RUSAL

UNITED COMPANY RUSAL PLC

(Incorporated under the laws of Jersey with limited liability)

(Stock Code: 486)

RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2017

Key highlights

- Recovery in the London Metals Exchange ("**LME**") aluminium price in the first quarter of 2017 by 8.2% to an average of USD1,850 per tonne as compared to USD1,710 per tonne in the fourth quarter of 2016 as well as an increase in volumes of primary aluminium and alloys sold by 6.8% between the same periods resulted in the growth of United Company RUSAL Plc ("**UC RUSAL**" or the "**Company**", together with its subsidiaries, the "**Group**") revenue in the first quarter of 2017 by 13.3% to USD2,297 million as compared to USD2,027 million in the preceding quarter.

- UC RUSAL reported robust financial results thanks to the Company's commitments to operational efficiency and cost discipline, supported by stronger LME prices. Aluminium segment EBITDA per tonne demonstrates continuous growth for the 5th consecutive quarter (in the first quarter of 2017 EBITDA per tonne increased 13.5% in comparison with preceding quarter to USD505/t). The Group total Adjusted EBITDA in the first quarter of 2017 increased by 15.3% to USD475 million as compared to the fourth quarter of 2016. The Adjusted Net Profit and Recurring Net Profit was at USD263 million and USD434 million, respectively, in the first quarter of 2017 as compared to USD44 million and USD207 million for the preceding quarter; and USD27 million and USD149 million for the first quarter of 2016.

- Aluminium segment cost per tonne was under pressure following significant increase in electricity prices, railway transportation tariffs and other raw material costs in the first quarter of 2017 as a result of appreciation of Russian Rouble by 6.7% as compared to the previous quarter as well as significant increase in commodity prices across the board. As a result of the foregoing factors aluminium segment cost per tonne increased by 6.0% to USD1,425 in the first quarter of 2017 in comparison with USD1,344 per tonne in the preceding quarter and by 7.5% compared to USD1,326 per tonne in the same period of 2016. Despite an increase in cost per tonne the Company managed to maintain steady Adjusted EBITDA margin at 20.7% and leverage ratio below 3.5.

- In February 2017 the Company completed the debut offering of 5 years USD600 million Eurobonds with coupon rate of 5.125% per annum. The bonds proceeds were applied for partial refinancing of RUSAL's existing pre-export finance facility extending the Group's debt maturity profile and decreasing exposure to interest rate risk.

- In March 2017 the first tranche of 3 years RMB1 billion Panda Bonds were placed at the Shanghai Stock Exchange with put option after 2 years and the coupon rate of 5.5% per annum. The funds were used for working capital needs and refinancing of existing debt.

Statement of the Chief Executive Officer ("CEO")

"The first quarter of the year marked another strong period for RUSAL. Revenue increased by 13.3% quarter-on-quarter ("**QoQ**") to USD2.3 bn, with VAP sales growing +7.8% QoQ supporting our topline. Adjusted EBITDA grew by 15.3% QoQ to USD475 mln, while Adjusted EBITDA margin remained healthy at 20.7% despite the negative impact of local currency appreciation on RUR-denominated costs. As a result the Company posted a strong Recurring Net Profit of USD434 mln, almost 3-fold increase year-on-year ("**YoY**")."

"In the period, the Company significantly improved its debt profile through the successful placing of a debut Eurobond tranche and Panda bond tranche. Our first Panda bond placing meant that RUSAL became the first overseas company with global operations outside of China to enter the Chinese bond market. Post the period end, the Company also placed its second Eurobond issue. Our success in the debt markets demonstrates the confidence the financial community has in RUSAL and further reinforces the investment case and growth strategy underpinning the Company."

"The aluminum market remained in robust health in the first quarter, with ex-China aluminium demand growing by 3.4% in 1Q 2017 YoY. Demand in China grew by 7.5% in 1Q 2017 YoY. Aluminium demand is on track to grow by 5.0% to 62.7 mln tonnes in 2017, supported by positive economic developments globally, all of which leaves RUSAL well placed for the year ahead."

