



EN+ GROUP PLC
Consolidated Interim Condensed Financial
Information for the three and nine months ended
30 September 2018

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Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Board of Directors
EN+ GROUP PLC

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of EN+ GROUP PLC (the "Company") and its subsidiaries (the "Group") as at 30 September 2018, and the related consolidated interim condensed statements of profit or loss and other comprehensive income for the three- and nine-month periods ended 30 September 2018 and the related consolidated interim condensed statements of changes in equity and cash flows for the nine-month period ended 30 September 2018 and notes to the consolidated interim condensed financial information (the "consolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of consolidated interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Audited entity, EN+ GROUP PLC
Registration No. 91081,
Jersey, British Channels Islands.

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. 11803053203.



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 of USD 310 million and USD 768 million for the three- and nine-month periods ended 30 September 2018, and USD 183 million and USD 427 million for the three- and nine-month periods ended 30 September 2017, respectively, other comprehensive income of USD nil million for both the three- and nine-month periods ended 30 September 2018 and USD nil million and USD 28 million loss for the three- and nine-month periods ended 30 September 2017, respectively, foreign currency translation loss in relation to that investee of USD 181 million and USD 537 million for the three- and nine-month periods ended 30 September 2018 and foreign currency translation gain of USD 78 million and USD 185 million for the three- and nine-month periods ended 30 September 2017, respectively, and the carrying value of the Group's investment in the investee stated at USD 3,099 million as at 30 September 2018 and USD 3,664 million as at 30 September 2017. Had we been able to complete our review procedures in respect of interests in associates, matters might have come to our attention indicating that adjustments might be necessary to this consolidated interim condensed financial information.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 September 2018, and for the three- and nine-month periods then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Emphasis of Matter

We draw attention to Note 1(d) of the consolidated interim condensed financial information, which describes the effects of inclusion of the Company, its ultimate beneficial owner and certain companies under common control in the Specially Designated Nationals List issued by the Office of Foreign Assets Control of the Department of the Treasury of the United States of America. Our conclusion is not modified in respect of this matter.



Andrei Ryazantsev

JSC "KPMG"

Moscow, Russia

15 November 2018

EN+ GROUP PLC

*Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three and nine months ended 30 September 2018*


		Three months ended 30 September		Nine months ended 30 September	
		2018	2017	2018	2017
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
	Note	USD million	USD million	USD million	USD million
Revenue	5	3,298	2,875	9,434	8,716
Cost of sales		(2,148)	(1,890)	(6,214)	(5,799)
Gross profit		1,150	985	3,220	2,917
Distribution expenses		(174)	(152)	(490)	(470)
General and administrative expenses		(183)	(191)	(596)	(590)
Impairment of non-current assets		(61)	(59)	(209)	(144)
Other operating expenses, net	6	(61)	(30)	(85)	(96)
Results from operating activities		671	553	1,840	1,617
Share of profits and impairment of associates and joint ventures	10	286	198	767	495
Finance income	7	25	6	147	53
Finance costs	7	(288)	(346)	(885)	(1,113)
Profit before tax		694	411	1,869	1,052
Income tax expense	8	(108)	(61)	(246)	(154)
Profit for the period		586	350	1,623	898
Attributable to:					
Shareholders of the Parent Company		278	174	811	453
Non-controlling interests	11(f)	308	176	812	445
Profit for the period		586	350	1,623	898
Earnings per share					
Basic and diluted earnings per share (USD)	9	0.486	0.348	1.419	0.906

EN+ GROUP PLC
*Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three and nine months ended 30 September 2018 (continued)*

	Note	Three months ended 30 September		Nine months ended 30 September	
		2018	2017	2018	2017
		(unaudited) USD million	(unaudited) USD million	(unaudited) USD million	(unaudited) USD million
Profit for the period		586	350	1,623	898
Other comprehensive income					
<i>Items that will never be reclassified subsequently to profit or loss:</i>					
Actuarial gain on post retirement benefit plans		-	-	3	-
		-	-	3	-
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Foreign currency translation differences on foreign operations		(33)	2	(148)	6
Foreign currency translation differences for equity-accounted investees	10	(182)	88	(588)	210
Share of other comprehensive income of associate	10	-	-	-	(28)
Change in fair value of financial assets		(2)	-	-	6
		(217)	90	(736)	194
Total comprehensive income for the period		369	440	890	1,092
Attributable to:					
Shareholders of the Parent Company		184	209	473	541
Non-controlling interests		185	231	417	551
Total comprehensive income for the period		369	440	890	1,092

This consolidated interim condensed financial information was approved by the Board of Directors on 15 November 2018 and was signed on its behalf by:


Vladimir Kirukhin
Chief Executive Officer


Mikhail Khardikov
Chief Financial Officer

The consolidated interim condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information set out on pages 12 to 45.

		30 September 2018 (unaudited) USD million	31 December 2017 USD million
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		9,191	9,940
Goodwill and intangible assets		2,210	2,392
Interests in associates and joint ventures	10	3,788	4,459
Deferred tax assets		103	87
Derivative financial assets	13	18	34
Other non-current assets		149	75
Total non-current assets		15,459	16,987
Current assets			
Inventories		2,798	2,495
Trade and other receivables		1,799	1,335
Derivative financial assets	13	2	29
Cash and cash equivalents		1,219	974
Total current assets		5,818	4,833
Total assets		21,277	21,820

		30 September 2018 (unaudited) USD million	31 December 2017 USD million
	Note		
EQUITY AND LIABILITIES			
Equity	11		
Share capital		-	-
Share premium		973	973
Additional paid-in capital		9,193	9,193
Revaluation reserve		2,474	2,471
Other reserves		(70)	(72)
Foreign currency translation reserve		(4,884)	(4,544)
Accumulated losses		(5,287)	(6,030)
Total equity attributable to shareholders of the Parent Company		2,399	1,991
Non-controlling interests	11(f)	2,805	2,394
Total equity		5,204	4,385
Non-current liabilities			
Loans and borrowings	12	10,563	10,962
Deferred tax liabilities		1,209	1,306
Provisions – non-current portion		491	542
Derivative financial liabilities	13	37	61
Other non-current liabilities		217	262
Total non-current liabilities		12,517	13,133
Current liabilities			
Loans and borrowings	12	2,063	2,067
Provisions – current portion		42	40
Trade and other payables		1,432	2,143
Derivative financial liabilities	13	19	52
Total current liabilities		3,556	4,302
Total equity and liabilities		21,277	21,820

	Note	Nine months ended 30 September	
		2018	2017
		(unaudited) USD million	(unaudited) USD million
OPERATING ACTIVITIES			
Profit for the period		1,623	898
<i>Adjustments for:</i>			
Depreciation and amortization		564	548
Impairment of non-current assets		209	144
Foreign exchange loss/(gain), net	7	199	(30)
Loss on disposal of property, plant and equipment	6	5	7
Share of profits and impairment of associates and joint ventures	10	(767)	(495)
Interest expense	7	686	885
Interest income	7	(21)	(15)
Change in fair value of derivative financial instruments	7	(123)	214
Unwinding of discount of trade and other receivables	7	(2)	(7)
Unwinding of discount of other payables	7	-	14
Income tax expense	8	246	154
Dividend income		(1)	(1)
Reversal of impairment of inventory		(10)	-
Impairment of receivables	6	50	23
Provision for legal claims		-	4
Change of environmental provision		1	(1)
Operating profit before changes in working capital and pension provisions		2,659	2,342
Increase in inventories		(282)	(248)
Increase in trade and other receivables		(106)	(92)
(Decrease)/increase in trade and other payables and provisions		(697)	7
Cash flows generated from operations before income taxes paid		1,574	2,009
Income taxes paid		(185)	(214)
Cash flows generated from operating activities		1,389	1,795

		Nine months ended 30 September	
		2018	2017
		(unaudited)	(unaudited)
	Note	USD million	USD million
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		12	29
Acquisition of property, plant and equipment		(647)	(638)
Acquisition of intangible assets and other investments		(127)	(22)
Interest received		20	9
Dividends from associates and joint ventures		406	642
Dividends from financial assets		4	7
Contributions to associates and joint ventures		(79)	-
Proceeds from promissory notes		3	9
Acquisition of a subsidiary		(11)	(4)
Change in restricted cash		(10)	-
Cash flows (used in)/generated from investing activities		(429)	32
FINANCING ACTIVITIES			
Proceeds from borrowings		3,957	6,526
Repayment of borrowings		(3,871)	(6,579)
Restructuring fees and expenses related to Offering		(19)	(36)
Acquisition of non-controlling interests		(105)	(188)
Interest paid		(657)	(762)
Settlement of derivative financial instruments		95	(127)
Dividends to shareholders	11(e)	(68)	(104)
Other distributions		-	(15)
Cash flows used in financing activities		(668)	(1,285)
Net change in cash and cash equivalents		292	542
Cash and cash equivalents at beginning of period, excluding restricted cash		957	656
Effect of exchange rate fluctuations on cash and cash equivalents		(57)	-
Cash and cash equivalents at end of the period, excluding restricted cash		1,192	1,198

Restricted cash amounted to USD 27 million, USD 17 million and USD 17 million at 30 September 2018, 31 December 2017 and 30 September 2017, respectively.

