United Company RUSAL Plc

Consolidated Financial Statements for the year ended 31 December 2017

RUSAL

Contents

Statement of Directors' Responsibilities	3
Independent Auditors' Report	4
Consolidated Statement of Income	9
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Financial Position	11
Consolidated Statement of Changes in Equity	13
Consolidated Statement of Cash Flows	14
Notes to the Consolidated Financial Statements	16

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 company law 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 Auditors' Report

To the Members of United Company RUSAL Plc

Report on the Audit of the Consolidated Financial Statements

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")

Independent auditor: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registration No. in the Unified State Register of Legal Entities 1027700125628.

Member of the Self-regulated organization of auditors "Russian Union of auditors" (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 11603053203.

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
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. 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	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. We used our own valuation specialists to assist us in evaluating the assumptions and methodology used by the Group. In particular, we challenged: - 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

judgmental areas that our audit is concentrated on.	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. 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.

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

	Note	Year ended 31 December	
		2017	2016
		USD million	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**
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 16 to 91.

	Note	Year ended 31 December	
		2017	2016
		USD million	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
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 16 to 91.

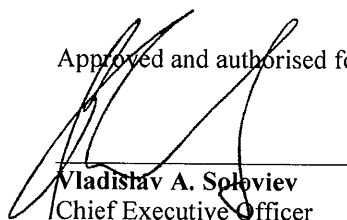
	Note	31 December 2017 USD million	31 December 2016 USD million
ASSETS			
Non-current assets			
Property, plant and equipment	13	4,323	4,065
Intangible assets	14	2,552	2,470
Interests in associates and joint ventures	15	4,448	4,147
Deferred tax assets	8	63	51
Derivative financial assets	21	34	51
Other non-current assets		72	52
Total non-current assets		**11,492**	**10,836**
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 16 to 91.

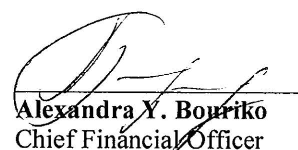
RUSAL

	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**
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 16 to 91.

	Note	Share capital	Share premium	Other reserves	Currency translation reserve	Accumulated losses	Total equity
		USD million	USD million	USD million	USD million	USD million	USD million
Balance at 1 January 2017		**152**	**15,786**	**2,882**	**(9,058)**	**(6,463)**	**3,299**
Profit for the 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**
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 16 to 91.

	Note	Year ended 31 December	
		2017	**2016**
		USD million	**USD million**
OPERATING ACTIVITIES			
Profit for the year		**1,222**	**1,179**
Adjustments for:			
Depreciation	6	484	445
Amortisation	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)
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
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**

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 16 to 91.

	Note	Year ended 31 December	
		2017	**2016**
		USD million	**USD million**
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**
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 16 to 91.

1 Background

(a) Organisation

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

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

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

The Company directly or through its wholly owned subsidiaries controls a number of production and trading entities (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 Limited ("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 International 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 Rouble, 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, *Financial Instruments*	1 January 2018
IFRS 15, *Revenue from Contracts with Customers*	1 January 2018
IFRS 16, *Leases*	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 ob 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 amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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 amortised 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	**Weighted-average loss rate**	**Estimated loss allowance range**	**Credit-impaired**
	USD million		**USD million**	
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 preliminary 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'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 perfomrs 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 Roubles ("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 investments 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 amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised 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 centres. 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 amortisation of assets attributable to those segments excluding impairment.

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

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

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

During 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	**Alumina**	**Energy**	**Mining and Metals**	**Total segment result**
	USD million	**USD million**	**USD million**	**USD million**	**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/amortisation	(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)**

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

Year ended 31 December 2016

	Aluminium	Alumina	Energy	Mining and Metals	Total segment result
	USD million	USD million	USD million	USD million	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/amortisation	(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	2016
	USD million	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	2016
	USD million	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	31 December 2016
	USD million	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	31 December 2016
	USD million	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	**2016**
	USD million	**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	**31 December 2016**
	USD million	**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	**2016**
	USD million	**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 International 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	**2016**
	USD million	**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 amortisation	**(472)**	**(434)**
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	**2016**
	USD million	**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 amortisation	(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	**2016**
	USD million	**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	**2016**
	USD million	**USD million**
Results from operating activities	1,523	1,068
Add:		
Amortisation 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	**2016**
	USD million	**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 utilised. 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 realised.

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 recognised.

Disclosures

(a) Income tax expense

	Year ended 31 December	
	2017	2016
	USD million	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		2016	
	USD million	%	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:

	Assets		Liabilities		Net	
USD million	**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 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 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 utilise the benefits therefrom. Tax losses expire in the following years:

	31 December 2017	31 December 2016
Year of expiry	**USD million**	**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	31 December 2016
	USD million	**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 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulations are as follows:

	Year ended 31 December 2017			
	Directors' fees	**Salaries, allowances, benefits in kind**	**Discretionary bonuses**	**Total**
	USD thousand	**USD thousand**	**USD thousand**	**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
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	Salaries, allowances, benefits in kind	Discretionary bonuses	Total
	USD thousand	USD thousand	USD thousand	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
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**

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.

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.