Vladislav Soloviev
Chief Executive Officer

12 May 2017

Financial and Operating Highlights

	Quarter ended 31 March 2017 *unaudited*	2016 *unaudited*	Change quarter on quarter,% (1Q to 1Q)	Quarter ended 31 December 2016 *unaudited*	Change, quarter on quarter,% (1Q to 4Q)
Key operating data					
('000 tonnes)					
Aluminium	910	916	(0.7%)	930	(2.1%)
Alumina	1,889	1,873	0.9%	1,939	(2.6%)
Bauxite	2,869	3,009	(4.7%)	2,841	1.0%
Key pricing and performance data					
('000 tonnes)					
Sales of primary aluminium and alloys	985	957	2.9%	922	6.8%
(USD per tonne)					
Aluminium segment cost per tonne[1]	1,425	1,326	7.5%	1,344	6.0%
Aluminium price per tonne quoted on the LME[2]	1,850	1,515	22.1%	1,710	8.2%
Average premiums over LME price[3]	153	172	(11.0%)	151	1.3%
Average sales price	1,949	1,666	17.0%	1,799	8.3%
Alumina price per tonne[4]	340	220	54.5%	307	10.7%
Key selected data from the consolidated interim condensed statement of income					
(USD million)					
Revenue	2,297	1,914	20.0%	2,027	13.3%
Adjusted EBITDA	475	312	52.2%	412	15.3%
margin (% of revenue)	20.7%	16.3%	NA	20.3%	NA
Adjusted Profit for the period	263	27	874.1%	44	497.7%
margin (% of revenue)	11.4%	1.4%	NA	2.2%	NA
Recurring Profit for the period	434	149	191.3%	207	109.7%
margin (% of revenue)	18.9%	7.8%	NA	10.2%	NA

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

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

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

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

Key selected data from consolidated interim condensed statement of financial position

	As at 31 March 2017 *(unaudited)*	As at 31 December 2016	Change, quarter on year end
(USD million)			
Total assets	14,851	14,452	2.8%
Total working capital[5]	1,805	1,691	6.7%
Net Debt[6]	8,221	8,421	(2.4%)

Key selected data from consolidated interim condensed statement of cash flows

	Quarter ended 31 March 2017 *(unaudited)*	Quarter ended 31 March 2016 *(unaudited)*	Change quarter on quarter, (1Q to 1Q)
(USD million)			
Net cash flows generated from operating activities	215	320	(32.8%)
Net cash flows generated from investing activities	192	91	111.0%
Interest paid	(132)	(97)	36.1%
Other finance expenses	(105)	(16)	556.3%

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.

Overview of Trends in the Aluminium Industry

Global demand for aluminium continued to grow in the first quarter of 2017 led by the transportation sector, followed by construction, packaging and electrical sectors. All regions witnessed an increase in demand driven by spending for cars and durable goods and increased investment in fixed assets. A common and growing theme across all sectors and regions, adding to demand, is the intensification of light weighting, and focus on reduced emissions in transport, and building and construction applications for aluminum.

In 1Q 2017 global aluminum demand grew by 5.5% YoY to 15 mln tonnes. Global supply in 1Q 2017 was up by 7.8% to 14.9 mln tonnes, as the aluminum market remained roughly balanced.

Based on CRU estimates, aluminium demand excluding China rose by a strong 3.4% in 1Q 2017 YoY to 7.1 mln tonnes while production (including eight non-reporting countries) increased by 1.2% YoY to 6.7 mln tonnes. This left the ROW (rest of the world) aluminium market with an approximate 0.4 mln tonnes deficit in 1Q 2017.

The ROW reported that inventories have approached to pre-crisis levels of 3.6 mn tonnes in March 2017 and the days of consumption decreased to 46 days from 110 days in 2014-2015 and continue to decline at rapid pace.

Primary aluminium demand in Europe grew 2.1% in 1Q 2017 YoY, led by robust improvement and growth across the manufacturing base.

Automotive production in Europe remains on substantial upward trend. Cars and CV output in the leading producing countries (Germany, Spain, UK, Turkey, Czech, Italy and Poland) grew 5.9% in 1Q 2017 (+210 thousand of new cars), driving a healthy increase in demand for Flat Rolled Products (3.1%), and a 1.8% increase in extrusions. Demand for extrusions was also aided by the return to growth of the EU construction industry , as the sector grew 7.1% in February 2017, compared with February 2016 and 6.9% compared with January 2017. Although no significant increase in aluminium wire rod was witnessed in Q1 2017, there is an expectation of significant improvement in demand as infrastructure spending is expected to increase dramatically in the next 18 months. The European Commission has estimated that around €200 billion is needed during the current decade for improvements in transmission grids and gas pipelines.

