

RUSAL ANNOUNCES ITS 2023 INTERIM RESULTS

Moscow, 11 August 2023 – RUSAL, a leading global aluminium producer, announces its results for the six months ended 30 June 2023.

Key highlights

- Increasing pressure in the global market and an unprecedented regime of external restrictions, as well as a significant drop in aluminium prices, had a negative impact on the Company's interim results.
- At this juncture, the Company's key priorities will be the continuation of its work to strengthen independence in raw materials, restructuring of export sales, implementation of its investment programme, which is based on the fundamental principles of sustainable development and social responsibility of RUSAL and aimed at ensuring the Company's continuous operation and further development.
- Revenue for the first six months of 2023 decreased by 16.9% compared to the same period in 2022 and amounted to USD 5,945 million (in 2022 – USD 7,153 million for the corresponding period).
- The key factor behind the decline in revenue was a 24.2% decrease in the price of aluminium on the London Metal Exchange (LME) in the first six months of 2023. The price of aluminium for this period reached an average of USD 2,331 per tonne (the price for the corresponding period in 2022 – USD 3,075 per tonne).
- Aluminium sales volume increased by 9.8% to 1,935 thousand tonnes (in 2022 – 1,763 thousand tonnes for the same period). However, the increase was offset by a 25.7% decrease in the weighted-average realised aluminium price¹ to USD 2,501 per tonne in the first six months of 2023 (in 2022 – USD 3,365 per tonne for the corresponding period).
- The total cost of sales for the first six months of 2023 increased by 9.6% to USD 5,217 million (in 2022 – USD 4,762 million for the corresponding period). The key factors behind the increase in cost of sales were an increase in alumina purchases (starting from the second quarter of 2022, the Company's alumina self-sufficient decreased significantly), as well as an increase in electricity and transport costs (due to tariff growth).
- The decline of revenue and an increase in costs significantly affected the Company's financial results:
 - adjusted EBITDA decreased by 84.0% to USD 290 million in the first half of 2023 (in 2022 – USD 1,807 million for the corresponding period);
 - adjusted net profit decreased by 54.3% to USD 315 million in the first half of 2023 (in 2022 – USD 689 million for the corresponding period).
- Due to a significant release of working capital in the first half of 2023 compared to the same period last year, net cash flow from operations in the reporting period was USD 236 million, compared with a negative figure in the first half of 2022. The release of working capital was due to a decrease in inventories, receivables and payables.

¹ The realised price includes three components: LME component, commodity premium and VAP upcharge.

Financial and operating performance

	Six months ended 30 June		Change, % (year-on-year)
	2023	2022	
Key operating data²			
<i>(‘000 tonnes)</i>			
Primary aluminium	1,913	1,891	1.2%
Alumina	2,518	3,300	(23.7%)
Bauxite (wet)	6,754	6,740	0.2%
Sales of primary aluminium and alloys	1,935	1,763	9.8%
<i>(USD per tonne)</i>			
Aluminium segment cost per tonne ³	2,297	2,028	13.3%
Aluminium price per tonne quoted on the LME ⁴	2,331	3,075	(24.2%)
Average premiums over LME price ⁵	200	342	(41.5%)
Alumina price per tonne ⁶	352	396	(11.1%)

Key selected data from the consolidated interim condensed statement of income

	Six months ended 30 June		Change, % (year-on-year)
	2023	2022	
<i>(USD million)</i>			
Revenue	5,945	7,153	(16.9%)
Cost of sales	(5,217)	(4,762)	9.6%
Gross profit	728	2,391	(69.6%)
Adjusted EBITDA	290	1,807	(84.0%)
Margin (% of revenue)	4.9%	25.3%	
Profit for the period	420	1,680	(75.0%)
Margin (% of revenue)	7.1%	23.5%	
Adjusted Net Profit for the period	315	689	(54.3%)
Margin (% of revenue)	5.3%	9.6%	
Recurring Net Profit	527	2,006	(73.7%)
Margin (% of revenue)	8.9%	28.0%	

Key selected data from the consolidated interim condensed statement of financial position

	As at 30 June 2023	As at 31 December 2022
<i>(USD million)</i>		
Total assets	21,425	24,631
Net Debt ⁷	6,289	6,261

² Figures based on total respective attributable output.

³ 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 amortization 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).