USD million

	Attributable to shareholders of the Parent Company						Non-controlling interests	Total equity
	Share premium	Additional paid-in capital	Revaluation reserve	Other reserves	Foreign currency translation reserve	Accumulated losses		
Balance at 1 January 2017	-	9,193	2,456	(63)	(4,683)	(6,503)	400	1,785
Total comprehensive income								
Profit for the period (unaudited)	-	-	-	-	-	453	453	898
Other comprehensive income for the period (unaudited)	-	-	-	(7)	95	-	88	194
Total comprehensive income for the period (unaudited)	-	-	-	(7)	95	453	541	1,092
Transactions with owners								
Change in effective interest in subsidiaries (unaudited)	-	-	15	-	4	(3)	16	(27)
Dividends to shareholders (unaudited)	-	-	-	-	-	(225)	(225)	(380)
Other distributions (unaudited)	-	-	-	-	-	99	99	99
Total transactions with owners	-	-	15	-	4	(129)	(110)	(308)
Balance at 30 September 2017 (unaudited)	-	9,193	2,471	(70)	(4,584)	(6,179)	831	2,969
Balance at 1 January 2018	973	9,193	2,471	(72)	(4,544)	(6,030)	1,991	4,385
Total comprehensive income								
Profit for the period (unaudited)	-	-	-	-	-	811	811	1,623
Other comprehensive income for the period (unaudited)	-	-	-	2	(340)	-	(338)	(733)
Total comprehensive income for the period (unaudited)	-	-	-	2	(340)	811	473	890
Transactions with owners (unaudited)								
Change in effective interest in subsidiaries (11(a)(ii)) (unaudited)	-	-	3	-	-	-	3	(3)
Dividends to shareholders (11(e)) (unaudited)	-	-	-	-	-	(68)	(68)	(68)
Total transactions with owners (unaudited)	-	-	3	-	-	(68)	(65)	(71)
Balance at 30 September 2018 (unaudited)	973	9,193	2,474	(70)	(4,884)	(5,287)	2,399	5,204

1 Background

(a) Organisation

EN+ GROUP PLC (the “Parent Company”) was established as a limited liability company according to the legislation of the British Virgin Islands on 30 April 2002 under the name of Baufinanz Limited. On 18 March 2004 the Parent Company registered a change of its legal name to Eagle Capital Group Limited. On 25 August 2005 the Parent Company changed its domicile to Jersey and was renamed to En+ Group Limited. On 1 June 2017 the Parent Company changed its status to a public company and was renamed to EN+ GROUP PLC. The Parent Company’s registered office is 44 Esplanade, St Helier, Jersey, JE4 9WG, British Channel Islands.

On 8 November 2017 the Parent Company successfully completed an initial public offering of global depositary receipts on the London Stock Exchange and the Moscow Exchange.

EN+ GROUP PLC is a parent company for vertically integrated aluminium and power group, engaged in aluminium production, energy generation and distribution and other businesses (together with the Parent Company referred to as “the Group”).

The shareholding structure of the Parent Company as at 30 September 2018 and 31 December 2017 was as follows:

	<u>30 September</u>	<u>31 December</u>
	2018	2017
B-Finance Limited	53.9%	53.9%
Basic Element Limited	12.2%	12.2%
Publicly held and other shareholders	33.9%	33.9%
Total	100.0%	100.0%

The ultimate parent undertaking of the Group is Fidelitas International Investments Corp., the company incorporated in the Republic of Panama (“Fidelitas”), and the ultimate beneficial owner of the Group (the “Shareholder”) is Mr. Oleg Deripaska (“Mr. Deripaska”). He also has a number of other business interests outside of the Group. Related party transactions are detailed in note 16.

The consolidated financial statements of the Group as at and for the year ended 31 December 2017 are available at the Parent Company’s website <http://www.enplus.ru>.

(b) Operations

As at 30 September 2018 the Group’s operations comprised the following:

United Company RUSAL Plc and its subsidiaries (“UC RUSAL”) operate in the aluminium industry primarily in the Russian Federation, Ukraine, Guinea, Jamaica, Ireland, Nigeria and Sweden and are 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.

Other activities of the Group include generation, transmission and distribution of energy in East Siberia, Russia, as well as its supporting operations engaged in the supply of logistics services and coal resources to the Group.

(c) Seasonality

Demand for heat and electricity is subject to seasonal fluctuations and depends on weather conditions. The highest revenues from heat sales are generated in the period from October to March. Electricity sales are also subject to seasonality, though to a lesser extent, with the highest revenue period also falling on October through March. The seasonality factor affects fuel consumption and energy purchases.

Furthermore, equipment repair and maintenance costs tend to grow in the period from April to September. The seasonality of these operations does not have an impact on the accounting treatment of operating income and expenses in accordance with the Group accounting policies.

(d) OFAC sanctions

On 6 April 2018, the Office of Foreign Assets Control (“OFAC”) of the Department of the Treasury of the United States of America (the “U.S. Treasury”) designated, among others, the Parent Company, Eurosibenergo and UC RUSAL to be added to its Specially Designated Nationals List (the “OFAC Sanctions”).

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

OFAC may authorize certain types or categories of activities and transactions that would otherwise be prohibited under the US sanctions program by issuing a General License. As of the date of the report being published, OFAC has issued a number of General Licenses. Currently there are following General Licenses directly relating to the Parent Company, Eurosibenergo and UC RUSAL:

- General License 16C dated 9 November 2018 subject to certain limitations and exclusions, authorising until 7 January 2019 U.S. persons to engage in transactions and activities ordinarily incident and necessary to the maintenance or wind down of operations, contracts, or other agreements (including the importation of goods, services, or technology into the US) involving the Parent Company, Eurosibenergo or any entity in which the Parent Company or Eurosibenergo owns, directly or indirectly, a 50% or greater interest and that were in effect prior to 6 April 2018.
- General License 14C dated 9 November 2018 subject to certain limitations and exclusions, authorising until 7 January 2019 transactions and activities ordinarily incident and necessary to the maintenance or wind down of operations, contracts, or other agreements, including the importation of goods, services, or technologies into the United States, involving UC RUSAL or any other entity in which UC RUSAL owns, directly or indirectly, a 50% or greater interest and that were in effect prior to 6 April 2018.
- General License 13G dated 9 November 2018, with certain limitations and exclusions, authorising until 7 January 2019 transactions and activities (including facilitating, clearing and settling) ordinarily incident and necessary to divest or transfer, or to facilitate the transfer by a non-U.S. person to another non-U.S. person debt, equity or other holdings in Parent Company or UC RUSAL including such transactions and activities in entities in which these persons own, directly or indirectly, a 50% or greater interest, provided that such debt, equity, or other holdings was issued.

With OFAC Frequently Asked Questions (the “OFAC FAQ”), OFAC provides further explanations and guidance about OFAC Sanctions e.g. more expansive explanation of the activities that can be

undertaken by US and non-US persons with Parent Company, Eurosibenergo and UC RUSAL under the term “maintenance” after 6 April 2018 and until expiration of General Licences.

Whilst further evaluation is being carried out by the Parent Company to assess the impact of the OFAC Sanctions on the Group, the Parent Company's current assessment still remains the same, that it is highly likely that the impact may be materially adverse to the business. The Parent Company's primary focus remains on the protection of the interests of all of its investors, GDR and shareholders and partners. The Parent Company engaged OFAC by submitting several official requests seeking prolongation of General Licenses and delisting from SDN status.

On 18 May 2018 the Board of Directors of the Parent Company unanimously endorsed the Independent Chairman's proposals and strategy to have sanctions imposed on the Parent Company by OFAC lifted.