The Transportation, Construction and Electrical segments in US & Canada drove in an increase aluminium Flat Rolled, Extrusions and Wire Rods shipments by 2.5%, 0.7% and 10.2% accordingly, underpinning a 3.3% increase in primary aluminium demand across N. America. Transport and construction sectors were led by US housing starts, and motor vehicle production. Housing starts have built on the strong momentum from the end of last year, climbing up 9% YoY in March. N.American motor vehicle production was strong in Mexico with a surge in output at 18.4% in the January-March period, while overall production in US, Canada and Mexico grew by 1.5% accordantly.

In the US, fixed asset investments are expected to grow by 3.5% in 2017 YoY, boosted by the possibility of approval of a $1 trillion investment plan, thus creating a good base for further aluminium demand growth for all major products.

Japan, as the biggest aluminium consumer in Asia ex-China, got off to a good start of 2017 as a weaker yen drove an improvement in the competitiveness of exports, notably capital goods, across most of South East Asia. The transportation sector is the biggest end-user of Aluminium out of all consuming segments, and posted strong performance in the first quarter of 2017 and is the main reason why unwrought aluminium import to Japan grew 23% in 1Q 2017. Automotive production grew 6.5%, resulting in aluminium shipments (flat rolled products, extrusions, and castings) to this segment rising by 4.4% over January-February 2017. Housing starts in Japan in fiscal year 2016 rose 5.8% from the previous year to 974,137 units, driven by sharp growth in construction of houses for rent. Overall housing starts in the year that ended in March were slightly under the 987,254 units marked in fiscal year 2013, when demand surged prior to the consumption tax hike on April 1, 2014. The improved housing starts led to an increase in aluminium shipments to the construction industry by 0.9% over the period of January-February 2017.

ASEAN Auto production posted a robust 2% growth rate in 1Q 2017. On top of this, ASEAN's largest economy, Indonesia, is set to benefit from stronger commodity prices and rising public spending this year as the new budget takes effect. Motor vehicles production showed a sharp rise up 12% in the January-March period as rollers producing flat rolled products are running at full capacity.

The Chinese economy showed strong growth at the beginning of the year. The official PMI reached 51.8 in March 2017, while industrial production grew 7.6% YoY in March and GDP in 1Q 2017 went up 6.9% YoY vs a 6.8% estimated growth. However the more interesting news that will certainly spur demand is the recent announcement from Beijing that automakers in China will be required to ensure that at least 8% of all vehicles they manufacture are electric. It creates a new platform for significant increase in aluminium demand in the Automotive segment in China and will certainly have a global impact on demand.

According to the CNIA's production figures, in 1Q 2017 China's primary aluminum production rose 14.2% Y-Y to 8.191 Mt. However, the annualized production fell in February by 4.9% MoM and by 3.5% MoM in March, which may witness the beginning of the supply matching process, in line with China's policy to strictly control overproduction.

According to UC RUSAL's estimates , Chinese demand grew by 7.5% in 1Q 2017 YoY to 7.8 mln tonnes thus the Chinese market was in excess of supply by 0.4K tonnes during this period as a result of new capacity additions in 4Q16 as well as production restarts. Chinese semis exports have declined by 1% in 1Q 2017 YoY. Particularly, the export of Chinese extrusion significantly fell by 33% in 1Q 2017 YoY amid falling exports of "fake" semis.

At the same time, the continuation of Supply Side reforms now targeting aluminum overcapacity in aluminum sector, and the implementation and enforcement of strict environmental regulation for the 26+2 cities near Beijing, plus the closure of unregistered/ illegal capacity as well as further strict control over new projects, will lead to significant supply tightening in the second half of 2017 and beyond.

In terms of additional regulatory measures on 12 April 2017, a joint regulation was issued by the NDRC, MIIT, Ministry of lands and resources, MEP "On the word to streamline the situation with illegal projects in the primary aluminium industry". The regulation states the necessity to take measures to standardize investment in the construction of aluminium projects and to strictly control overproduction. The government of Changji county (Xinjang) subsequently issued a notice that the construction of three aluminium smelters with the total capacity of 2 mln tonnes per annum is illegal and should be suspended immediately. Other projects and capacities are potentially under risk of termination.

In addition, a significant aluminium cost push in China by more than 40% in 1Q 2017 and continued cost pressure mainly in carbon raw materials prices has had a significant impact on high cost non-integrated Chinese smelters operating on thin margins or losses.

