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# UNITED COMPANY RUSAL PLC

*(Incorporated under the laws of Jersey with limited liability)*

**(Stock Code: 486)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

**Key highlights**

- In the fourth quarter of 2015 London Metals Exchange ("**LME**") aluminium price reached an average of USD1,495 per tonne, , demonstrating a 24.0% decrease compared to USD1,968 per tonne in the fourth quarter of the prior year. The realized premiums over the LME aluminium price were down to an average of USD179 per tonne in the three months ended 31 December 2015, 58.3% lower than USD429 per tonne in the fourth quarter of 2014.

- The Company's revenue for the year ended 31 December 2015 decreased by 7.2% to USD 8,680 million as compared to USD9,357 million for 2014. Revenue in the fourth quarter of 2015 decreased by 25.6% to USD1,857 million as compared to USD2,496 million in the same quarter of 2014 with average realized price decreased by 28.5% to USD1,729 per tonne for the last quarter of 2015 as compared to USD2,419 per tonne in the same period of 2014.

- United Company RUSAL Plc (the "**Company**" or "**UC RUSAL**", together with its subsidiaries, the "**Group**") recorded an Adjusted EBITDA of USD2,015 million with Adjusted EBITDA margin of 23.2% for the year ended 31 December 2015 as compared to USD1,514 million with Adjusted EBITDA margin of 16.2% for the preceding year. In the fourth quarter of 2015 Adjusted EBITDA decreased by 27.1% to USD306 million as compared to USD420 million in the third quarter of 2015 and decreased by 53.0% as compared to USD651 million in the fourth quarter of 2014.

- The aluminium segment cost per tonne decreased by 15.6% to USD1,410 in the fourth quarter of 2015 in comparison with USD1,671 per tonne in the same period of 2014.

- The Company achieved Adjusted Net Profit and Recurring Net Profit of USD671 million and USD1,097 million, respectively, for the year ended 31 December 2015 as compared to USD17 million and USD486 million for the prior year. In the fourth quarter of 2015, the Company achieved Adjusted Net Profit of USD55 million and Recurring Net Loss of USD40 million.

- During 2015 the Company decreased its' Net Debt and derivative financial liabilities by USD771 million that decreased the leverage ratio to below 3.0:1 as at 30 June 2015 resulted in the lower interest rate margin and cancellation of cash sweep mechanism starting from September 2015.

## Financial and Operating Highlights

| | Quarter ended 31 December | | Change, quarter on quarter, (4Q to 4Q) | Quarter ended 30 September | Change, quarter on quarter, (4Q to 3Q) | Year ended 31 December | | Change, year-on-year |
|---|---|---|---|---|---|---|---|---|
| | **2015** unaudited | **2014** unaudited | | **2015** unaudited | | **2015** | **2014** | |
| **Key operating data** | | | | | | | | |
| *('000 tonnes)* | | | | | | | | |
| Aluminium | 921 | 915 | 0.7% | 916 | 0.5% | 3,645 | 3,601 | 1.2% |
| Alumina | 1,906 | 1,818 | 4.8% | 1,870 | 1.9% | 7,402 | 7,253 | 2.1% |
| Bauxite | 2,850 | 2,932 | (2.8%) | 3,290 | (13.4%) | 12,112 | 12,108 | 0.0% |
| *('000 tonnes)* | | | | | | | | |
| Sales of primary aluminium and alloys | 876 | 874 | 0.2% | 939 | (6.7%) | 3,638 | 3,525 | 3.2% |
| *(USD per tonne)* | | | | | | | | |
| Aluminium segment cost per tonne[1] | 1,410 | 1,671 | (15.6%) | 1,440 | (2.1%) | 1,455 | 1,729 | (15.8%) |
| Aluminium price per tonne quoted on the LME[2] | 1,495 | 1,968 | (24.0%) | 1,589 | (5.9%) | 1,663 | 1,866 | (10.9%) |
| Average premiums over LME price[3] | 179 | 429 | (58.3%) | 206 | (13.1%) | 281 | 380 | (26.1%) |
| Average sales price | 1,729 | 2,419 | (28.5%) | 1,843 | (6.2%) | 2,001 | 2,219 | (9.8%) |
| Alumina price per tonne[4] | 234 | 354 | (33.9%) | 294 | (20.4%) | 303 | 330 | (8.2%) |
| **Key selected data from the consolidated statement of income** | | | | | | | | |
| *(USD million)* | | | | | | | | |
| Revenue | 1,857 | 2,496 | (25.6%) | 2,073 | (10.4%) | 8,680 | 9,357 | (7.2%) |
| Adjusted EBITDA | 306 | 651 | (53.0%) | 420 | (27.1%) | 2,015 | 1,514 | 33.1% |
| *margin (% of revenue)* | 16.5% | 26.1% | NA | 20.3% | NA | 23.2% | 16.2% | NA |
| (Loss)/Profit for the period | (267) | (102) | 161.8% | (54) | 394.4% | 558 | (91) | NA |
| *margin (% of revenue)* | (14.4%) | (4.1%) | NA | (2.6%) | NA | 6.4% | (1.0%) | NA |
| Adjusted Net Profit for the period | 55 | 387 | (85.8%) | 181 | (69.6%) | 671 | 17 | 3,847.1% |
| *margin (% of revenue)* | 3.0% | 15.5% | NA | 8.7% | NA | 7.7% | 0.2% | NA |
| Recurring Net (Loss)/Profit for the period | (40) | 276 | NA | 287 | NA | 1,097 | 486 | 125.7% |
| *margin (% of revenue)* | (2.2%) | 11.1% | NA | 13.8% | NA | 12.6% | 5.2% | NA |