As part of financial information preparation the Group has performed impairment testing in respect of the goodwill and property, plant and equipment of certain alumina, aluminium and energy cash generating units (“CGUs”) considering changes in the economic environment and developments in the aluminium and energy industries and the Group's operations since 31 December 2017. The key assumptions used were consistent with those used in impairment testing performed as at 31 December 2017 and included productions volumes, sales prices and costs forecasts, exchange rates, discount rates and terminal growth rate.

Production volumes, exchange rates and inflation were consistent with that disclosed in the consolidated financial statements for the year ended 31 December 2017 and for the purpose of the above impairment testing the forecasts were updated as at 30 September 2018. Sales prices were based on the long-term aluminium and energy price outlook derived from available industry and market sources. Operating costs were projected based on the historical performance up to reporting date adjusted for inflation.

Considering the current market conditions and significant level of uncertainty in respect of future market developments, including the impact of the sanctions, the Group has considered a number of possible scenarios within impairment testing of the goodwill and property, plant and equipment. They included considerations of sales price fluctuations, sales volumes reallocation and potential decrease and different consensus forecasts for aluminium prices and cost of alumina.

Based on results of impairment testing of goodwill and property, plant and equipment of aluminium and energy CGUs management concluded that no impairment or reversal of previously recognized impairment should be recorded in the interim financial information as at 30 September 2018. Based on results of impairment testing of property, plant and equipment of alumina CGUs management concluded that the final outcome significantly depends on the further sanctions and therefore market developments. In case of their negative developments, including increase in bauxite and alumina prices, it is highly likely that it will result in significant impairment of the alumina CGU's property, plant and equipment. Exact estimate of the impact is difficult to determine.

The longer term effects of the implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

The financial statements reflect management's assessment of the impact of the OFAC Sanctions on the operations and the financial position of the Parent Company. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

This consolidated interim condensed financial information has been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. This consolidated interim condensed financial information does not include all of the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards and therefore should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this consolidated interim condensed financial information, the Group has adopted these new and revised IFRSs where applicable:

IFRS 15: Revenue from Contracts with Customers

IFRS 9: Financial instruments

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

Amendments to IAS 40: Transfers of Investment Property

Annual Improvements to IFRSs, 2014-2016 cycle: Amendments to IFRS 1 and IAS 28

IFRIC 22: Foreign Currency Transactions and Advance Consideration

None of these developments have had a material effect on how the Group's results and financial position for the current and the prior periods have been prepared and presented, including IFRS 15 and IFRS 9 (disclosed in Note 3). The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has also no updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Group's consolidated financial statements.

(b) Consolidation of UC RUSAL

The Group's management believes that its current 48.13% shareholding in UC RUSAL, considering the size and dispersion of shareholding of other UC RUSAL's vote holders and the terms of the shareholders' agreements between UC RUSAL's principal shareholders enable the Parent Company to retain control over UC RUSAL, and therefore UC RUSAL's results of operations are consolidated into the Group's consolidated financial statements. The terms of the shareholders' agreements include among others provisions entitling the Parent Company to:

- nominate at least 50% of UC RUSAL's board of directors and two independent directors;
- appoint UC RUSAL's CEO.

(c) Consolidation of OJSC Irkutsk Electric Grid Company (“Irkutsk GridCo”)

In December 2009, the Group sold to third parties under share purchase contracts all the shares in two Cyprus companies of the Group controlling 34.16% of the shares in Irkutsk GridCo; subsequently the Group purchased back 19.9% in Irkutsk GridCo. The arrangements attached to the share purchase contracts enable the Group to retain certain rights with respect to the disposed shares and the sale did not result in deconsolidation. As at 30 September 2018 effective interest in Irkutsk GridCo held by the Group is 52.3% (31 December 2017: 52.3%).

As laws and regulations in the electricity sector in Russia are in the developing stage there is an uncertainty with respect to the legal interpretation of the existing arrangements which enable the Group to control Irkutsk GridCo and may be interpreted by the Russian regulatory authorities as noncompliant with applicable legislation upon enforcement. Management believes that such arrangements are compliant with the legislation and therefore the Group has the ability to control Irkutsk GridCo as described above. Should the arrangements be found non-compliant upon their enforcement, the Group may be required to unwind the arrangements subsequent to their enforcement and sell Irkutsk GridCo to a third party at that time.

3 Significant accounting policies

Except as described below, the accounting policies and judgements applied in this consolidated interim condensed financial information are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2017. The adoption of other new standards and amendments did not have a significant impact on the Group. The changes in accounting policies are also expected to be reflected in the Group’s consolidated financial statements as at and for the year ending 31 December 2018.

The Group has initially adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* from 1 January 2018.

The effect of initially applying these standards is mainly attributed to the following:

- timing of recognition of revenue for the transportation services after the control for the related goods has been transferred to customer (revenue is to be recognised over time from goods control transfer till completion of the transportation);
- classification of revenue earned from the contracts which bear price finalisation options as other revenue instead of revenue from contracts with customers;
- an increase in impairment losses recognised on financial assets;
- disclosures to be presented as required by the new standards.

(a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below.

	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Sales of goods	Comprise sale of primary aluminium, alloys, alumina, bauxite, coal and other products. Customers obtain control of the goods supplied when the goods are delivered to the point when risks are transferred based on Incoterms delivery terms stated in the contract. Invoices are generated and revenue is recognised at that point in time. Invoices are usually payable within 60 days or in advance. 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 the date of the invoice issued. At price finalisation the difference between estimated price and actual one is recognised as other revenue.	Under IAS 18 revenue was recognised when related risks and rewards of ownership were transferred under delivery terms of the contracts. Revenue was 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 is recognised when a customer obtains control of the goods. It has not significantly impacted the Group's revenue recognition approach and the timing of revenue recognition.
Rendering of transportation services	As part of sales of goods the Group also performs transportation to the customer under contract terms. In certain cases the control for goods delivered is transferred to customer at earlier point than the transportation is completed. The fee for the transportation services is included in the amount invoiced for the goods supplied (refer to the above caption).	Under IAS 18 revenue was 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 the transportation revenue is recognised over time from goods control transfer till completion of the transportation. This has resulted in certain deferral of revenue recognition, but did not have a significant impact.
Rendering of electricity supply services	The Group is involved in sales of energy to 3 rd and related parties. Invoices are issued once a month at the end of month and paid within 30 days.	Under current accounting policies revenue was recognised on the last day of the month. Under IFRS 15 revenue is recognised over time. Effectively it has not impacted either total amount of revenue recognized, or its classification.

The impact of transition to IFRS 15 on retained earnings is not significant. Thus no transitional adjustments were made by the Group.

(b) 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*.

The details of new significant accounting policies and the nature and effects of the changes to previous accounting policies are set out below.

Classification and measurement of financial assets and financial liabilities

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.

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 financial assets most fall within category of financial assets measured at amortised cost both under IAS 39 and IFRS 9 requirements. The only exception is derivative financial assets measured at fair value through profit or loss. The same applies to the Group’s financial liabilities. Thus the adoption of IFRS 9 has not had a significant effect on the Group’s accounting policies related to classification and measurement of financial assets and financial liabilities as well as derivative financial instruments. The impact of IFRS 9 on the impairment of financial assets is set out below.

Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies inter alia to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The Group’s financial assets at amortised cost consist of trade and other receivables and cash and cash equivalents.

Under IFRS 9, loss allowances are 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 a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition. The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- the financial asset is more than 90 days past due, but additional analysis is conducted for each such receivable and assessment is updated accordingly.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset in case of long-term assets.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables are presented as part of net other operating expenses.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 does not result in significant additional impairment allowance and thus has not recognized any additional allowance as part of transition to the new standards.

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.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.

4 Segment reporting

(a) Reportable segments

Based on the current management structure and internal reporting the Group has identified the following five segments:

- *Metals.* The Metals segment is comprised of UC RUSAL which is involved in mining and refining of bauxite into alumina; production and sale of primary aluminium, alumina and related products and also includes equity investment in Norilsk Nickel. The Metals segment is disclosed based on public financial statements of UC RUSAL. All adjustments made to UC RUSAL, including adjustments arising from different time of IFRS first time adoption, are included into reconciliation of reportable segment revenue, profit or loss, assets and liabilities.

The Power and Coal assets of UC RUSAL are included into the Metals segment.

