proposal of En+, SUAL Partners and Onexim described above (if relevant) and, to the extent required, by the Corporate Governance and Nomination Committee;

- one director proposed by VEB, if required; and
- Directors (other than independent Directors) who shall be proposed for nomination and removal by the Major Shareholders in proportion to their respective holdings of Shares from time to time.
- The Major Shareholders have agreed to exercise their respective voting and other rights to procure that, for as long as the Company is able to appoint between two and five directors to the board of Norilsk Nickel, Onexim is entitled to propose one Director for appointment to that board, and for as long as the Company is able to appoint six or more directors, Onexim is entitled to propose two directors for appointment to that board.

BOARDS OF SUBSIDIARIES

The Major Shareholders have agreed to use their respective voting and other rights to procure, so far as they are able, that the Directors proposed for nomination or dismissal by the shareholders of the Company will be appointed to or removed from the boards of the Agreed Subsidiaries to achieve the following:

- The board of each of RUSAL Global and RUSAL America Corp. shall comprise:
- four directors proposed by En+, for as long as the shareholding of En+ as a percentage of the Major Shareholders' Shares is at least 40%, provided that the number of directors to be proposed by En+ shall be three where such percentage is between 30% and 40%, shall be two where it is between 20% and 30% and shall be one where it is less than 20%; and
- one director proposed by each of Glencore, SUAL Partners and Onexim, for as long as in each case the relevant Major Shareholder holds at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue), in the case of each of Glencore and SUAL Partners, and 5% of the total Shares in issue, in the case of Onexim.

- **The board of each other Agreed Subsidiary shall comprise:**
- **three directors proposed by En+ for as long as the shareholding of En+ as a percentage of the Major Shareholders' Shares is at least 40%, provided that the number of directors to be proposed by En+ shall be two where such percentage is between 20% and 40% and shall be one where it is less than 20%; and**
- **one director proposed by each of Glencore and SUAL Partners, for as long as in each case the relevant Major Shareholder holds at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue).**
- **A health, safety and environment committee, whose composition, functions and terms of reference are to be determined from time to time by the Board.**
- **A standing committee consisting of five members who may or may not be Directors, one proposed for appointment by each of En+, SUAL Partners, Glencore and Onexim and one independent Director. The standing committee shall have authority to take certain decisions in relation to the Group without further approval of the Board or the shareholders of the Company.**

COMMITTEES OF THE BOARD

The Major Shareholders have agreed to procure, so far as they are able, that certain committees of the Board are to be established, as follows:

- **An audit committee, remuneration committee and corporate governance and nomination committee, each to be established in accordance with the requirements of the CG Code. The audit committee shall consist of five members, of whom three shall be independent Directors (as approved by the Board), one shall be appointed by En+ and one by Onexim. The remuneration committee shall consist of five members, of whom three shall be independent Directors (as approved by the Board), one shall be appointed by En+ and one by SUAL Partners. The Corporate Governance and Nomination Committee shall consist of five members, of whom three shall be independent Directors (as approved by the Board), one shall be appointed by En+ and one by Glencore. Summaries of the functions of these committees are set out in "Directors and Senior Management — Committees".**

EXERCISE OF VOTING RIGHTS BY ONEXIM

At general meetings of the Company, with respect to certain agreed matters customarily reserved to shareholders, Onexim has undertaken to exercise its voting rights in the same manner as En+ exercises its voting rights, provided that in no event shall Onexim be required to vote its holding of Shares: (A) in a manner that would contravene applicable law; (B) in a manner that would be directly and materially adverse to the interests of Onexim in its capacity as a direct or indirect holder of Shares; (C) if Onexim shall have exercised a right of "veto" (as described below) in respect of the relevant matter; or (D) if and for so long as En+ is in material breach of the Shareholders' Agreement between Major Shareholders only or the Shareholders' Agreement with the Company.

VETO RIGHTS

- **The Major Shareholders have agreed to exercise their voting rights with a view to giving the Major Shareholders effective veto rights as set out below, by procuring that Directors proposed by them for appointment vote against any resolution in respect of which a Major Shareholder has exercised its "veto":**

- ▶ Each of En+, Glencore, SUAL Partners and Onexim is given an effective right of veto in relation to any related party transaction (or amendment to or renewal of an existing related party transaction).
- ▶ Each of En+, Glencore and SUAL Partners and Onexim is given an effective right of veto in respect of any matter proposed to be undertaken by the Company or any of its subsidiaries which would require a special resolution were the Company or the relevant subsidiary incorporated in England and Wales (e.g. alteration of Articles of Association; change of name; re-registration of a private company as a public company; re-registration of an unlimited company as limited; re-registration of a public company as a private company; offer to issue shares or rights to subscribe for shares other than pro rata to existing shareholders by displacing statutory pre-emption rights; reduction of share capital; to give, revoke, renew or vary the authority for the Company to purchase (off market) shares in itself; and to redeem or purchase own shares out of capital).
- ▶ The Company does not believe that these veto rights will have any material impact on the operation of the Company.