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1 For any period, "Aluminium segment cost per tonne" is calculated as aluminium segment revenue less aluminium segment results less amortisation and depreciation divided by sales volume of the aluminium segment.

2 Aluminium price per tonne quoted on the LME representing the average of the daily closing official prices for each period.

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

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

**Key selected data from consolidated statement of financial position**

| | As at | | |
|---|---|---|---|
| | **31 December 2015** | **31 December 2014** | **Change year-on-year** |
| *(USD million)* | | | |
| Total assets | 11,749 | 14,857 | (20.9%) |
| Total working capital[5] | 1,606 | 1,349 | 19.1% |
| Net Debt[6] | 8,372 | 8,837 | (5.3%) |

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

| | Year ended | | |
|---|---|---|---|
| | **31 December 2015** | **31 December 2014** | **Change year-on-year** |
| *(USD million)* | | | |
| Net cash flows generated from operating activities | 1,568 | 1,398 | 12.2% |
| Net cash flows generated from investing activities | 261 | 514 | (49.2%) |
| *of which dividends from associates and joint ventures* | 755 | 926 | (18.5%) |
| *of which CAPEX*[7] | (522) | (479) | 9.0% |
| Interest paid | (516) | (677) | (23.8%) |

**Aluminium market outlook for 2016**

RUSAL expects that the global aluminum demand will continue its growth at a healthy 5.7% during 2016 to 59.6 million tonnes or by another 3 million tonnes as a result of a strong demand growth in North America, Europe and Asia. Chinese growth is expected to continue to be strong at 7% YoY in 2016 to 31 million tonnes. Transportation sector will continue to be the biggest growth contribution in 2016 with half of 1.5 million tonnes growth followed by construction and electrical/consumer durables and packaging sectors.

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

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

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

On the supply side, Chinese aluminium production is forecasted to grow at the slowest pace over the last 5 years by 4.8% in 2016 compared to 5 year average growth at 12% and 9.6% in 2015.

The current "all-in" aluminium price means that around 5 million tonnes of smelting capacity ex-China continues to be loss-making. Consequently, the ROW aluminum production is forecasted to decline by 100kt in 2016 as compared to 2015 to 26.2 million tonnes. As a result, the ROW market deficit will widen to 2.4 million tonnes in 2016 from 1.2 million tonnes in 2015.

Chinese semis export growth is expected to slow down further in 2016 as compared to 2015 on lower price arbitrage due to a much lower premium expectation in ROW and higher Shanghai Future Exchange price linked to local capacity curtailments.

As expected, the total primary market balance will turn into deficit of 1.2 million tonne in 2016 as compared to 0.6 million tonnes of surplus in 2015.

**Business review**

**Aluminium**

Primary aluminium production for the year ended 31 December 2015 was practically flat as compared to the previous year and totalled 3,645 thousand tonnes (+1.2% YoY).

**Alumina**

Alumina output for the year ended 31 December 2015 totalled 7,402 thousand tonnes (+2.0% YoY). International operations (including Aughinish, Nikolaev, Windalco and JV Queensland) accounted for the major part (66%) of the output. The production growth was largely attributable to stronger internal (intercompany) demand.

**Bauxites**

Bauxite and nepheline ore production for the year ended 31 December 2015 was almost flat as compared to the previous year and comprised 12,112 thousand tons and 4,111 thousand tonnes, respectively.