⁴ Aluminium price per tonne quoted on the LME represents the average of the daily closing official London Metals Exchange (“LME”) prices for each period.

⁵ Average premiums over LME realized by the Company based on management accounts.

⁶ 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.

⁷ 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.

Key selected data from the consolidated interim condensed statement of cash flows

	Six months ended 30 June	
	2023	2022
<i>(USD million)</i>		
Net cash generated from/(used in) operating activities	236	(958)
Net cash (used in)/generated from investing activities	(398)	1,244
Interest paid	(242)	(179)

Market overview⁸

- Base metals prices extended downward trend in the first half of 2023. In January 2023, the prices mostly rose on optimism over increased demand from China's post COVID-19 reopening, falling US inflation, which raised expectations of smaller further interest rate hikes by the FED, and a weaker US dollar. Afterwards, the prices trended mostly lower as falling global manufacturing activity, China's fading economic recovery and worries of recession in the US and Eurozone weighed heavily on demand outlook. The strongest and most synchronized monetary policy tightening in years by central banks also pressured investors' sentiment, while falling commodity prices led to decrease of smelting costs and thus deprived price support.
- In the first half of 2023, the LME aluminium price dropped by USD 264 per tonne to USD 2,096.5 per tonne, its lowest point since September 2022, after reaching USD 2,636 per tonne in mid-January 2023.
- In the first half of 2023, global primary aluminium demand declined by 1.5% year-on-year to 33.7 million tonnes. In the rest of the world (RoW), the world excluding China, demand declined by 5.5% to 13.7 million tonnes, while demand in China grew by 1.5% to 20.0 million tonnes. Demand in China boosted after softening its Zero Covid policy in December 2022, but at the same time demand in the RoW was falling consecutively for 12 months, being impacted by high inflation, energy prices and supply chain bottlenecks.
- The worldwide supply of primary aluminium slightly increased by 2.4% year-on-year in the first half of 2023 to 34.4 million tonnes. The RoW production decreased by 2.1% comparing to the first half of 2022 and reached 14.3 million tonnes. After losses of 1 million tonnes of operating primary aluminium capacity in Europe in 2021-2022 due to high gas prices, other parts of the RoW have not yet been able to close the gap with restarting and releasing newly built capacities. Price environment does not support any restarts and continues to challenge the smelters' profitability.
- Aluminium production in China grew by approximately 0.5 million tonnes in the first half of 2023 (+2.5%). China has added approximately 1.1 million tonnes of a new capacities and this offsets the negative effect from capacity cut in Yunnan amid power shortage. Going forward, China's operating aluminium capacities is likely to increase further, with smelters in Yunnan resuming production once the dry season is over and power supply restrictions are eased.
- As a result of the above, the global aluminium market recorded 0.7 million tonnes of surplus during the first half of 2023 with 0.6 million tonnes of surplus in the RoW and 0.1 million tonnes surplus in China (which means that the Chinese market is almost balanced). The largest global surplus was recorded in the first quarter of 2023, while in the second quarter of 2023, it has turned into a deficit.
- Chinese exports of downstream aluminium products, amounted to 2.62 million tonnes during the first half of 2023, reducing by 18.5% year-on-year. The largest decline in export orders was related to flat rolled products (FRP) (which recorded a 23.1% or 619 thousand tonnes year-on-year decline) due to a recession in the construction segment and weak demand in the packaging segment in the RoW. The deterioration of demand in the RoW is limiting the potential of unwrought aluminium demand growth in China, driven by export orders.
- During the first half of 2023, aluminium inventories at LME were trending up and reached 542 thousand tonnes. Metal held outside of LME warehouses (off-warrant reported stocks) recorded 207 thousand tonnes by the end of May 2023, being a reduction from 386 thousand tonnes in January 2023.

⁸ Unless otherwise stated, data for the "Market overview" section is sourced from Bloomberg, CRU, CNIA, IAI and Antaike.

- The regional aluminium premiums have started rebounding in February 2023 amid an expectation of demand recovery. However, high stock of semis and final goods in the supply chain, the deterioration of demand and recession fears in the EU and the US among easing supply chain constraints and logistics costs, have turned the premiums to a downward correction in June 2023. By the end of June 2023, European Duty Unpaid premium has reduced to USD 230 per tonne, European Duty Paid has fell to USD 305 per tonne, US MidWest premium has declined to 24.05 US cents per lb. Taking into account costs of metal replacement and demand weakness it is likely that premiums might not have reached the bottom yet.