The LME aluminium price reached its highest level of USD1,955/t in March 2017 and has, on average remained stable above USD1,900/t in 1Q 2017. This was attributable to a growing global metal deficit driven by the US, EU and the expectation of supply disruptions in China coupled with significant production cost inflation.

Aluminum premiums in key consuming regions continued to improve in 1Q 2017 with, on average, a 27.8% rise compared to 4Q16. This was due to strong demand and a reduced supply in key regions after various smelting capacity reduction/closures in North America, Australia.

Industry watchers will be following the WTO case filed by the USA on Chinese Aluminium imports, as it unfolds over the remainder of 2017.

Forecast for 2017

- Global aluminum demand to grow by 5.0% to 62.7 mln tonnes. Chinese demand to grow by 6.7% to 33.5 mln tonnes and ex.China by 3.3% to 29.2 mln tonnes driven by growth in EMEA, North America and Asian economies.

- Global aluminum supply will grow by 4.3% to 61.6 mln tonnes vs 3.7% growth in 2016 and will be affected by a tight supply in China due to the new antipollution plan and closures of illegal capacity; Chinese supply will grow by 6% to 34.3 mln tonnes. Ex.China supply will grow by 2.4% to 27.3 mln tonnes.

- The global aluminum market deficit to widen to 1.1 mln tonnes in 2017 vs 0.7 mln tonnes in 2016.

Business review

Aluminium production

- Aluminium production in 1Q 2017 totaled 910 thousand tonnes (-2.1% QoQ), with Siberian smelters representing 94% of total aluminium output. The total production dynamics is largely explained by the number of calendar days in the periods (92 days in 4Q16 and 90 days in 1Q 2017). Smelters utilization remained on average at a high of 95%.

- In 1Q 2017 aluminium sales totaled 985 thousand tonnes (+6.8% QoQ), including value added product (VAP) sales of 436 thousand tonnes (+7.8% QoQ). The increased level of inventories in 4Q16 which were subsequently sold out in 1Q 2017 was largely behind the QoQ total sales dynamics.

- In 1Q 2017 the average aluminium realized price increased by 8.3% QoQ to USD1,949/t. The increase was driven by positive dynamics in London Metal Exchange QP[7] component (+9.0% QoQ to USD1,796/t) and average realized premium component growth (+1.3% QoQ to USD153/t).

---

[7] QP (quotation period) prices differs from the real time LME quotes due to a time lag between LME quotes and sales recognition and due to contract formula speciality.

Alumina production

- In 1Q 2017, total alumina production declined by 2.6% QoQ, totaling 1,889 thousand tonnes. Russian operations accounted for 37% of total output. Production volumes at refineries were largely in line with production plans. Seasonal repair works performed at Windalco, Auginish and Bogoslovsk were offset by production performance at Achinsk and Urals.

- Capacity upgrades which were completed at Nikolaev and Urals refineries were largely behind the YoY production increase at refineries in 1Q 2017.

Bauxite production

- In 1Q 2017, bauxite output totaled 2,869 thousand tonnes (+1.0% QoQ). Nepheline output increased by 7.9% QoQ to 1,056 thousand tonnes. Production volumes at Timan and Kia Shaltyr (nepheline ore) increased by 8.0% and 7.9% QoQ to meet the production plan needs of the Urals and Achinsk alumina refineries, respectively. North Urals production volumes were also driven by the performance of Bogoslovsk refinery. Kindia production in 1Q 2017 remained below the historic average but according to mining works schedule we anticipate the volumes to improve in 2H17. Bauxite Company of Guyana production increased by 13.2% QoQ, which is largely explained by a low base effect.

Financial Overview

Revenue

	Quarter ended 31 March 2017 *(unaudited)*	2016 *(unaudited)*	Change, quarter on quarter, % (1Q to 1Q)	Quarter ended 31 December 2016 *(unaudited)*	Change, quarter on quarter, % (1Q to 4Q)
Sales of primary aluminium and alloys					
USD million	1,920	1,594	20.5%	1,659	15.7%
kt	*985*	*957*	*2.9%*	*922*	*6.8%*
Average sales price (USD/t)	*1,949*	*1,666*	*17.0%*	*1,799*	*8.3%*
Sales of alumina					
USD million	189	150	26.0%	164	15.2%
kt	*509*	*606*	*(16.0%)*	*570*	*(10.7%)*
Average sales price (USD/t)	*371*	*248*	*49.6%*	*288*	*28.8%*
Sales of foil (USD million)	59	51	15.7%	65	(9.2%)
Other revenue (USD million)	129	119	8.4%	139	(7.2%)
Total revenue (USD million)	**2,297**	**1,914**	**20.0%**	**2,027**	**13.3%**

Total revenue increased by USD383 million, or by 20.0%, to USD2,297 million in the first quarter of 2017, as compared to USD1,914 million for the corresponding period of 2016.