## Financial Overview

### Revenue

| | Year ended 31 December 2015 | | | Year ended 31 December 2014 | | |
|---|---|---|---|---|---|---|
| | *USD million* | *kt* | *Average sales price (USD/tonne)* | *USD million* | *kt* | *Average sales price (USD/tonne)* |
| Sales of primary aluminium and alloys | 7,279 | 3,638 | 2,001 | 7,823 | 3,525 | 2,219 |
| Sales of alumina | 595 | 1,722 | 346 | 569 | 1,743 | 326 |
| Sales of foil | 270 | 81 | 3,333 | 303 | 88 | 3,443 |
| Other revenue | 536 | — | — | 662 | — | — |
| **Total revenue** | **8,680** | | | **9,357** | | |

Total revenue decreased by USD677 million or by 7.2% to USD8,680 million in 2015 compared to USD9,357 million in 2014. The decrease in total revenue was primarily due to the lower sales of primary aluminium and alloys, which accounted for 83.9% and 83.6% of UC RUSAL's revenue for the years 2015 and 2014.

| | Quarter ended 31 December | | Change, quarter on quarter, (4Q to 4Q) | Quarter ended 30 September | Change, quarter on quarter, (4Q to 3Q) | Year ended 31 December | | Change, year-on-year |
|---|---|---|---|---|---|---|---|---|
| | **2015** unaudited | **2014** unaudited | | **2015** unaudited | | **2015** | **2014** | |
| *(USD million)* | | | | | | | | |
| Sales of primary aluminium and alloys | | | | | | | | |
| *USD million* | 1,515 | 2,114 | (28.3%) | 1,731 | (12.5%) | 7,279 | 7,823 | (7.0%) |
| *kt* | 876 | 874 | 0.2% | 939 | (6.7%) | 3,638 | 3,525 | 3.2% |
| *Average sales price (USD/t)* | 1,729 | 2,419 | (28.5%) | 1,843 | (6.2%) | 2,001 | 2,219 | (9.8%) |
| Sales of alumina | | | | | | | | |
| *USD million* | 144 | 149 | (3.4%) | 147 | (2.0%) | 595 | 569 | 4.6% |
| *kt* | 485 | 434 | (11.8%) | 418 | 16.0% | 1,722 | 1,743 | (1.2%) |
| *Average sales price (USD/t)* | 297 | 343 | (13.4%) | 352 | (15.6%) | 346 | 326 | 6.1% |
| Sales of foil (USD million) | 63 | 80 | (21.3%) | 65 | (3.1%) | 270 | 303 | (10.9%) |
| Other revenue (USD million) | 135 | 153 | (11.8) | 130 | 3.8% | 536 | 662 | (19.0%) |
| **Total revenue (USD million)** | 1,857 | 2,496 | (25.6%) | 2,073 | (10.4%) | 8,680 | 9,357 | (7.2%) |

Revenue from sales of primary aluminium and alloys decreased by USD544 million, or by 7.0%, to USD7,279 million in 2015, as compared to USD7,823 million in 2014, primarily due to 9.8% decrease in the weighted-average realized aluminium price per tonne driven by a decrease in the LME aluminium price (to an average of USD1,663 per tonne in 2015 from USD1,866 per tonne in 2014), as well as a decrease in premiums above the LME prices in the different geographical segments (to an average of USD281 per tonne from USD380 per tonne in 2015 and 2014, respectively).

Revenue from sales of alumina increased by USD26 million or by 4.6% to USD595 million for the year ended 31 December 2015 as compared to USD569 million for the previous year. The increase was mostly attributable to 6.1% growth in the average sales price partially offset by a 1.2% decrease in alumina sales volume.

Revenue from sales of foil decreased by 10.9% to USD270 million in 2015, as compared to USD303 million in 2014, primarily due to a 3.2% decrease in the weighted average sales price and 7.9% decrease in sales volumes.

Revenue from other sales, including sales of other products, bauxite and energy services decreased by 19.0% to USD536 million for the year ended 31 December 2015 as compared to USD662 million for the previous year, due to a 48.8% decrease in sales of bauxite and a 11.3% decrease in sales of other materials.