Financial overview

Revenue

Revenue	Six months ended 30 June 2023			Six months ended 30 June 2022		
	USD million	'000 tonnes	Average sales price (USD/t)	USD million	'000 tonnes	Average sales price (USD/t)
Sales of primary aluminium and alloys	4,839	1,935	2,501	5,932	1,763	3,365
Sales of alumina	181	393	461	299	624	479
Sales of foil and other aluminium products	279			286		
Other revenue ⁹	646			636		
Total revenue	5,945			7,153		

Total revenue decreased by USD 1,208 million, or 16.9% to USD 5,945 million in the first six months of 2023 from USD 7,153 million in the corresponding period of 2022.

Revenue from sales of primary aluminium and alloys for the first six months of 2023 decreased by USD 1,093 million, or by 18.4%, to USD 4,839 million, as compared to USD 5,932 million for the first half of 2022, primarily due to a 25.7% decrease in the weighted-average realised aluminium price per tonne (to an average of USD 2,501 per tonne in the first six months of 2023 from USD 3,365 per tonne in the first six months of 2022) driven by an decrease in the LME aluminium price (to an average of USD 2,331 per tonne in the first six months of 2023 from USD 3,075 per tonne in the first six months of 2022), which was partially offset by a 9.8% increase in primary aluminium and alloys sales volume.

Revenue from sales of alumina decreased by 39.5% to USD 181 million in the first six months of 2023 from USD 299 million in the corresponding period of 2022 primarily due to a significant decrease in sales volumes by 37.0% and a slight decrease in the average sales price by 3.8%.

Revenue from sales of foil and other aluminium product, as well as revenue from other sales, including sales of other products, bauxite and energy services, remained at the same level in the compared periods.

The table below shows the breakdown of the Group's revenues by geographic segment for the six months ended 30 June 2023 and 2022, showing the percentage of revenue attributable to each region:

	Six months ended 30 June			
	2023		2022	
	USD million	% of revenue	USD million	% of revenue
Europe	1,870	31%	2,866	40%
CIS	1,968	33%	2,103	29%
America	95	2%	501	7%
Asia	1,978	33%	1,616	23%
Other	34	1%	67	1%
Total	5,945	100%	7,153	100%

⁹ Including energy and bauxite.

Note: Data based on location of customers, which may differ from the location of final consumers.

Cost of sales

The following table demonstrates the breakdown of RUSAL's cost of sales for the six months ended 30 June 2023 and 2022:

	Six months ended 30 June		Change, % (year-on-year)	Share of costs,% (Six months ended 30 June 2023)
	2023	2022		
<i>(USD million)</i>				
Cost of alumina	1,045	675	54.8%	20.0%
Cost of bauxite	123	186	(33.9%)	2.4%
Cost of other raw materials and other costs	1,733	2,040	(15.1%)	33.2%
Purchases of primary aluminium from JV	277	519	(46.6%)	5.3%
Energy costs	1,298	1,183	9.7%	24.9%
Depreciation and amortization	237	234	1.3%	4.6%
Personnel expenses	329	362	(9.1%)	6.3%
Repairs and maintenance	225	227	(0.9%)	4.3%
Net change in provisions for inventories	(9)	155	NA	(0.2%)
Change in finished goods	(41)	(819)	(95.0%)	(0.8%)
Total cost of sales	5,217	4,762	9.6%	100.0%

Total cost of sales increased by USD 455 million, or 9.6%, to USD 5,217 million for the first six months of 2023, as compared to USD 4,762 million for the corresponding period of 2022.

The dynamic was predominantly driven by the increase in alumina purchase volume between the periods as well as increase in average electricity and transportation tariffs.

The finished goods mainly consist of primary aluminium and alloys (approximately 96% of the total volume). The dynamics of change between the reporting periods was driven by the fluctuations of physical inventories of primary aluminium and alloys between the reporting dates: a 4.1% increase for the first six months of 2023 and a 33.2% increase for the corresponding period of 2022.