Revenue from sales of primary aluminium and alloys increased by USD326 million, or by 20.5%, to USD1,920 million in the first quarter of 2017, as compared to USD1,594 million in the first quarter of 2016, primarily due to 17.0% increase in the weighted-average realized aluminium price per tonne (to an average of USD1,949 per tonne in the first quarter of 2017 from USD1,666 per tonne in the first quarter of 2016) driven by an increase in the LME aluminium price (to an average of USD1,850 per tonne in the first quarter of 2017 from USD1,515 per tonne in the first quarter of 2016), as well as growth in primary aluminium sales volume by 2.9% partially offset by a 11.0% decrease in premiums above the LME prices in the different geographical segments (to an average of USD153 per tonne from USD172 per tonne in the first quarter of 2017 and 2016, respectively).

Revenue from sales of primary aluminium and alloys increased by USD261 million, or by 15.7% in the first quarter of 2017, as compared to the fourth quarter of 2016 due to an increase in sales volumes and an increase in the weighted-average realized aluminium price per tonne.

Revenue from sales of alumina increased by USD39 million, or by 26.0%, to USD189 million in the first quarter of 2017 from USD150 million in the same period of 2016 and increased by USD25 million, or by 15.2%, compared to USD164 million for the fourth quarter of 2016. The increase in revenue over the comparable periods was driven by a significant increase in the average sales price of alumina which was partially offset by a decrease in the sales volume.

Revenue from sales of foil increased by USD8 million, or by 15.7%, to USD59 million in the first quarter of 2017, as compared to USD51 million for the corresponding period in 2016, primarily due to a 12.5% increase in sales volumes and 2.8% increase in the weighted average sales price.

Revenue from other sales, including sales of bauxite and energy services increased by 8.4% to USD129 million for the first three months of 2017 from USD119 million in the same period of 2016, due to a 8.1% increase in sales of other materials (soda, corundum and building materials).

Cost of sales

The following table demonstrates the breakdown of UC RUSAL's cost of sales for the first quarter of 2017 and 2016:

	Quarter ended 31 March 2017 *(unaudited)*	2016 *(unaudited)*	Change, quarter on quarter, %	Share of costs, %
(USD million)				
Cost of alumina	230	215	7.0%	13.6%
Cost of bauxite	86	64	34.4%	5.1%
Cost of other raw materials and other costs	580	465	24.7%	34.4%
Purchases of primary aluminium from JV	63	55	14.5%	3.7%
Energy costs	535	395	35.4%	31.7%
Depreciation and amortization	109	115	(5.2%)	6.5%
Personnel expenses	140	123	13.8%	8.3%
Repairs and maintenance	11	14	(21.4%)	0.7%
Net change in provisions for inventories	—	(2)	(100.0%)	0.0%
Change in finished goods	(66)	102	NA	(4.0%)
Total cost of sales	**1,688**	**1,546**	**9.2%**	**100.0%**

Total cost of sales increased by USD142 million, or 9.2%, to USD1,688 million for the first quarter of 2017, as compared to USD1,546 million for the corresponding period in 2016. The increase was primarily driven by a significant increase in electricity prices, railway transportation tariffs and other raw material costs in Russian Rouble terms in the first quarter of 2017.

Cost of alumina increased to USD230 million in the first quarter of 2017 by USD15 million from USD215 million as compared to the same period of 2016 primarily as a result of an increase by 10.0% in alumina purchase price as well as an increase in the aggregate volumes of primary aluminium and alloys sold by 2.9% (or 28 thousand tonnes).

Cost of bauxite increased by 34.4% in the first quarter of 2017 as compared to the same period of prior year, due to an increase in purchase volume and a slight increase in the purchase prices.

Cost of raw materials (other than alumina and bauxite) and other costs increased by 24.7% in the first quarter of 2017 compared to the same period of previous year, due to a rising raw materials purchase price (such as raw pitch coke by 127.0%, raw petroleum coke by 25.3%, pitch by 13.4%, soda by 54.3%).