MATTERS INCONSISTENT WITH THE SHAREHOLDERS' AGREEMENT BETWEEN MAJOR SHAREHOLDERS ONLY

The Major Shareholders have agreed that they shall use their voting and other rights available to them to procure that no resolutions are passed or actions taken or refrained from being taken by the Company or any other member of the Group to the extent that they would be inconsistent with the terms of the Shareholders' Agreement between Major Shareholders only.

KRAMZ/KUMZ JSC SUPPLY AGREEMENTS AND AGREEMENTS WITH GLENCORE

- ▶ The Major Shareholders have agreed to use their voting and other rights available to them to procure that all Board and shareholder approvals and resolutions which are required under the Listing Rules in respect of the supply agreement entered into between the Group and KUMZ JSC, and the supply agreement entered into between the Group and KramZ group companies, a group of companies owned by Mr. Deripaska are passed in accordance with those laws and rules.
- ▶ If the entry into, amendment of or exercise of any rights under any agreements between the Group and Glencore approved by the Board require shareholder approval under the Listing Rules, the Major Shareholders have agreed to use their voting and other rights available to them to procure that such approvals and resolutions are passed in accordance with those laws and rules.

DIVIDEND POLICY

The Major Shareholders have agreed to procure compliance by the Group with a dividend policy, to the extent permissible under the terms of the credit facility agreements, under which not less than 50% of the annual consolidated net profits of the Group in each financial year are distributed to Shareholders within four months after the end of the relevant financial year, subject to any applicable legislation.

RIGHTS OF FIRST REFUSAL — SUAL PARTNERS SHARES

- Subject to certain exceptions, if SUAL Partners wishes to sell any of its holding of Shares in an on-market transaction, it must serve notice on En+, offering it a right of first refusal. The price at which En+ will be entitled to acquire the Shares offered by SUAL Partners is the volume weighted average price per Share for the three trading days prior to the date on which the relevant notice is sent by SUAL Partners.
- SUAL Partners will not be obliged to offer En+ a right of first refusal in respect of Shares sold by it to the extent that:
- the aggregate number of Shares sold in any one trading day by SUAL Partners does not exceed 20% of the daily average trading volume for the 30 trading days immediately preceding that trading day; and
- the aggregate number of Shares sold within the above limits does not in any period of four months exceed 0.5% of the total Shares in issue at the time of the relevant sale.

RIGHTS OF FIRST REFUSAL — GLENCORE'S SHARES

Glencore must offer En+ and SUAL Partners a right of first refusal in respect of any proposed sale of Shares by Glencore in an on-market transaction, on substantially the same terms as the right of first refusal to be offered in respect of Shares held by SUAL Partners (as described above), subject to the same carve outs as described above in relation to SUAL Partners.

ONEXIM TAG ALONG RIGHTS

Upon any sale of Shares by En+, SUAL Partners or Onexim, such that the aggregate number of Shares sold by those three Major Shareholders in any rolling four month period exceeds 25% of the Shares then in issue, the sale shall not proceed unless the purchaser has also offered, on the same terms, to acquire the Shares then held by Onexim which were received by Onexim as part consideration for the acquisition by the Company of a stake of 25% plus one share in Norilsk Nickel.

SHARE PLACING

To the extent that the Company proposes to undertake a bookbuild placing or underwritten offering of Shares of in excess of 1% of the issued share capital of the Company, the Major Shareholders have agreed to use their voting and other rights to procure that the Major Shareholders are also entitled to sell a pro rata proportion of their Shares as part of such placing or offering.

NO MANDATORY OFFER

The Major Shareholders have agreed not to acquire or dispose of any voting rights which would be exercisable at a general meeting of the Company, if such acquisition or disposal would trigger a mandatory obligation under the Hong Kong Codes on Takeovers and Mergers and Share Buyback to make an offer for Shares and have undertaken to indemnify each other in the event of a breach of such undertaking.

LICENCES

For as long as Onexim is a shareholder, En+, SUAL Partners and Glencore have agreed not to, and to use their respective voting and other rights to procure that neither the Company nor any of its subsidiaries will, bid for or acquire, and that the Company will take reasonable steps to procure that Norilsk Nickel will not bid for or acquire, certain specified geological licences relating to nickel, copper, platinum and cobalt without the prior written consent of Onexim.