Results from operations and Adjusted EBITDA

	Six months ended 30 June		Change, % (year-on-year)
	2023	2022	
<i>(USD million)</i>			
Reconciliation of Adjusted EBITDA			
Results from operating activities	(33)	1,532	NA
<i>Add:</i>			
Amortization and depreciation	251	247	1.6%
Impairment of non-current assets	67	23	191.3%
Loss on disposal of property, plant and equipment	5	5	0.0%
Adjusted EBITDA	290	1,807	(84.0%)

Adjusted EBITDA, defined as a result of operating activities adjusted for amortization and depreciation, impairment charges and loss on disposal of property, plant and equipment, decreased to USD 290 million during the first six months of 2023, as compared to USD 1,807 million for the corresponding period of 2022. The factors that contributed to the decrease in Adjusted EBITDA were the same that influenced the operating results of the Company.

Profit for the period

As a result of the above, profit for the period amounted to USD 420 million for the first half of 2023 as compared USD 1,680 million for the same period of 2022.

Adjusted and Recurring Net Profit

	Six months ended 30 June		Change, % (year-on-year)
	2023	2022	
<i>(USD million)</i>			
Reconciliation of Adjusted and Recurring Net Profit			
Profit for the period	420	1,680	(75.0%)
Adjusted for:			
Share of profits and other gains and losses attributable to Norilsk Nickel, net of tax effect, with	(212)	(1,317)	(83.9%)
Change in the fair value of derivative financial liabilities, net of tax (20%)	40	303	(86.8%)
Impairment of non-current assets	67	23	191.3%
Adjusted Net Profit	315	689	(54.3%)
Add back:			
Share of Profit of Norilsk Nickel, net of tax	212	1,317	(83.9%)
Recurring Net Profit	527	2,006	(73.7%)

Adjusted Net Profit/(Loss) for any period is defined as the Net Profit/(Loss) 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/(Loss) for any period is defined as Adjusted Net Profit/(Loss) plus the Company's net effective share in Norilsk Nickel's results.

Segment reporting

The Group has four reportable segments, as described in the Annual Report, which are the Group's strategic business units: Aluminium, Alumina, Energy, and Mining and Metals. These business units are managed separately and their operating results are reviewed by the General Director on a regular basis. The core segments are Aluminium and Alumina.

	Six months ended 30 June			
	2023		2022	
	Aluminium	Alumina	Aluminium	Alumina
<i>(USD million)</i>				
Segment revenue				
<i>thousand tonnes</i>	1,873	2,175	1,678	3,139
<i>USD million</i>	4,676	1,036	5,622	1,453
Segment result	205	22	2,053	(43)
Segment result margin	4.4%	2.1%	36.5%	(3.0%)
Segment EBITDA ¹⁰	373	48	2,218	(2)
Segment EBITDA margin	8.0%	4.6%	39.5%	(0.1%)
Capital expenditure	(267)	(95)	(299)	(116)

Key drivers for the margin increase in the aluminium segment are disclosed in "Revenue", "Cost of sales" and "Adjusted EBITDA and results from operating activities" sections above.

¹⁰ Segment EBITDA for any period is defined as segment result adjusted for amortization and depreciation for the segment.

Capital expenditure

RUSAL recorded capital expenditures (which constitute payments for the acquisition of property, plant and equipment, and intangible assets) of USD 417 million in the first half of 2023. RUSAL's capital expenditure for the six months ended 30 June 2023 was primarily aimed at maintaining existing production facilities.

The table below shows the breakdown of RUSAL's capital expenditure for the six months ended 30 June 2023 and 2022:

<i>(USD million)</i>	Six months ended	
	2023	2022
Development capital expenditure	142	176
Maintenance:		
Pot rebuilds costs	74	97
Re-equipment	201	192
Total capital expenditure	417	465

Forward-looking statements

This press-release 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 risks and uncertainties include those discussed or identified in the prospectus for RUSAL. In addition, past performance of RUSAL cannot be relied on as a guide to future performance. 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 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.

About RUSAL

RUSAL (www.rusal.com) is a leader in the global aluminium industry and a leading low-carbon aluminium producer. In 2022, the Company accounted for about 5.6% of global production of aluminium, 4.5% of alumina production and 44% of RUSAL's production accounts for value added products. RUSAL's offices are operating in 20 countries all over the world and across 5 continents. The carbon footprint of the Company's low-carbon aluminium ALLOW is 5 times lower than the industry's average (Scope 1 and 2, at the smelter).

Disclaimer

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Contacts for media:

+7 (495) 720-51-70

press-center@rusal.com

Contacts for investors:

+7 (495) 728-49-18

Investorrelations@rusal.com