**Cost of sales**

The following table shows the breakdown of UC RUSAL's cost of sales for the years ended 31 December 2015 and 2014, respectively:

| | Year ended 31 December | | Change, | Share |
|---|---|---|---|---|
| | **2015** | **2014** | **year-on-year** | **of costs** |
| *(USD million)* | | | | |
| Cost of alumina | 733 | 863 | (15.1%) | 11.8% |
| Cost of bauxite | 538 | 604 | (10.9%) | 8.7% |
| Cost of other raw materials and other costs | 2,247 | 2,606 | (13.8%) | 36.2% |
| Energy costs | 1,680 | 1,929 | (12.9%) | 27.0% |
| Depreciation and amortisation | 434 | 435 | (0.2%) | 7.0% |
| Personnel expenses | 505 | 708 | (28.7%) | 8.1% |
| Repairs and maintenance | 58 | 70 | (17.1%) | 0.9% |
| Net change in provisions for inventories | 20 | 8 | 150.0% | 0.3% |
| **Total cost of sales** | **6,215** | **7,223** | **(14.0%)** | **100.0%** |

Total cost of sales decreased by USD1,008 million, or by 14.0%, to USD6,215 million in 2015, as compared to USD7,223 million in 2014. The decrease was primarily driven by the continuing depreciation of the Russian Ruble and the Ukrainian Hryvnia against the US Dollar by 58.7% and 83.3%, respectively, between the reporting periods.

Cost of alumina decreased in the reporting period (as compared to 2014) by USD130 million, or by 15.1%, primarily as a result of a decrease in alumina transportation costs following significant Russian Ruble depreciation and a slight decrease in tariff.

Cost of bauxite decreased by 10.9% for the year ended 31 December 2015 as compared to the same period of prior year, due to a decrease in purchase volume.

Cost of raw materials (other than alumina and bauxite) and other costs decreased by 13.8% due to the lower raw materials purchase price (such as raw petroleum coke by 21.7%, calcined petroleum coke by 10.4%, raw pitch coke by 11.1%, pitch by 3.2%) and lower purchase volume in 2015 as compared to 2014.

Energy cost decreased in 2015 by 12.9% to USD1,680 million compared to USD1,929 million in 2014 primarily due to the continuing depreciation of the Russian Ruble against the US Dollar.

**Distribution, administrative and other expenses**

Distribution expenses decreased by 16.4% to USD336 million in 2015, compared to USD402 million in 2014, primarily due to the decrease in transportation tariffs as well as the significant depreciation of the Russian Ruble against the US Dollar.

Administrative expenses, which include personnel costs, decreased by 11.9% to USD533 million in 2015, compared to USD605 million in 2014 primarily resulted from the depreciation of the Russian Ruble to the US Dollar within the comparable periods.

Other operating expenses decreased by 47.2% to USD38 million in 2015, compared to USD72 million in 2014. The decrease was primarily due to one-off gain recognized on deconsolidation of the Group's subsidiary and overall decrease of other operating expenses denominated in Russian Ruble.

**Gross profit**

As a result of the foregoing factors, UC RUSAL reported a gross profit of USD2,465 million for the year ended 31 December 2015 as compared to USD2,134 million for the previous period, representing gross margins of the periods of 28.4% and 22.8%, respectively.

**Adjusted EBITDA and results from operating activities**

| | Year ended 31 December | | Change |
|---|---|---|---|
| | **2015** | **2014** | **year-on-year** |
| *(USD million)* | | | |
| **Reconciliation of Adjusted EBITDA** | | | |
| Results from operating activities | 1,409 | 942 | 49.6% |
| Add: | | | |
| Amortisation and depreciation | 457 | 459 | (0.4%) |
| Impairment of non-current assets | 132 | 103 | 28.2% |
| Loss on disposal of property, plant and equipment | 17 | 10 | 70.0% |
| **Adjusted EBITDA** | **2,015** | **1,514** | **33.1%** |

As a result of the factors discussed above the Company demonstrated a significant increase in the results from operating activities and Adjusted EBITDA for the year ended 31 December 2015 to USD1,409 million and USD2,015 million, respectively, as compared to the results from operating activities and Adjusted EBITDA of USD942 million and USD1,514 million, respectively, for the previous year.

**Finance income and expenses**

| | Year ended 31 December | | Change |
|---|---|---|---|
| | **2015** | **2014** | **year-on-year** |
| *(USD million)* | | | |
| **Finance income** | | | |
| Interest income on loans and deposits | 23 | 30 | (23.3%) |
| | **23** | **30** | **(23.3%)** |
| **Finance expenses** | | | |
| Interest expense on bank loans, company loans, bonds and other bank charges, including | (627) | (836) | (25.0%) |
| *Interest expense* | (571) | (724) | (21.1%) |
| *Bank charges* | (56) | (112) | (50.0%) |
| Net foreign exchange loss | (140) | (27) | 418.5% |
| Change in fair value of derivative financial instruments, including | (352) | (487) | (27.7%) |
| *Change in fair value of embedded derivatives* | 47 | 8 | 487.5% |
| *Change in other derivatives instruments* | (399) | (495) | (19.4%) |
| Interest expense on provisions | (13) | (11) | 18.2% |
| | **(1,132)** | **(1,361)** | **(16.8%)** |

Finance income decreased by USD7 million to USD23 million in 2015 as compared to USD30 million in 2014, due to the decrease the interest income on time deposit at several subsidiaries of the Group.