- *Power.* The Power segment is involved in generation, transmission and distribution of energy in East Siberia and Volga regions of Russia.
- *Coal.* The Coal segment is engaged in the mining and sale of coal in the East Siberia region. Brown and fossil coals are the products of the segment.
- *Logistics.* The logistics segment is engaged in transportation services both for other segments and for the third parties.
- *Other.* The Other segment is comprised of production and processing of molybdenum and ferromolybdenum, and also aluminium processing plant.

These business units are managed separately and results of their operations are reviewed by the CEO on a regular basis.

Management additionally analyses performance of the Group through principal business segments (note 4(c)).

(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:

Total segment assets include all tangible, intangible assets and current assets.

Total segment liabilities include all current and non-current liabilities.

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.

The measures used for reporting segment results are the net profit and the net profit adjusted for income tax and other items not specifically attributed to individual segments, such as finance income, costs of loans and borrowings. 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, interest income and expenses, other finance income and costs, income tax, loss on disposal of property, plant and equipment, impairment of non-current assets and additions of non-current segment assets used by the segments in their operations. Inter-segment pricing is determined primarily on a consistent basis using market benchmarks.

(i) **Reportable segments**

Nine months ended 30 September 2018

USD million	Metals	Power	Coal	Logistics	Other	Total
Revenue from external customers	7,804	1,290	97	51	191	9,433
Inter-segment revenue	111	672	175	76	7	1,041
Total segment revenue	7,915	1,962	272	127	198	10,474
Segment profit/(loss)	1,549	148	13	28	(27)	1,711
Impairment of non-current assets	(166)	(34)	-	-	(9)	(209)
Loss on disposal of property, plant and equipment	(4)	(1)	-	-	-	(5)
Share of profits and impairment of associates and joint ventures	809	(42)	-	-	-	767
Interest expense, net	(354)	(273)	(6)	(19)	(13)	(665)
Other finance (costs)/income, net	(9)	(60)	-	3	(12)	(78)
Depreciation and amortisation	(383)	(158)	(11)	(6)	(6)	(564)
Income tax expense	(144)	(92)	(6)	(8)	-	(250)
Additions to non-current segment assets during the period	(581)	(89)	(16)	(34)	(4)	(724)

Nine months ended 30 September 2017

USD million	Metals	Power	Coal	Logistics	Other	Total
Revenue from external customers	7,099	1,273	86	28	211	8,697
Inter-segment revenue	125	673	150	54	10	1,012
Total segment revenue	7,224	1,946	236	82	221	9,709
Segment profit/(loss)	782	226	1	14	(16)	1,007
Impairment of non-current assets	(139)	-	-	-	(1)	(140)
Loss on disposal of property, plant and equipment	(8)	-	-	-	-	(8)
Share of profits and impairment of associates and joint ventures	495	-	-	-	-	495
Interest expense, net	(477)	(318)	(8)	(7)	(18)	(828)
Other finance (costs)/income, net	(205)	9	(3)	-	1	(198)
Depreciation and amortisation	(364)	(165)	(12)	(2)	(5)	(548)
Income tax (expense)/benefit	(54)	(102)	1	(4)	4	(155)
Additions to non-current segment assets during the period	(506)	(118)	(18)	(83)	(4)	(729)

Three months ended 30 September 2018

USD million	Metals	Power	Coal	Logistics	Other	Total
Revenue from external customers	2,894	316	25	15	48	3,298
Inter-segment revenue	24	195	50	21	-	290
Total segment revenue	2,918	511	75	36	48	3,588
Segment profit/(loss)	597	14	4	11	(14)	612
Impairment of non-current assets	(43)	(10)	-	-	(8)	(61)
Loss on disposal of property, plant and equipment	(1)	-	-	-	-	(1)
Share of profits and impairment of associates and joint ventures	316	(30)	-	-	-	286
Interest expense, net	(122)	(86)	-	(6)	(4)	(218)
Other finance (costs)/income, net	(11)	(18)	-	1	(2)	(30)
Depreciation and amortisation	(139)	(50)	(3)	-	(1)	(193)
Income tax expense	(79)	(21)	(3)	(3)	-	(106)
Additions to non-current segment assets during the period	(173)	(41)	(5)	-	(3)	(222)

Three months ended 30 September 2017

USD million	Metals	Power	Coal	Logistics	Other	Total
Revenue from external customers	2,415	345	27	8	74	2,869
Inter-segment revenue	45	230	50	16	3	344
Total segment revenue	2,460	575	77	24	77	3,213
Segment profit/(loss)	312	56	-	5	(2)	371
Impairment of non-current assets	(58)	-	-	-	(1)	(59)
Loss on disposal of property, plant and equipment	(7)	(1)	-	-	-	(8)
Share of profits and impairment of associates and joint ventures	198	-	-	-	-	198
Interest expense, net	(133)	(97)	(3)	(3)	(7)	(243)
Other finance (costs)/income, net	(90)	6	(1)	-	1	(84)
Depreciation and amortisation	(121)	(54)	(4)	(2)	(2)	(183)
Income tax (expense)/benefit	(26)	(35)	(1)	(1)	3	(60)
Additions to non-current segment assets during the period	(219)	(56)	(7)	(69)	-	(351)

At 30 September 2018

USD million	Metals	Power	Coal	Logistics	Other	Total
Cash and cash equivalents	943	246	-	20	2	1,211
Interests in associates and joint ventures	3,739	49	-	-	-	3,788
Other segment assets	11,296	5,507	330	225	128	17,486
Total segment assets	15,978	5,802	330	245	130	22,485
Loans and borrowings	(8,411)	(4,153)	(203)	(45)	(324)	(13,136)
Other segment liabilities	(2,254)	(1,010)	(112)	(166)	(114)	(3,656)
Total segment liabilities	(10,665)	(5,163)	(315)	(211)	(438)	(16,792)

At 31 December 2017

USD million	Metals	Power	Coal	Logistics	Other	Total
Cash and cash equivalents	831	113	1	12	1	958
Interests in associates and joint ventures	4,448	11	-	-	-	4,459
Other segment assets	10,495	6,180	361	217	143	17,396
Total segment assets	15,774	6,304	362	229	144	22,813
Loans and borrowings	(8,479)	(4,468)	(228)	(59)	(333)	(13,567)
Other segment liabilities	(2,851)	(1,289)	(124)	(166)	(117)	(4,547)
Total segment liabilities	(11,330)	(5,757)	(352)	(225)	(450)	(18,114)

(ii) **Reconciliation of reportable segment revenue, profit or loss, assets and liabilities**

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	USD million	USD million	USD million	USD million
Revenue				
Reportable segment revenue	3,588	3,213	10,474	9,709
Elimination of inter-segment revenue	(290)	(344)	(1,041)	(1,012)
Unallocated revenue	-	6	1	19
Consolidated revenue	3,298	2,875	9,434	8,716

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	USD million	USD million	USD million	USD million
Profit				
Reportable segment profit	612	371	1,711	1,007
Impairment of non-current assets	-	-	-	(4)
Gain from disposal of property, plant and equipment	-	-	-	1
Income tax (expense)/benefit	(2)	(1)	4	1
Interest expense, net	-	(18)	-	(42)
Other finance (costs)/income, net	(15)	5	5	8
Other unallocated expenses and consolidation adjustments, net	(9)	(7)	(97)	(73)
Consolidated profit	586	350	1,623	898

	30 September 2018	31 December 2017
	USD million	USD million
Assets		
Reportable segment assets	22,485	22,813
Elimination of inter-segment receivables	(598)	(520)
Consolidation adjustments	(555)	(513)
Elimination of receivables between unallocated and reportable segments and unallocated assets	(55)	40
Consolidated total assets	21,277	21,820

	30 September 2018	31 December 2017
	USD million	USD million
Liabilities		
Reportable segment liabilities	(16,792)	(18,114)
Elimination of inter-segment payables	598	520
Consolidation adjustments	5	2
Elimination of payables between unallocated and reportable segments and unallocated liabilities	116	157
Consolidated total liabilities	(16,073)	(17,435)

(c) Principal business segments

Management analyses performance of the Group through two principal business segments:

1. “METALS” or “UC RUSAL” as described in note 4(a);
2. “ENERGY” (En+ Group excluding UC RUSAL) is predominantly comprised of power assets involved in generation, transmission and distribution of energy in East Siberia, Russia, as well as its supporting operations engaged in the supply of logistics services and coal resources to the Group.