Energy cost increased by 35.4% to USD535 million for the first quarter of 2017 as compared to USD395 million for the first quarter of 2016 primarily due to 21.2% appreciation of Russian Rouble against US dollar between the comparable periods. Increase was also a result of change in terms of long-term electricity contracts and overall market price growth.

The finish goods mainly consist of primary aluminium and alloys (app.92%). The dynamic of change between the reporting periods was driven by the fluctuations of primary aluminium and alloys physical inventory between the reporting dates: 7.8% increase for the first quarter of 2017 as compared to 10.7% decrease for the same period of 2016.

Gross profit

As a result of the foregoing factors, UC RUSAL reports a gross profit of USD609 million for the first quarter of 2017 compared to USD368 million for the same period in 2016, representing gross margins of 26.5% and 19.2%, respectively.

Adjusted EBITDA and results from operating activities

	Quarter ended 31 March		**Change, quarter on quarter, %**
(USD million)	**2017** *(unaudited)*	**2016** *(unaudited)*	**(1Q to 1Q)**
Reconciliation of Adjusted EBITDA			
Results from operating activities	343	170	101.8%
Add:			
Amortisation and depreciation	114	120	(5.0%)
Impairment of non-current assets	17	19	(10.5%)
Loss on disposal of property, plant and equipment	1	3	(66.7%)
Adjusted EBITDA	**475**	**312**	**52.2%**

Adjusted EBITDA, defined as results from operating activities adjusted for amortisation and depreciation, impairment charges and loss on disposal of property, plant and equipment, increased to USD475 million for the first quarter of 2017, as compared to USD312 million for the corresponding period of 2016.

Results from operating activities increased for the first quarter of 2017 by 101.8% to USD343 million, as compared to USD170 million for the corresponding period of 2016, representing operating margins of 14.9% and 8.9%, respectively.

Finance income and expenses

(USD million)	**Quarter ended 31 March 2017** *(unaudited)*	**2016** *(unaudited)*	**Change, quarter on quarter, % (1Q to 1Q)**
Finance income			
Interest income on third party loans and deposits	2	6	(66.7%)
Interest income on loans to related party — *companies under common control*	1	1	0.0%
Net foreign exchange gain	27	—	100.0%
	30	**7**	**328.6%**
Finance expenses			
Interest expense on bank and company loans, bonds and other bank charges, including:	(177)	(146)	21.2%
Interest expense	*(127)*	*(132)*	*(3.8%)*
Bank charges	*(50)*	*(14)*	*257.1%*
Interest expense on provisions	—	(1)	(100.0%)
Net foreign exchange loss	—	(50)	(100.0%)
Change in fair value of derivative financial instruments, including:	(242)	(6)	3933.3%
Change in fair value of embedded derivatives	*(60)*	*(16)*	*275.0%*
Change in other derivatives instruments	*(182)*	*10*	*NA*
	(419)	**(203)**	**106.4%**

Finance income increased by USD23 million, or 328.6% to USD30 million for the first quarter of 2017 compared to USD7 million for the same period of 2016 due to the net foreign exchange gain for the first quarter of 2017 as compared to the net foreign exchange loss for the first quarter of 2016, as a result of the revaluation of working capital items of several Group companies denominated in foreign currencies.

Finance expenses increased by USD216 million or by 106.4% to USD419 million in the first quarter of 2017 as compared to USD203 million for the corresponding period of 2016, primarily due to the net loss from change in fair value of derivative financial instruments and an increase in bank charges.

The net loss from the change in fair value of derivative financial instruments increased to USD242 million for the first quarter of 2017 from USD6 million for the same period of 2016 following significant LME and other commodities price improvement over the period that negatively affected the fair value of respective hedging instruments.

Share of profits of associates and joint ventures

	Quarter ended 31 March		**Change, quarter on quarter, %**
	2017	**2016**	**(1Q to 1Q)**
(USD million)	*(unaudited)*	*(unaudited)*	
Share of profits of Norilsk Nickel, with	177	122	45.1%
Effective shareholding of	27.82%	28.05%	
Share of profits of other associates	—	1	(100.0%)
Share of profits of associates	**177**	**123**	**43.9%**
Share of profits of joint ventures	**41**	**59**	**(30.5%)**

Share of profits of associates was USD177 million in the quarter ended 31 March 2017 and USD123 million for the corresponding period in 2016. Share in results of associates in both periods resulted primarily from the Company's investment in PJSC MMC Norilsk Nickel ("**Norilsk Nickel**"), which amounted to a profit of USD177 million and USD122 million for the quarter ended 31 March 2017 and 2016, respectively.