Financial expenses decreased by 16.8% to USD1,132 million in 2015 as compared to USD1,361 million in 2014 primarily due to a decrease in interest expenses and bank charges and the net loss from the change in fair value of derivative financial instruments partially offset by an increase in the foreign exchange loss.

Interest expenses on bank and company loans in 2015 decreased by USD153 million to USD571 million from USD724 million in 2014 due to the reduction of the principal amount payable to international and Russian lenders and the decrease of the overall interest margin between the periods, as well as the decrease in bank charges.

The growth of the net foreign exchange loss to USD140 million in 2015 from USD27 million in 2014 was driven by a continuing depreciation of the Russian Ruble and the Ukrainian Hryvnia against the US Dollar and the resulting revaluation of working capital items of several Group companies denominated in foreign currencies.

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

| | **Year ended 31 December** | | **Change** |
|---|---|---|---|
| | **2015** | **2014** | **year-on-year** |
| *(USD million)* | | | |
| Share of profits of Norilsk Nickel, *with* | 486 | 515 | (5.6%) |
| *Effective shareholding of* | *28.05%* | *27.82%* | |
| Share of losses of other associates | (293) | (15) | 1,853.3% |
| **Share of profits of associates** | **193** | **500** | **(61.4%)** |
| **Share of profits of joint ventures** | **175** | **36** | **386.1%** |

The Company's share in profits of associates for the years ended 31 December 2015 and 2014 comprised USD193 million and USD500 million, respectively. Share in results of associates in both periods resulted primarily from the profit from the Company's investment in Norilsk Nickel, which amounted to USD486 million and USD515 million for 2015 and 2014, respectively.

At the date of this consolidated financial statements, the Group was unable to obtain consolidated financial statements of Norilsk Nickel for the year ended 31 December 2015. Consequently, the Group estimated its share in the profits, other comprehensive income and foreign currency translation reserve of Norilsk Nickel for year ended 31 December 2015 based on publicly available information reported by Norilsk Nickel. The information used as a basis for these estimates is incomplete in many aspects.

Once the consolidated financial statements of Norilsk Nickel become available, they will be compared to the management's estimates. If there are significant differences, adjustments may be required to restate the Group's share in profit, other comprehensive income, foreign currency translation reserve and the carrying value of the investment in Norilsk Nickel reported.

The market value of the investment in Norilsk Nickel at 31 December 2015 was USD5,542 million as compared to USD6,388 million as at 31 December 2014.

The Group's share of losses of associates for the year ended 31 December 2015 includes impairment losses in amount of USD283 million relating to the Group's investment in Queensland Alumina Limited.

Share of profits of joint ventures was USD175 million for the year ended 31 December 2015 as compared to USD36 million for the same period in 2014. This represents the Company's share of profits in joint ventures, namely BEMO, LLP Bogatyr Komir, Mega Business and Alliance (transportation business in Kazakhstan) and North United Aluminium Shenzhen Co., Ltd.

The Group's share of profits of joint ventures for the year ended 31 December 2015 includes partial reversal of previously recognized impairment in amount of USD143 million relating to property, plant and equipment of the BEMO project.

**Profit recycled from other comprehensive income**

On 11 March 2015, the Supreme Court of Ukraine denied the Group's appeal to reconsider a previous court decision that 68% of shares of OJSC Zaporozhye Aluminium Combine ("**ZALK**"), an indirect subsidiary of UC RUSAL, should be deprivatized and returned to the State of Ukraine. On 9 June 2015, these shares were transferred to the State Property Fund of Ukraine.

The Company intends to pursue all available legal alternatives, including, but not limited to, the European Court of Human Rights, to overturn the above decision. However as a result of the Supreme Court ruling the Group no longer has the rights to vary returns from ZALK or the ability to control this entity to affect those returns.

The assets and liabilities of ZALK have been deconsolidated, which resulted in the recognition of a USD9 million gain. Additionally, USD155 million of foreign currency translation gain arising on the translation of ZALK accumulated from 2007 was recycled through profit and loss.