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	30 September 2018				31 December 2017			
USD million	EN+ GROUP Consolidated	METALS	Adjustments	ENERGY	EN+ GROUP Consolidated	METALS	Adjustments	ENERGY
Non-current assets								
Property, plant and equipment	9,191	4,346	(11)	4,856	9,940	4,323	-	5,617
Goodwill and intangible assets	2,210	2,409	(469)	270	2,392	2,552	(469)	309
Interests in associates and joint ventures	3,788	3,739	-	49	4,459	4,448	-	11
Deferred tax assets	103	73	-	30	87	63	-	24
Derivative financial assets	18	18	-	-	34	34	-	-
Other non-current assets	149	164	(4,100)	4,085	75	72	(4,097)	4,100
	15,459	10,749	(4,580)	9,290	16,987	11,492	(4,566)	10,061
Current assets								
Inventories	2,798	2,739	(86)	145	2,495	2,414	(44)	125
Trade and other receivables	1,799	1,545	(134)	388	1,335	1,008	(68)	395
Derivative financial assets	2	2	-	-	29	29	-	-
Cash and cash equivalents	1,219	943	-	276	974	831	-	143
	5,818	5,229	(220)	809	4,833	4,282	(112)	663
Total assets	21,277	15,978	(4,800)	10,099	21,820	15,774	(4,678)	10,724

EN+ GROUP PLC
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	30 September 2018				31 December 2017			
USD million	EN+ GROUP Consolidated	METALS	Adjustments	ENERGY	EN+ GROUP Consolidated	METALS	Adjustments	ENERGY
Equity								
Share capital	-	152	(152)	-	-	152	(152)	-
Share premium	973	-	-	973	973	-	-	973
Additional paid-in capital	9,193	15,786	(8,925)	2,332	9,193	15,786	(8,925)	2,332
Revaluation reserve	2,474	-	-	2,474	2,471	-	-	2,471
Other reserves	(70)	2,850	(2,952)	32	(72)	2,847	(2,951)	32
Foreign currency translations reserve	(4,884)	(9,484)	4,698	(98)	(4,544)	(8,801)	4,343	(86)
Accumulated losses	(5,287)	(3,991)	224	(1,520)	(6,030)	(5,540)	1,068	(1,558)
Total equity attributable to shareholders of the Parent Company	2,399	5,313	(7,107)	4,193	1,991	4,444	(6,617)	4,164
Non-controlling interests	2,805	-	2,502	303	2,394	-	2,054	340
	5,204	5,313	(4,605)	4,496	4,385	4,444	(4,563)	4,504
Non-current liabilities								
Loans and borrowings	10,563	7,535	-	3,028	10,962	7,744	-	3,218
Deferred tax liabilities	1,209	517	(6)	698	1,306	522	(2)	786
Provisions – non-current portion	491	397	-	94	542	427	-	115
Derivative financial liabilities	37	37	-	-	61	61	-	-
Other non-current liabilities	217	50	(25)	192	262	104	-	158
	12,517	8,536	(31)	4,012	13,133	8,858	(2)	4,277
Current liabilities								
Loans and borrowings	2,063	876	-	1,187	2,067	735	-	1,332
Provisions – current portion	42	26	-	16	40	27	-	13
Trade and other payables	1,432	1,208	(164)	388	2,143	1,658	(113)	598
Derivative financial liabilities	19	19	-	-	52	52	-	-
	3,556	2,129	(164)	1,591	4,302	2,472	(113)	1,943
Total equity and liabilities	21,277	15,978	(4,800)	10,099	21,820	15,774	(4,678)	10,724

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Nine months ended

USD million	30 September 2018				30 September 2017			
	EN+ GROUP Consolidated	METALS	Adjustments	ENERGY	EN+ GROUP Consolidated	METALS	Adjustments	ENERGY
Revenue	9,434	7,915	(796)	2,315	8,716	7,224	(816)	2,308
Cost of sales	(6,214)	(5,672)	738	(1,280)	(5,799)	(5,248)	747	(1,298)
Gross profit	3,220	2,243	(58)	1,035	2,917	1,976	(69)	1,010
Distribution expenses	(490)	(348)	6	(148)	(470)	(321)	22	(171)
General and administrative expenses	(596)	(415)	3	(184)	(590)	(421)	-	(169)
Impairment of non-current assets	(209)	(166)	-	(43)	(144)	(139)	-	(5)
Other operating expenses, net	(85)	(67)	4	(22)	(96)	(72)	-	(24)
Results from operating activities	1,840	1,247	(45)	638	1,617	1,023	(47)	641
Share of profits of associates and joint ventures	767	809	-	(42)	495	495	-	-
Dividend income	-	-	-	-	-	-	(144)	144
Finance income	147	139	(2)	10	53	18	-	35
Finance costs	(885)	(502)	2	(385)	(1,113)	(700)	-	(413)
Profit before tax	1,869	1,693	(45)	221	1,052	836	(191)	407
Income tax expense	(246)	(144)	3	(105)	(154)	(54)	3	(103)
Profit for the period	1,623	1,549	(42)	116	898	782	(188)	304

Profit attributable to:

Shareholders of the Parent Company	811	1,549	(845)	107	453	782	(594)	265
Non-controlling interests	812	-	803	9	445	-	406	39
Profit for the period	1,623	1,549	(42)	116	898	782	(188)	304

EN+ GROUP PLC
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Three months ended

USD million	30 September 2018				30 September 2017			
	EN+ GROUP Consolidated	METALS	Adjustments	ENERGY	EN+ GROUP Consolidated	METALS	Adjustments	ENERGY
Revenue	3,298	2,918	(224)	604	2,875	2,460	(294)	709
Cost of sales	(2,148)	(2,068)	241	(321)	(1,890)	(1,770)	269	(389)
Gross profit	1,150	850	17	283	985	690	(25)	320
Distribution expenses	(174)	(132)	(5)	(37)	(152)	(111)	22	(63)
General and administrative expenses	(183)	(129)	1	(55)	(191)	(129)	-	(62)
Impairment of non-current assets	(61)	(43)	-	(18)	(59)	(58)	-	(1)
Other operating income/(expenses), net	(61)	(53)	1	(9)	(30)	(29)	-	(1)
Results from operating activities	671	493	14	164	553	363	(3)	193
Share of profits and impairment of associates and joint ventures	286	316	-	(30)	198	198	-	-
Dividend income	-	-	-	-	-	-	(144)	144
Finance income	25	23	-	2	6	-	(9)	15
Finance costs	(288)	(156)	-	(132)	(346)	(223)	9	(132)
Profit/(loss) before tax	694	676	14	4	411	338	(147)	220
Income tax expense	(108)	(79)	(2)	(27)	(61)	(26)	1	(36)
Profit/(loss) for the period	586	597	12	(23)	350	312	(146)	184
Profit/(loss) attributable to:								
Shareholders of the Parent Company	278	597	(298)	(21)	174	312	(300)	170
Non-controlling interests	308	-	310	(2)	176	-	162	14
Profit/(loss) for the period	586	597	12	(23)	350	312	(146)	184

Nine months ended

USD million	30 September 2018				30 September 2017			
	EN+ GROUP Consolidated	METALS	Adjustments	ENERGY	EN+ GROUP Consolidated	METALS	Adjustments	ENERGY
Profit for the period	1,623	1,549	(42)	116	898	782	(44)	160
Adjustments for non-cash items	1,036	204	69	763	1,444	759	(3)	688
Operating profit before changes in working capital and provisions	2,659	1,753	27	879	2,342	1,541	(47)	848
Changes in working capital and provisions	(1,085)	(923)	(38)	(124)	(333)	(302)	47	(78)
Cash flows generated from operations before income tax	1,574	830	(11)	755	2,009	1,239	-	770
Income taxes paid	(185)	(88)	-	(97)	(214)	(58)	-	(156)
Cash flows generated from operating activities	1,389	742	(11)	658	1,795	1,181	-	614
Cash flows (used in)/generated from investing activities, including:	(429)	(280)	11	(160)	32	112	-	(80)
Acquisition of property, plant and equipment, intangible assets and other investments	(774)	(691)	11	(94)	(660)	(557)	-	(103)
Dividends from associates and joint ventures	406	406	-	-	642	642	-	-
Acquisition of a subsidiary	(11)	(11)	-	-	(4)	(1)	-	(3)
Interest received	20	14	-	6	9	4	-	5
Other (payments)/receipts, net	(70)	2	-	(72)	45	24	-	21