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	**2016**
	USD thousand	**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	**2016**
	Number of individuals	**Number of individuals**
HK$36,000,001-HK$36,500,000 (US$4,600,001 – US$4,700,000)	1	-
HK$38,000,001-HK$38,500,000 (US$4,800,001 – US$4,900,000)	-	1
HK$43,500,001-HK$44,000,000 (US$5,500,001 – US$5,600,000)	1	-
HK$60,500,001-HK$61,000,000 (US$7,750,001 – US$7,850,000)	1	-
HK$71,500,001-HK$72,000,000 (US$9,200,001 – US$9,300,000)	-	1
HK$80,500,001-HK$81,000,000 (US$10,350,001 – US$10,450,000)	-	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 Company 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 labour, 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 electrolysers 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 amortised 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-generating 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							
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.

(a) 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 to sell 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 negative. 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.

(b) 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	31 December 2016
	USD million	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 amortised 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 labour 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 amortisation 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 amortisation 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) Amortisation

Amortisation is recognised 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 amortisation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Disclosures

	Goodwill	Other intangible assets	Total
	USD million	USD million	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**
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**
Amortisation and impairment losses			
Balance at 1 January 2016	(449)	(451)	(900)
Amortisation charge	-	(8)	(8)
Balance at 31 December 2016	**(449)**	**(459)**	**(908)**
Balance at 1 January 2017	(449)	(459)	(908)
Amortisation 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 amortisation 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.

(a) 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 other 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 to sell 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

	31 December	
	2017	**2016**
	USD million	**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.

			Ownership interest		
Name of associate/ joint venture	**Place of incorporation and operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Group's nominal interest**	**Principal activity**
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 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	**31 December 2016**
	USD million	**USD million**
Cash and cash equivalents	21	18
Current financial liabilities	(11)	(7)
Non-current financial liabilities	(920)	(844)
Depreciation and amortisation	(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 amortisation 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	31 December 2016
	USD million	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	2016
	USD million	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 amortised 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 amortised 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 amortised 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 recognised. For financial assets measured at amortised 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	31 December 2016
	USD million	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)
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	**31 December 2016**
	USD million	**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	**2016**
	USD million	**USD million**
Balance at the beginning of the year	(14)	(25)
(Impairment loss)/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 pay-outs are restricted in accordance with the credit facilities.

(d) Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations and equity accounted investees. 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	31 December 2016
	USD million	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**

(a) 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	-	-	-	-	-
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	-	-	-	-	-
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**	**-**
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.

(b) 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 USD1,030 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 utilised 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***
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 utilised 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 labour 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	**31 December 2016**
	% per annum	% 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, Ukrainian population table for 2000	USSR population table for 1985, 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 amortised 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 unamortised 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 amortisation 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 alumina 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: USD225 million	2018-2022: USD251 million
	2024-2033: USD105 million	2023-2032: USD100 million
	after 2033: USD182 million	after 2032: 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		USD million	
	Derivative assets	Derivative liabilities	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	2016
	USD million	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 Aluminum MW US Transaction premium, MB Aluminium Premium Rotterdam Low - High» and Aluminum 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

		Carrying amount					Fair value			
	Note	Derivatives	Fair value - hedging instrument	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		USD million	USD million	USD million	USD million	USD million	USD million	USD million	USD million	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)**
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

		Carrying amount					Fair value			
	Note	**Derivatives**	**Fair value - hedging instrument**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
		USD million	**USD million**	**USD million**	**USD million**	**USD million**	**USD million**	**USD million**	**USD million**	**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)**
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 and 25(c).

(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				
Loans and borrowings	2.60%-12.85%	1,629	2.50%-12.85%	908
		1,629		**908**
Variable rate loans and borrowings				
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	Effect on equity for the year
		USD million	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 Rouble, 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.

	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**	
As at 31 December	**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		
		USD million	USD million
	Change in exchange rates	Effect on profit before taxation for the year	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		
		USD million	USD million
	Change in exchange rates	Effect on profit before taxation for the year	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	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	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, creditworthy 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 USD 7,127 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.

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.

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).

(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	**2016**
	USD million	**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 International 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**
Mln kWh	37,598	37,598	37,700	37,598	37,598	37,598	37,700	37,598	37,598
Mln 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
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 USD 0.01 each	100.0%	Trading
RS International GmbH	Switzerland	22 May 2007	1 share with nominal value of CHF 20,000	100.0%	Trading

Name	Place of incorporation and operation	Date of incorporation	Particulars of issued and paid up capital	Attributable equity interest	Principal activities
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
JSC Bauxite-Timana	Russian Federation	29 December 1992	44,500,000 shares of RUB10 each	100.0%	Bauxite mining
JSC Severo-Uralsky Bauxite Mine	Russian Federation	24 October 1996	10,506,609 shares of RUB275.85 each	100.0%	Bauxite mining
JSC RUSAL Ural	Russian Federation	26 September 1996	2,542,941,932 shares of RUB1 each	100.0%	Primary aluminum and alumina production
SUAL-PM LLC	Russian Federation	20 October 1998	charter fund of RUB56,300,959	100.0%	Aluminum powders production
JSC Kremniy	Russian Federation	3 August 1998	320,644 shares of RUB1,000 each	100.0%	Silicon production
SUAL-Kremniy-Ural LLC	Russian Federation	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	90,000,000 RUB	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 Federation	26 December 2005	715,000,000 RUB	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**
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.