In August 2015, one of the Group's intermediary holding subsidiaries was liquidated. Consequently, USD60 million of foreign currency translation loss arising on translation of investments in foreign assets accumulated by this subsidiary was recycled through profit and loss.

**Profit before income tax**

UC RUSAL earned a profit before income tax in an amount of USD763 million for the year ended 31 December 2015, as compared to a profit before income tax in an amount of USD147 million for the year ended 31 December 2014 due to reasons set out above.

**Income tax**

Income tax expense decreased by USD33 million to USD205 million in 2015, as compared to USD238 million in 2014.

Current tax expenses increased by USD24 million, or 16.1%, to USD173 million for the year ended 31 December 2015, as compared to USD149 million for the previous year mainly due to increase in the taxable profits.

Deferred tax expense decreased by USD57 million, or 64% to USD32 million for the year ended 31 December 2015, as compared to USD89 million for the previous year primarily due to utilization of deferred tax assets related to accumulated tax losses of several subsidiaries in 2014 and decrease in deferred tax liability related to property, plant and equipment due to the significant Russian Ruble depreciation against US Dollar.

**Profit/(Loss) for the period**

As a result of the above, the Company recorded a profit of USD558 million in 2015, as compared to a loss of USD91 million in 2014.

**Adjusted and Recurring Net Profit**

| | Year ended 31 December | | Change, |
|---|---|---|---|
| | **2015** | **2014** | **year-on-year** |
| *(USD million)* | | | |
| **Reconciliation of Adjusted Net Profit/(Loss)** | | | |
| Net Profit/(Loss) for the period | 558 | (91) | NA |
| Adjusted for: | | | |
| Share of profits and other gains and losses attributable to Norilsk Nickel, net of tax effect, *with* | (426) | (469) | (9.2%) |
| *Share of profits, net of tax* | *(426)* | *(469)* | *(9.2%)* |
| Change in derivative financial instruments, net of tax (20.0%) | 342 | 474 | (27.8%) |
| Foreign currency translation gain recycled from other comprehensive (loss)/income on deconsolidation of subsidiaries | (95) | — | 100.0% |
| Impairment of non-current assets, net of tax | 132 | 103 | 28.2% |
| Net impairment of underlying net assets of joint ventures and associates | 160 | — | 100.0% |
| **Adjusted Net Profit** | **671** | **17** | **3,847.1%** |
| **Add back:** | | | |
| Share of profits of Norilsk Nickel, net of tax | 426 | 469 | (9.2%) |
| **Recurring Net Profit** | **1,097** | **486** | **125.7%** |

Adjusted Net Profit for any period is defined as the profit adjusted for the net effect of the Company's investment in Norilsk Nickel, the net effect of embedded derivative financial instruments, gains and losses recycled from other reserves and the net effect of non-current assets impairment and restructuring costs. Recurring Net Profit for any period is defined as Adjusted Net Profit plus the Company's net effective share in Norilsk Nickel results.

**Assets and liabilities**

UC RUSAL's total assets decreased by USD3,108 million, or 20.9% to USD11,749 million as at 31 December 2015 as compared to USD14,857 million as at 31 December 2014. The decrease in total assets is mainly resulted from the decrease in the carrying value of the investment in Norilsk Nickel.

Total liabilities decreased by USD1,202 million, or 9.5%, to USD11,418 million as at 31 December 2015 as compared to USD12,620 million as at 31 December 2014. The decrease was mainly due to the decrease in the outstanding debt of the Group.

**Cash flows**

The Company generated net cash from operating activities of USD1,568 million for the year ended 31 December 2015 as compared to USD1,398 for the previous year. Net increase in working capital and provisions comprised USD281 million for 2015 as compared to USD29 million for the previous year.

Net cash generated from the investing activities for 2015 decreased to USD261 million as compared to USD514 million for 2014 primarily due to a decrease in dividends received from associates and joint ventures in amount USD755 million for 2015 as compared to USD926 million for the prior year.

The above mentioned factors allowed the Company to assign USD741 million of its own cash flows for the debt repayment that together with the interest payments of USD516 million, dividends paid in amount of USD250 million and settlement of derivative financial instruments of USD320 million represent the main components of the cash used in the financing activities with the total amount of USD1,827 million for 2015.

**Segment reporting**

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

The core segments are Aluminium and Alumina.