Nine months ended

USD million	30 September 2018				30 September 2017			
	EN+ GROUP Consolidated	METALS	Adjustments	ENERGY	EN+ GROUP Consolidated	METALS	Adjustments	ENERGY
Cash flows used in financing activities, including:	(668)	(327)	-	(341)	(1,285)	(718)	-	(567)
Interest paid	(657)	(363)	-	(294)	(762)	(385)	-	(377)
Proceeds from/(repayment of) borrowings, net	86	(53)	-	139	(53)	(170)	-	117
Acquisition of non-controlling interest	(105)	-	-	(105)	(188)	-	-	(188)
Settlement of derivative instruments	95	95	-	-	(127)	(127)	-	-
Restructuring fees and expenses related to Offering	(19)	(6)	-	(13)	(36)	(36)	-	-
Other distributions	-	-	-	-	(15)	-	-	(15)
Dividends to shareholders	(68)	-	-	(68)	(104)	-	-	(104)
Net increase/(decrease) in cash and cash equivalents	292	135	-	157	542	575	-	(33)
Cash and cash equivalents at beginning of the period, excluding restricted cash	957	814	-	143	656	531	-	125
Effect of exchange rate changes on cash and cash equivalents	(57)	(33)	-	(24)	-	-	-	-
Cash and cash equivalents at end of the period, excluding restricted cash	1,192	916	-	276	1,198	1,106	-	92

5 Revenue

(a) Revenue by types

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	USD million	USD million	USD million	USD million
Sales of primary aluminium and alloys	2,358	2,013	6,332	5,942
<i>Third parties</i>	1,334	1,401	3,873	4,066
<i>Related parties – companies capable of exerting significant influence</i>	1,019	611	2,446	1,869
<i>Related parties – companies under common control</i>	5	1	12	7
<i>Related parties – associates</i>	-	-	1	-
Sales of alumina and bauxite	274	173	726	544
<i>Third parties</i>	162	97	446	313
<i>Related parties – companies capable of exerting significant influence</i>	70	50	164	153
<i>Related parties – associates</i>	42	26	116	78
Sales of semi-finished products and foil	164	146	424	389
<i>Third parties</i>	164	146	423	389
<i>Related parties – companies under common control</i>	-	-	1	-
Sales of electricity	247	251	957	926
<i>Third parties</i>	237	236	914	881
<i>Related parties – companies under common control</i>	5	11	21	33
<i>Related parties – associates</i>	5	4	22	12
Sales of heat	55	78	323	322
<i>Third parties</i>	54	76	305	304
<i>Related parties – companies capable of exerting significant influence</i>	-	-	-	1
<i>Related parties – companies under common control</i>	1	2	18	17
Other revenue	200	214	672	593
<i>Third parties</i>	165	175	544	505
<i>Related parties – companies capable of exerting significant influence</i>	-	2	6	6
<i>Related parties – companies under common control</i>	5	11	20	28
<i>Related parties – associates</i>	30	26	102	54
	3,298	2,875	9,434	8,716

(b) Revenue by primary regions

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	USD million	USD million	USD million	USD million
Europe	1,477	1,103	3,737	3,165
CIS	1,090	1,017	3,597	3,131
America	291	390	967	1,226
Asia	437	360	1,119	1,172
Other	3	5	14	22
	3,298	2,875	9,434	8,716

Total revenue from contracts with customers amounted to USD 9,434 million and USD 8,716 million for the nine months ended 30 September 2018 and nine months ended 30 September 2017, respectively.

6 Other operating expenses, net

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	USD million	USD million	USD million	USD million
Impairment of accounts receivable	(38)	(8)	(50)	(23)
Charity	(9)	(11)	(25)	(25)
Loss on disposal of property, plant and equipment	(1)	(8)	(5)	(7)
Other operating expenses, net	(13)	(3)	(5)	(41)
	(61)	(30)	(85)	(96)

Other expenses in the amount USD 41 million during nine months ended 30 September 2017 include penalties of USD 22 million that relate to the amount paid by the Group in relation to the legal claim from Swedish electricity supplier.

7 Finance income and costs

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	USD million	USD million	USD million	USD million
Finance income				
Change in fair value of derivative financial instruments (note 13)	17	-	123	-
Interest income	8	3	21	15
Foreign exchange gain	-	-	-	30
Unwinding of discount of trade and other receivables	-	3	2	7
Other finance income	-	-	1	1
	25	6	147	53

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	<u>USD million</u>	<u>USD million</u>	<u>USD million</u>	<u>USD million</u>
Finance costs				
Interest expense	(226)	(263)	(685)	(883)
Interest expense on loans from related parties – <i>companies exerting significant influence</i>	-	(1)	(1)	(2)
Foreign exchange loss	(62)	(6)	(199)	-
Change in fair value of derivative financial instruments (note 13)	-	(76)	-	(214)
Unwinding of discount of other payables	-	-	-	(14)
	<u>(288)</u>	<u>(346)</u>	<u>(885)</u>	<u>(1,113)</u>

8 Income tax expense

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	<u>USD million</u>	<u>USD million</u>	<u>USD million</u>	<u>USD million</u>
Current tax expense				
Current tax for the period	(106)	(76)	(270)	(249)
Deferred tax expense				
Origination and reversal of temporary differences	(2)	15	24	95
	<u>(108)</u>	<u>(61)</u>	<u>(246)</u>	<u>(154)</u>

The Parent 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% and Sweden of 22%. 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 were 9.27% and 14.60% for different subsidiaries. For UC RUSAL's significant trading companies, the applicable tax rate is 0%. The applicable tax rates for the period ended 30 September 2018 were the same as for the period ended 30 September 2017 and the year ended 31 December 2017, except for tax rates for subsidiaries domiciled in Switzerland which amounted to 9.6% and 14.51% accordingly.

9 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders for the three and nine months ended 30 September 2018 and 30 September 2017.

	Nine months ended 30 September	
	2018	2017
	<u></u>	<u></u>
Weighted average number of shares	571,428,572	500,000,000
Profit for the period attributable to the shareholders of the Parent Company, USD million	811	453
Basic and diluted earnings per share, USD	<u>1.419</u>	<u>0.906</u>

	Three months ended 30 September	
	2018	2017
Weighted average number of shares	571,428,572	500,000,000
Profit for the period attributable to the shareholders of the Parent Company, USD million	278	174
Basic and diluted earnings per share, USD	0.486	0.348

There were no outstanding dilutive instruments during the periods ended 30 September 2018 and 30 September 2017.

10 Interests in associates and joint ventures

The Group has the following movements in investments in associates and joint ventures:

	Nine months ended 30 September	
	2018	2017
	USD million	USD million
Balance at beginning of the period	4,459	4,156
Group's share of post acquisition profits and impairment	767	495
Contribution	79	-
Dividends	(929)	(533)
Share of other comprehensive income of associate	-	(28)
Foreign currency translation	(588)	210
Balance at end of the period	3,788	4,300
Goodwill included in interest in associates	2,291	2,590

	Three months ended 30 September	
	2018	2017
	USD million	USD million
Balance at beginning of the period	4,135	4,192
Group's share of post acquisition profits and impairment	286	198
Contribution	53	-
Dividends	(504)	(178)
Foreign currency translation	(182)	88
Balance at end of the period	3,788	4,300
Goodwill included in interest in associates	2,291	2,590

Investment in Norilsk Nickel

At the date of this consolidated interim condensed financial information the Group was unable to obtain consolidated interim financial information of Norilsk Nickel as at and for the nine months ended 30 September 2018. Consequently the Group estimated its share in the profits, other comprehensive income and foreign currency translation of Norilsk Nickel for the period ended 30 September 2018 based on publicly available information reported by Norilsk Nickel.

The Group has estimated its share of profit of Norilsk Nickel at the level of USD 310 million and USD 768 million for the three and nine months ended 30 September 2018, respectively, other comprehensive income at the level of USD nil million for both the three and nine months ended 30 September 2018, the foreign currency translation loss at the level of USD 181 million and USD 537 million for the three and nine months ended 30 September 2018, respectively. The carrying value of the Group's investment in the investee comprises USD 3,099 million as at 30 September 2018.

The market value of the investment in Norilsk Nickel at 30 September 2018 is USD 7,645 million (31 December 2017: USD 8,294 million). The market value is determined by multiplying the quoted bid price per share on the Moscow Exchange on reporting date by the number of shares held by the Group.