As stated in Note 10 to the consolidated interim condensed financial information for the three-month period ended 31 March 2017, at the date of this consolidated interim condensed financial information the Group was unable to obtain consolidated interim financial information of Norilsk Nickel as at and for three-month period ended 31 March 2017. Consequently the Group estimated its share in the profits, other comprehensive income and foreign currency translation of Norilsk Nickel for the three-month period ended 31 March 2017 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 interim financial information for Norilsk Nickel becomes available, it will be compared to 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 and the carrying value of the investment in Norilsk Nickel which has been previously reported.

The market value of UC RUSAL's stake in Norilsk Nickel was USD6,974 million as at 31 March 2017, as compared to USD7,348 million as at 31 December 2016.

Share of profits of joint ventures was USD41 million for the first quarter of 2017 as compared to USD59 million for the same period of 2016. The Company's joint ventures include investments in BEMO, LLP Bogatyr Komir, Mega Business and Alliance (transportation business in Kazakhstan).

Profit for the period

As a result of the above, the Company recorded a profit of USD187 million for the quarter ended 31 March 2017, as compared to USD126 million for the same period of 2016.

Adjusted and Recurring Net Profit

(USD million)	Quarter ended 31 March 2017 *(unaudited)*	2016 *(unaudited)*	Change, quarter on quarter, % (1Q to 1Q)
Reconciliation of Adjusted Net Profit			
Profit for the period	187	126	48.4%
Adjusted for:			
Share of profits and other gains and losses attributable to Norilsk Nickel, net of tax effect, with	(171)	(122)	40.2%
Change in derivative financial instruments, net of tax (20.0%)	230	4	5,650.0%
Impairment of non-current assets, net of tax	17	19	(10.5%)
Adjusted Net Profit	**263**	**27**	**874.1%**
Add back:			
Share of profits of Norilsk Nickel, net of tax	171	122	40.2%
Recurring Net Profit	**434**	**149**	**191.3%**

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

The Company reconsidered its' approach to the inclusion of the result on disposal of subsidiary into the Adjusted and Recurring Net Profits as the management doesn't expect such respective transactions to reoccur in the near future.

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 the results of their operations are reviewed by the CEO on a regular basis.

The core segments are Aluminium and Alumina. Segment information presented below excludes margin on sales of third parties' metal and alumina intersegment margin that is different from relevant segment information presented in the Company's consolidated interim condensed financial information for the three months ended 31 March 2017.

	Quarter ended 31 March			
	2017		**2016**	
	Aluminium	**Alumina**	**Aluminium**	**Alumina**
(USD million)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Segment revenue				
kt	*945*	*2,714*	*970*	*2,033*
USD million	*1,824*	*758*	*1,613*	*451*
Segment result	397	45	230	(12)
Segment EBITDA[8]	477	72	328	9
Segment EBITDA margin	26.2%	9.5%	20.3%	2.0%
Total capital expenditure	57	45	75	3

For the quarters ended 31 March 2017 and 2016, respectively, segment result margins (calculated as the percentage of segment result to total segment revenue) from continuing operations were positive 21.8% and 14.3% for the aluminium segment, and positive 12.9% and negative 2.7% 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 interim condensed financial information as at and for the three-month period ended 31 March 2017.

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

Capital expenditure

UC RUSAL recorded total capital expenditures of USD129 million for the three months ended 31 March 2017. UC RUSAL's capital expenditure for the first quarter of 2017 was aimed at maintaining existing production facilities.