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | *Aluminium* | *Alumina* | *Aluminium* | *Alumina* |
| *(USD million)* | | | | |
| Segment revenue | | | | |
| *kt* | *3,749* | *6,901* | *3,638* | *6,077* |
| *USD million* | *7,426* | *2,094* | *7,985* | *1,879* |
| Segment result | 1,607 | 212 | 1,330 | (60) |
| Segment EBITDA[8] | 1,971 | 298 | 1,695 | 25 |
| Segment EBITDA margin | 26.5% | 14.2% | 21.2% | 1.3% |
| Total capital expenditure | 303 | 164 | 257 | 195 |

The segment result margin (calculated as a percentage of segment profit to total segment revenue per respective segment) for aluminium segment rose to 21.6% for the year ended 31 December 2015 from 16.7% for the year ended 31 December 2014, and was positive 10.1% compared to negative 3.2%, respectively, for the alumina segment. Key drivers for the increase in margin in the aluminium segment are disclosed in "Revenue", "Cost of sales" and "Adjusted EBITDA and results from operating activities" sections above. Detailed segment reporting can be found in the consolidated financial statements for the year ended 31 December 2015.

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

**Capital expenditure**

UC RUSAL recorded a total capital expenditure of USD522 million for the year ended 31 December 2015. UC RUSAL's capital expenditure in 2015 was aimed at maintaining existing production facilities.

| | Year ended 31 December | |
|---|---|---|
| | **2015** | **2014** |
| *(USD million)* | | |
| **Development capex** | 158 | 115 |
| **Maintenance** | | |
| Pot rebuilds costs | 106 | 143 |
| Re-equipment | 258 | 221 |
| **Total capital expenditure** | **522** | **479** |

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

The Company noted that its auditor, JSC KPMG, has provided a qualified opinion on its audit of the consolidated financial statements of the Company for the year ended 31 December 2015. As it was unable to obtain and audit the consolidated financial statements of Norilsk Nickel for the year ended 31 December 2015, an extract from the audit report provided by JSC KPMG on the consolidated financial statements of the Company is as follows:

"*Basis for Qualified Opinion*

As explained in Note 16 to the consolidated financial statements, the Group has estimated its share of profit and other comprehensive income of its associate, PJSC MMC Norilsk Nickel ("Norilsk Nickel"), for the year ended 31 December 2015 based on the latest publicly available information reported by Norilsk Nickel adjusted by the Group to account for Norilsk Nickel's performance in the remaining part of the reporting period. As a result of the consolidated financial statements of Norilsk Nickel for the year ended 31 December 2015 not being available, we were unable to obtain sufficient appropriate audit evidence in relation to the Group's estimate of the share of profit, other comprehensive income and foreign currency translation loss in relation to that investee of USD486 million, USD4 million and USD1,881 million,

respectively, for the year ended 31 December 2015, and the carrying value of the Group's investment in Norilsk Nickel of USD1,716 million as at 31 December 2015 and the summary financial information of associates disclosed in Note 16. As a result, we were unable to determine whether adjustments might have been found to be necessary in respect of interests in associates, and the elements making up the Consolidated Statements of Income, Comprehensive Income, Changes in Equity and Cash Flows.

*Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2015 and of the Group's net profit and its cash flows for the year then ended in accordance with International Financial Reporting Standards, 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.

**Consolidated financial statements**

The following section contains the audited consolidated financial statements of UC RUSAL for the year ended 31 December 2015 which were approved by the directors of UC RUSAL (the "**Directors**") on 8 March 2016, and reviewed by the Audit Committee.

The full set of audited consolidated financial statements of UC RUSAL, together with the report of the independent auditor is available on UC RUSAL's website at *http://www.rusal.ru/en/investors/financial_stat.aspx.*

**Purchase, sale or redemption of UC RUSAL's listed securities**

There has been no purchase, sale or redemption of UC RUSAL's listed securities during 2015 by UC RUSAL or any of its subsidiaries.

**Code of Corporate Governance Practices**

UC RUSAL adopted a Corporate Code of Ethics on 7 February 2005. Based on the recommendations of the European Bank for Reconstruction and Development and the International Finance Corporation, UC RUSAL further amended the Corporate Code of Ethics in July 2007. The Corporate Code of Ethics sets out UC RUSAL's values and principles for many of its areas of operations.

UC RUSAL formally adopted a corporate governance code which is based on the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Hong Kong Listing Rules**") then in force on 11 November 2010. The Directors consider that save for code provisions A.1.7 (physical board meetings at which Directors have material interests), A.4.1 (specific term of non-executive directors) and A.4.2 (specific term of directors) for reasons set out below and also on pages 96-97 of UC RUSAL's interim report for the six months ended 30 June 2015, UC RUSAL has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Hong Kong Listing Rules during the period from 1 January 2015 to 31 December 2015.