TERMINATION FOR PARTICULAR SHAREHOLDERS

The Shareholders' Agreement between Major Shareholders only shall terminate in respect of the relevant Major Shareholder in the following circumstances:

- Upon either Glencore or SUAL Partners ceasing to hold at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue) Glencore or SUAL Partners (as the case may be) shall lose their rights to propose Directors for nomination to the Board, and upon such shareholdings falling below 50% of the relevant minimum shareholding stated above they shall lose their respective veto rights as described above.
- Upon En+ ceasing to hold at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue), it shall lose any rights to propose Directors for nomination to the Board, and upon such shareholding falling below 50% of the relevant minimum shareholding stated above, it shall lose its veto rights as described above.
- Upon Onexim ceasing to hold at least 5% of the total Shares in issue, other than as a result of dilution on a further share issue, it shall lose all of its rights and obligations under the Shareholders' Agreement between Major Shareholders only.
- If Onexim holds less than 5% of the total Shares in issue, but still has any rights under the Shareholders' Agreement between Major Shareholders only, it shall lose all of its rights and obligations under the Shareholders' Agreement between Major Shareholders only upon any subsequent disposal by it of Shares or entry into derivative contracts or arrangements in relation to Shares.
- Upon any Major Shareholder ceasing to hold at least 3% of the total Shares in issue, for whatever reason, it shall lose all of its rights and obligations under the Shareholders' Agreement between Major Shareholders only.
- Subject to certain exceptions, if there is a change of control of Glencore or a third party acquires all or substantially all of Glencore's assets, it shall lose its rights to propose Directors for nomination to the Board and the veto rights described above.
- If there is a change of control of Onexim or a third party acquires all or substantially all of Onexim's assets, it shall lose all rights and its obligations under the Shareholders' Agreement between Major Shareholders only.

CORPORATE INFORMATION



CORPORATE INFORMATION

(as at the Latest Practicable Date)

BOARD OF DIRECTORS

Executive Directors

Mr. Vladislav Soloviev (*President*)
Mr. Siegfried Wolf

Non-executive Directors

Mr. Oleg Deripaska
Mr. Dmitry Afanasiev
Ms. Olga Mashkovskaya
Ms. Gulzhan Moldazhanova
Ms. Ekaterina Nikitina
Mr. Maxim Sokov
Mr. Marco Musetti

Independent non-executive Directors

Dr. Elsie Leung Oi-sie
Mr. Mark Garber
Mr. Matthias Warnig (*Chairman of the Board*)
Mr. Dmitry Vasiliev
Mr. Bernard Zonneveld

REGISTERED OFFICE IN JERSEY

44 Esplanade,
St Helier,
Jersey,
JE4 9WG.

PRINCIPAL PLACE OF BUSINESS

28th Oktovriou, 249
LOPHITIS BUSINESS CENTRE, 7th floor
3035 Limassol
Cyprus

PLACE OF BUSINESS IN HONG KONG

3806 Central Plaza
18 Harbour Road
Wanchai Hong Kong

JERSEY COMPANY SECRETARY

Intertrust Corporate Services (Jersey) Limited
44 Esplanade,
St Helier,
Jersey,
JE4 9WG

HONG KONG COMPANY SECRETARY

Ms. Aby Wong Po Ying
Intertrust Resources Management Limited
3806 Central Plaza
18 Harbour Road
Wanchai Hong Kong

AUDITORS

JSC KPMG
Naberezhnaya Tower Complex, Block C
10 Presnenskaya Naberezhnaya
Moscow, 123112
Russia

AUTHORISED REPRESENTATIVES

Mr. Vladislav Soloviev
Ms. Aby Wong Po Ying
Mr. Eugene Choi

PRINCIPAL SHARE REGISTRAR

Computershare Investor Services (Jersey) Limited
Queensway House
Hilgrove Street, St Helier
Jersey,
JE1 1ES

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services
Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

DEPOSITORY FOR THE GLOBAL DEPOSITARY SHARES LISTED ON EURONEXT PARIS

The Bank of New York Mellon
One Wall Street,
New York, NY 10286

AUDIT COMMITTEE MEMBERS

Mr. Bernard Zonneveld (*chairman*)
Dr. Elsie Leung Oi-sie
Ms. Olga Mashkovskaya
Mr. Dmitry Vasiliev

CORPORATE GOVERNANCE AND NOMINATION COMMITTEE MEMBERS

Mr. Mark Garber
Ms. Ekaterina Nikitina
Mr. Dmitry Vasiliev
Mr. Bernard Zonneveld

REMUNERATION COMMITTEE MEMBERS

Dr. Elsie Leung Oi-sie (*chairman*)
Mr. Bernard Zonneveld
Mr. Mark Garber
Ms. Ekaterina Nikitina

PRINCIPAL BANKERS

Sberbank
VTB Bank
ING N.V.
Gazprombank

INVESTOR RELATIONS CONTACT

Moscow

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