11 Equity

(a) Parent Company's share capital and change in effective interest in subsidiaries

(i) Parent Company's share capital

The Parent Company's authorised share capital comprises 714,285,714.286 ordinary shares, out of which 571,428,572 shares are issued with a par value of USD 0.00007 each.

As at 30 September 2018 and 31 December 2017 all issued ordinary shares were fully paid.

(ii) Change in effective interest in Irkutskenergo

In September 2018 the Group acquired 0.3% of Irkutskenergo shares for USD 3 million. As a result the Group's shareholding in Irkutskenergo increased up to 92.8%.

(b) 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.

(c) Other reserves

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 change in fair value of cash flow hedges, the Group's share of other comprehensive income of equity-accounted investees other than foreign currency transaction and change in fair value of financial instruments.

(d) Revaluation reserve

The revaluation reserve comprises the cumulative net change in the fair value of hydro assets at the reporting date.

(e) Dividends

In accordance with the Companies (Jersey) Law 1991 (the "Law"), the Parent Company may make distributions at any time in such amounts as are determined by the Parent Company out of the assets of the Parent Company other than the capital redemption reserves and nominal capital accounts, provided that the directors of the Parent Company make a solvency statement in accordance with that Law of Jersey at the time the distributions are proposed.

During nine months ended 30 September 2018, the Group declared and paid interim dividends for 2017 in the amount of USD 68 million (USD 0.119 per share).

(f) Non-controlling interest

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interest:

30 September 2018

	UC RUSAL	Irkutskenergo*	LLC Baikal Yacht Club	JSC Irkutsk Electric Grid Company	Total
NCI percentage	51.9%	7.2%	49.0%	47.7%	
Assets	15,494	3,819	-	525	
Liabilities	(10,665)	(1,978)	(32)	(143)	
Net assets	4,829	1,841	(32)	382	
Carrying amount of NCI	2,506	133	(16)	182	2,805
Revenue	7,915	1,449	-	258	
Profit/(loss)	1,549	41	(2)	21	
Other comprehensive income	(680)	5	-	-	
Total comprehensive income	869	46	(2)	21	
Profit/(loss) attributable to NCI	803	1	(1)	9	812
Other comprehensive income attributable to NCI	(353)	(19)	2	(25)	(395)
Cash flows from operating activities	742	109	-	67	
Cash flows used in investing activities	(280)	(45)	(1)	(45)	
Cash flows (used in)/from financing activities	(327)	(48)	1	6	
Net increase in cash and cash equivalents	135	16	-	28	

*Net assets of Irkutskenergo were adjusted for the effect of Irkutskenergo investment in JSC Irkutsk Electric Grid Company.

30 September 2017

	UC RUSAL	Irkutskenergo*	LLC Baikal Yacht Club	JSC Irkutsk Electric Grid Company	Total
NCI percentage	51.9%	7.5%	49.0%	47.7%	
Assets	15,118	4,290	1	558	
Liabilities	(11,641)	(2,210)	(33)	(139)	
Net assets	3,477	2,080	(32)	419	
Carrying amount of NCI	1,803	153	(16)	198	2,138
Revenue	7,224	1,745	-	260	
Profit/(loss)	782	308	(3)	23	
Other comprehensive income	179	-	-	-	
Total comprehensive income	961	308	(3)	23	
Profit/(loss) attributable to NCI	406	28	(1)	12	445
Other comprehensive income attributable to NCI	93	7	(1)	7	106
Cash flows from operating activities	1,181	338	-	74	
Cash flows from/(used in) investing activities	112	(327)	(1)	(36)	
Cash flows (used in)/from financing activities	(718)	(34)	2	(38)	
Net increase/(decrease) in cash and cash equivalents	575	(23)	1	-	

*Net assets of Irkutskenergo were adjusted for the effect of Irkutskenergo investment in JSC Irkutsk Electric Grid Company.

12 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings.

	30 September 2018	31 December 2017
	USD million	USD million
<i>Non-current liabilities</i>		
Secured bank loans	8,399	8,913
Unsecured bank loans	569	650
Bonds	1,595	1,399
	10,563	10,962
<i>Current liabilities</i>		
Secured bank loans	661	1,144
Unsecured bank loans	891	768
Accrued interest	127	133
Bonds	384	22
	2,063	2,067

(a) Loans and borrowings

UC RUSAL

In January 2018 UC RUSAL entered into a bilateral facility agreement with Nordea Bank AB with the following key terms: principal amount of USD 200 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.

During nine months ended 30 September 2018 UC RUSAL made a principal repayment in the total amounts of USD 555 million and EUR 55 million (USD 68 million) under credit facilities with Gazprombank, VTB Capital and Credit Bank of Moscow

The nominal value of UC RUSAL's loans and borrowings was USD 6,443 million at 30 September 2018 (31 December 2017: USD 7,072 million).

ENERGY

(i) ***Credit facilities of Eurosibenergo***

In June 2018 Eurosibenergo amended the RUB-denominated loan - maturity date is extended to June 2024 and the first principal repayment is scheduled for March 2020, nominal interest rate is fixed at 8.8%.

As at 30 September 2018 Eurosibenergo had RUB-denominated loan in the amount of USD 993 million (RUB 65,126 million) bearing 9.28% effective interest and USD-denominated loan in the amount of USD 491 million bearing 7.45% effective interest.

Subsequent to the reporting date Eurosibenergo converted USD 499 million (nominal amount) of its USD-denominated loan to RUB 33,179 million at the average exchange rate of 66.45 RUB/USD and bears interest at 9.0% p.a. (nominal interest rate) while tenor and security remain unchanged.

(ii) Syndicate facilities

During nine months ended 30 September 2018 two scheduled tranches of USD 51 million (RUB 3,125 million) each were received.

As at 30 September 2018 the outstanding amount of this loan was USD 1,415 million (RUB 92,834 million).

The nominal value of ENERGY loans and borrowings was USD 4,143 million at 30 September 2018 (31 December 2017: USD 4,500 million).

Fair value of the Group's liabilities measured at amortised cost approximate their fair values as at 30 September 2018.

Security and pledges

The Group's bank loans are secured by pledges of shares of the Group's subsidiaries and by a pledge of shares of an associate, the details of which are disclosed in the Group's consolidated financial statements as of and for the year ended 31 December 2017 with the following changes:

- release of 22.78% of Irkutskenergo shares;
- release of 100% shares in the following companies: Skydrop, Thornstreet, LLC Sorsk Mining and Metallurgical Complex, LLC Sorsk Ferromolybdenum Plant, LLC Zhireken Ferromolybdenum Plant, OJSC Zhireken Mining and Metallurgical Complex, Strikeforce Mining and Resources (Geneva), Strikeforce Mining and Resources Ltd.

The secured bank loans are also secured by the following:

- Property, plant and equipment with a carrying amount of USD 1,001 million (31 December 2017: USD 1,150 million);
- Inventories with a carrying amount of USD 8 million (31 December 2017: USD 373 million);

As at 30 September 2018 and 31 December 2017 rights, including all monies and claims, arising out of certain sales contracts between the UC RUSAL's trading subsidiaries and its ultimate customers, were assigned to secure the syndicated Pre-Export Finance Term Facility Agreement (PXF) dated 24 May 2017.

(b) Bonds payable

As at 30 September 2018 6,877,652 series 08 bonds and 4,221,951 series BO-01 bonds were outstanding (traded in the market).

The closing market price at 30 September 2018 for series 08 bonds was RUB 1,008 per bond and RUB 1,013 per bond for series BO-01 bonds.

As at 30 September 2018 three tranches of Eurobonds and the first and the second tranches of Panda Bonds were outstanding.

In February 2018 the Group completed its third offering of Eurobonds with the following key terms: principal amount of USD 500 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 USD 23 million.