The Board generally endeavored throughout the twelve-month period ended 31 December 2015 to ensure that it did not deal with business by way of written resolution where a substantial shareholder or a Director had disclosed an interest in a matter to be considered by the Board which the Board determined to be material. As a result, there was only one occurrence (out of the twenty two written resolutions the Board passed during the period) when urgent business was dealt with by the Board by way of written resolution where a material interest of a Director was stated to have been disclosed. In that instance, the interest of the Director was a potential conflict of interest by virtue of the fact that he acted as a committee member and a member of a supervisory council for the parent company of the entity contracting with the Company. On that occurrence, the written resolution was passed by the requisite majority excluding the materially interested Director.

Of the ten Board meetings held in the twelve-month period ended 31 December 2015 where one or more Director(s) had disclosed a material interest, all the independent non-executive Directors were present at nine of the Board meetings held. One Board meeting was held where one of the six independent non-executive Directors was absent from the meeting. Given the size of the Board and the amount of urgent

business transacted by the Company where Directors and substantial shareholders have material interests, it is difficult to rearrange any scheduled Board meeting or postpone the discussion of such business in order to ensure all of the independent non-executive Directors are present. The Board meeting on that occasion therefore proceeded despite the fact that one independent non-executive Director was unable to attend but on such occasion the other independent non-executive Directors were present.

Of the ten board meetings held, there were four occasions where an independent non-executive Director had a material interest in the transaction. On such occurrences, the independent non-executive Director abstained from voting and the resolutions approving entry into such transactions were passed by the requisite majority excluding the materially interested independent non-executive Director.

**Audit Committee**

The Board established an audit committee (the "**Audit Committee**") to assist it in providing an independent view of the effectiveness of the Company's financial reporting process, internal control and risk management systems and to oversee the audit process. The Audit Committee consists of a majority of independent non-executive Directors. The members are as follows: Dr. Peter Nigel Kenny (chairman of the committee, independent non-executive Director, with relevant professional qualifications and knowledge related to accounting and financial management); Mr. Philip Lader (independent non-executive Director); Ms. Elsie Leung Oi-sie (independent non-executive Director); Mr. Daniel Lesin Wolfe (non-executive Director), Ms. Olga Mashkovskaya (non-executive Director) and Mr. Dmitry Vasiliev (independent non-executive Director, appointed as a member of the committee with effect from 16 November 2015).

**Dividend Policy**

The Board of the Company on 26 August 2015 has approved and adopted a new dividend policy for the subsequent periods to pay dividends at the level of 15% of the Company's Covenant EBITDA as defined in the Company's relevant credit facility agreements. The payment of dividends will be subject to compliance with requirements of the Group's credit facilities, including financial covenants, and relevant Jersey legislation.

**Declaration of Dividend**

On 12 October 2015, the Board of the Company approved the declaration and payment of an interim dividend for the financial year ending 31 December 2015 in the aggregate amount of USD250 million (USD0.01645493026 per ordinary share) to

be paid in cash. The interim dividend has been paid on 6 November 2015. For further details, please refer to the Company's announcements dated 13, 16 and 30 October 2015.

**Material events since the end of the year**

| | |
|---|---|
| 11 February 2016 | UC RUSAL announces fourth quarter and full year 2015 operating results |
| 24 February 2016 | UC RUSAL announced the opening of a new representative office in Seoul, South Korea |

**Forward-looking statements**

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

By Order of the board of directors of
**United Company RUSAL Plc**
**Vladislav Soloviev**
*Director*

09 March 2016

*As at the date of this announcement, the executive Directors are Mr. Oleg Deripaska, Mr. Vladislav Soloviev and Mr. Stalbek Mishakov, the non-executive Directors are Mr. Maxim Sokov, Mr. Dmitry Afanasiev, Mr. Len Blavatnik, Mr. Ivan Glasenberg, Mr. Maksim Goldman, Ms. Gulzhan Moldazhanova, Mr. Daniel Lesin Wolfe, Ms. Olga Mashkovskaya and Ms. Ekaterina Nikitina, and the independent non-executive Directors are Mr. Matthias Warnig (Chairman), Dr. Peter Nigel Kenny, Mr.Philip Lader, Ms. Elsie Leung Oi-sie, Mr. Mark Garber and Mr. Dmitry Vasiliev.*

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