	Quarter ended 31 March	
	2017	2016
(USD million)	*(unaudited)*	*(unaudited)*
Development capital expenditure	37	30
Maintenance		
Pot rebuilds costs	25	20
Re-equipment	67	34
Total capital expenditure	**129**	**84**

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

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

The Company notes that its auditor, JSC KPMG, has provided a qualified conclusion in its review of the unaudited consolidated interim condensed financial information of the Company for the three months ended 31 March 2017 as it was unable to obtain and review the consolidated interim financial information of Norilsk Nickel. An extract from the review report provided by JSC KPMG on the consolidated interim condensed financial information of the Company dated 11 May 2017 is as follows:

Basis for Qualified Conclusion

We were unable to obtain and review consolidated interim financial information of the Group's equity investee, PJSC MMC Norilsk Nickel ("Norilsk Nickel"), supporting the Group's estimate of the share of profit, other comprehensive income and foreign currency translation gain of USD177 million, USD nil million and USD250 million, respectively, for the three-month period ended 31 March 2017 and the carrying value of the Group's investment in the investee stated at USD4,019 million as at 31 March 2017. Had we been able to complete our review procedures in respect of interests in associates, matters might have come to our attention indicating that adjustments might be necessary to this consolidated interim condensed financial information.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 31 March 2017 and for the three-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

Consolidated interim condensed financial information

The unaudited consolidated interim condensed financial information of UC RUSAL for the three months ended 31 March 2017 was approved by the Directors of UC RUSAL on 11 May 2017, and reviewed by the Audit Committee. It has also been filed with the French *Autorité des marchés financiers* on the date hereof and is accessible on UC RUSAL's website at *http://www.rusal.ru/en/investors/financial_stat.aspx*.

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, risk management and internal control systems, and internal audit function, to oversee the audit process and to perform other duties and responsibilities as are assigned to the Audit Committee by the Board. The Audit Committee is assisted by the Company's internal audit function which undertakes both regular and ad hoc reviews of risk management, internal controls and procedures, the results of which are reported to the Audit Committee. The Audit Committee consists of a majority of independent non-executive Directors. The members are as follows: Mr. Bernard Zonneveld (chairman of the committee, independent non-executive Director, with relevant professional qualifications and knowledge related to accounting and financial management), Mr. Philip Lader (independent non-executive Director); Dr. 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).

On 10 May 2017, the Audit Committee has reviewed the financial results of the Company for the quarter ended 31 March 2017.

Material events over the first quarter of 2017 and since the end of that period

The following is a summary of the key events that have taken place over the first quarter of 2017 and since the end of that period. All information regarding key events that has been made public by the Company for the three months ended 31 March 2017 and since the end of that period pursuant to legislative or regulatory requirements, including announcements and press releases, is available on the Company's website *(www.rusal.com)*.

16 March 2017	RUSAL announced that the first tranche of the Panda Bonds have been priced as follows: principal amount of RMB 1.0 bn, tenor 2+1 years, coupon rate 5.5% per annum.
17 March 2017	RUSAL announced its full results for the year ended 31 December 2016.
5 April 2017	RUSAL announced signing of an agreement with Runaya Metsource LLP, a company promoted by principal shareholders of Vedanta, to create a joint venture on an equal basis in India to produce aluminium pastes and powders.
13 April 2017	RUSAL announced acquisition of share of the foundry and mechanical production facility SKAD (SKAD), which is a producer of aluminium alloy car wheels, located in Krasnoyarsk.
24 April 2017	RUSAL announced its operating results for the first quarter 2017.
25 April 2017	RUSAL announced the pricing of a second Eurobond transaction with the following key parameters: size USD500 million, maturity 6 years, coupon rate 5.3% per annum.
28 April 2017	RUSAL published its Annual Report 2016.
03 May 2017	RUSAL announced the completion of its second USD500 million 5.3% offering of Eurobonds due 2023.

Compliance

Pursuant to Article L.451-1-2 IV of the French Code monétaire et financier, the Company is required to publish quarterly financial information for the first and third quarters of the financial year.

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

Forward-looking statements

This announcement contains statements about future events, projections, forecasts and expectations that are forward-looking statements. Any statement in this announcement that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risk and uncertainties include those discussed or identified in 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

12 May 2017

As at the date of this announcement, the executive Directors are Mr. Oleg Deripaska, Mr. Vladislav Soloviev and Mr. Siegfried Wolf, the non-executive Directors are Mr. Maxim Sokov, Mr. Dmitry Afanasiev, Mr. Ivan Glasenberg, Mr. Maksim Goldman, Ms. Gulzhan Moldazhanova, Mr. Daniel Lesin Wolfe, Ms. Olga Mashkovskaya, Ms. Ekaterina Nikitina and Mr.Marco Musetti, and the independent non-executive Directors are Mr. Matthias Warnig (Chairman), Mr. Philip Lader, Dr. Elsie Leung Oi-sie, Mr. Mark Garber, Mr. Bernard Zonneveld 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.