13 Derivative financial assets and liabilities

Derivative financial instruments are attributable to the following contracts of UC RUSAL:

	30 September 2018		31 December 2017	
	USD million		USD million	
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
Petroleum coke supply contracts and other raw materials	20	56	36	82
Forward contracts for aluminium and other instruments	-	-	27	31
Total	20	56	63	113

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. There were no changes in valuation techniques during three and nine months ended 30 September 2018. The following significant assumptions were used in estimating derivative instruments:

	2018	2019	2020	2021	2022	2023	2024	2025
LME Al Cash, USD per tonne	2,067	2,088	2,145	2,195	2,237	2,279	2,326	2,374
Platt's FOB Brent, USD per barrel	83	80	76	72	69	-	-	-

The movement in the balance of Level 3 fair value measurements of derivatives is as follows:

	Three months ended 30 September	
	2018	2017
	USD million	USD million
Balance at the beginning of the period	(38)	27
Unrealised changes in fair value recognised in statement of profit or loss and other comprehensive income (finance income/(costs)) during the period	17	(76)
Realised portion of electricity, coke and raw material contracts	(15)	24
Balance at the end of the period	(36)	(25)

	Nine months ended 30 September	
	2018	2017
	USD million	USD million
Balance at the beginning of the period	(50)	32
Unrealised changes in fair value recognised in statement of profit or loss and other comprehensive income (finance income/(costs)) during the period	123	(214)
Realised portion of electricity, coke and raw material contracts	(109)	157
Balance at the end of the period	(36)	(25)

Sensitivity analysis showed that derivative financial instruments are not particularly sensitive to changes in main inputs.

14 Commitments

Capital commitments

UC RUSAL

UC RUSAL has entered into contracts that result in contractual obligations primarily relating to various construction and capital repair works. The commitments at 30 September 2018 and 31 December 2017 approximated USD 187 million and USD 213 million, respectively. These commitments are due over a number of years.

ENERGY

The ENERGY segment had outstanding capital commitments which had been contracted for at 30 September 2018 and 31 December 2017 in the amount of USD 68 million and USD 24 million, respectively. These commitments are due over a number of years.

15 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.

Transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances. These transfer pricing rules provide for an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe the basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level. The transfer pricing rules apply to cross-border transactions between related parties, as well as to certain cross-border transactions between independent parties, as determined under the Russian Tax Code (no threshold is set for the purposes of prices control in such transactions). In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume of the transactions between the same parties exceeds a particular threshold (RUB 1 billion in 2014 and thereon). The compliance of prices with the arm's length level could be as well subject to scrutiny on the basis of unjustified tax benefit concept.

Effective 1 January 2015 the concept of "beneficial ownership" which is broadly in line with the concept developed by the OECD were introduced into Russian tax legislation. In particular, based on this concept the double tax treaty relief should be available to foreign legal entities provided they have the actual right to receive income (i.e., they qualify as a "beneficial owner of income"). When determining the beneficial owner, the functions of a foreign person that is claiming the application of reduced tax rates under a double tax treaty and the risks that such person takes should be analyzed.

Effective 1 January 2018, a non-resident income recipient should be obliged to provide a tax agent with confirmation that it is the beneficial owner of the income. However, at the moment there is no clear guidance in the tax legislation in what form such confirmation should be obtained.

No assurance can currently be given as to how the above concepts will be applied in practice, their potential interpretation by the Russian tax authorities and the possible impact on the Group.

UC RUSAL

In addition to the amounts of income tax UC RUSAL already has provided, there are certain tax positions 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. UC RUSAL'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 30 September 2018 is USD nil million (31 December 2017: USD 30 million).

ENERGY

During the past several years the Russian tax authorities have shown a tendency to take more assertive positions in their interpretation of tax legislation which has led to an increased number of material tax assessments issued by them as a result of tax audits. In practice, the Russian tax authorities generally interpret the tax laws in ways that do not favour taxpayers.

Tax declarations, together with related documentation, are subject to review and investigation by a number of authorities, each of which may impose fines, penalties and interest charges. Fiscal periods remain open to review by the authorities for three calendar years of review (one year in the case of customs). Under certain circumstances reviews may cover longer periods. In addition, in some instances, new tax regulations effectively have been given retroactive effect. Moreover, in October 2006, the Plenum of the Supreme Arbitration Court of the Russian Federation issued Ruling No. 53, formulating a concept of "unjustified tax benefit", which is defined in the Ruling by reference to specific examples of such tax benefits (e.g., tax benefits obtained as a result of a transaction that has no reasonable business purpose). There is a growing practice on the interpretation of this concept by the Russian tax authorities and the Russian courts and it is apparent that the Russian tax authorities actively seek to apply this concept when challenging tax positions taken by taxpayers. The tax authorities have actively sought to apply this concept when challenging tax positions taken by taxpayers in court, and this trend is anticipated to continue in the future. It is possible that additional taxes may be payable in respect of some operations of the Group upon examination by the tax authorities or in connection with ongoing disputes with tax authorities. It could potentially have a significant impact on the consolidated financial statements of the Group.

Russian tax legislation includes "thin capitalisation" rules which limit the amount of interest that could be deducted by the Russian subsidiaries of the Company for corporate income tax purposes on "controlled" debts. The deductibility of interest is restricted to the extent that the controlled debt of a Russian company exceeds its net assets by more than three times. Interest on excess debt is non-deductible and treated as a dividend subject to Russian withholding tax. Prior to 2018 loans provided between Russian affiliated companies were subject to thin capitalisation rules in case they have direct or indirect foreign shareholder owning more than 20%. There is contemplated tax practice with respect to such kind of transactions and tax authorities interpreted these rules differently. It is currently unclear how the Russian tax authorities will interpret and apply the amended thin capitalisation rules.

The Russian subsidiaries of the Company may be affected by the Russian Federation's thin capitalisation rules which may result in assessment of additional taxes. 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 30 September 2018 is USD 5 million (31 December 2017: USD 7 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 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 an 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 interim condensed financial information. As at 30 September 2018 the amount of claims, where management assesses outflow as possible approximates USD 30 million (31 December 2017: USD 36 million).

In January 2013, UC RUSAL 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 UC RUSAL. 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 USD 2.8 billion plus interest. In January 2014 the court granted UC RUSAL'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 UC RUSAL's subsidiaries, ALSCON and the Bureau of Public Enterprises of Nigeria entered into an addendum to the original sale and purchase contract regarding ALSCON.

16 Related party transactions

(a) Transactions with related parties

The Group transacts with related parties, the majority of which are entities under common control with the Group or under the common control of minority shareholders of main subsidiaries or entities under their control.

Sales to related parties for the period are disclosed in note 5.

Purchases of raw materials and services from related parties for the period were as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	USD million	USD million	USD million	USD million
Purchase of raw materials	(133)	(118)	(322)	(359)
<i>Companies capable of exerting significant influence</i>	(22)	(30)	(60)	(117)
<i>Companies under common control</i>	(7)	(17)	(28)	(40)
<i>Associates and joint ventures</i>	(104)	(71)	(234)	(202)
Energy costs	(13)	(9)	(38)	(30)
<i>Companies capable of exerting significant influence</i>	(1)	(2)	(3)	(8)
<i>Companies under common control</i>	-	-	(1)	(1)
<i>Associates and joint ventures</i>	(12)	(7)	(34)	(21)
Other services	(41)	(33)	(117)	(93)
<i>Companies under common control</i>	(1)	(1)	(3)	(2)
<i>Associates and joint ventures</i>	(40)	(32)	(114)	(91)
	(187)	(160)	(477)	(482)

Receivables from and advances paid at the end of the period were as follows:

	30 September 2018	31 December 2017
	USD million	USD million
Current trade and other receivables, and advances issued	153	95
<i>Companies capable of exerting significant influence</i>	66	34
<i>Companies under common control</i>	6	6
<i>Associates and joint ventures</i>	81	55
Dividends receivable from related parties	493	3
<i>Associates and joint ventures</i>	493	3
	646	98

Trade and other payables owing to related parties at the end of the period were as follows:

	30 September 2018	31 December 2017
	USD million	USD million
Current trade and other payables, and advances received		
<i>Companies capable of exerting significant influence</i>	253	302
<i>Companies under common control</i>	6	9
<i>Associates and joint ventures</i>	33	49
	292	360

All trade and other receivables and payables with related parties are non-secured and expected to be settled in cash within 12 months after the reporting date.

At 30 September 2018, included in non-current assets are balances of related parties – associates and joint ventures of USD 14 million (31 December 2017: USD 11 million, respectively). At 30 September 2018, included in non-current liabilities are balances of related parties – associates and joint ventures of USD 10 million (31 December 2017: USD 9 million, respectively).

(b) Remuneration to key management

For the nine months ended 30 September 2018 remuneration to key management personnel was represented by short-term employee benefits and amounted to USD 8 million (for the nine months ended 30 September 2017: USD 12 million).

(c) 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.

17 Events subsequent to the reporting date

There were no significant events subsequent to the reporting date, except for those disclosed in notes 1(d) and 12(a)(i).