

ANNUAL REPORT 2012

ALL eyes on the details

Financial and Operational Highlights

/USD million/ <small>(unless otherwise specified)</small>	2012	2011	2010	2009	2008
Revenue	10,891	12,291	10,979	8,165	15,685
Adjusted EBITDA	915	2,512	2,597	596	3,526
Adjusted EBITDA Margin	8.4%	20.4%	23.7%	7.3%	22.5%
EBIT	60	1,749	2,031	(63)	(1,228)
Share of Profits/ (Losses) from Associates	469	(349)	2,435	1,417	(3,302)
Pre Tax (Loss)/Profit	(311)	610	3,011	839	(6,053)
Net (Loss)/Profit	(337)	237	2,867	821	(5,984)
Net (Loss)/Profit Margin	(3.1%)	1.9%	26.1%	10.1%	(38.2%)
Adjusted Net (Loss)/ Profit	(498)	987	792	(1,378)	1,528
Adjusted Net (Loss)/ Profit Margin	(4.6%)	8.0%	7.2%	(16.9%)	9.7%
Recurring Net (Loss)/ Profit	(8)	1,829	1,683	(1,886)	2,092
Basic (Loss)/Earnings Per Share (in USD)	(0.02)	0.02	0.19	0.06	(0.49)
Total Assets	25,401	25,345	26,525	23,886	24,005
Equity Attributable to Shareholders of the Company	10,923	10,539	11,456	6,332	4,488
Net Debt	10,829	11,049	11,472	13,633	13,170

**ALL eyes
on the details**

ANNUAL REPORT 2012

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UC RUSAL

ALL eyes on the details

**UC RUSAL IS A LEADING, GLOBAL ALUMINIUM PRODUCER AND
ONE OF THE WORLD'S MAJOR PRODUCERS OF ALUMINA**

1

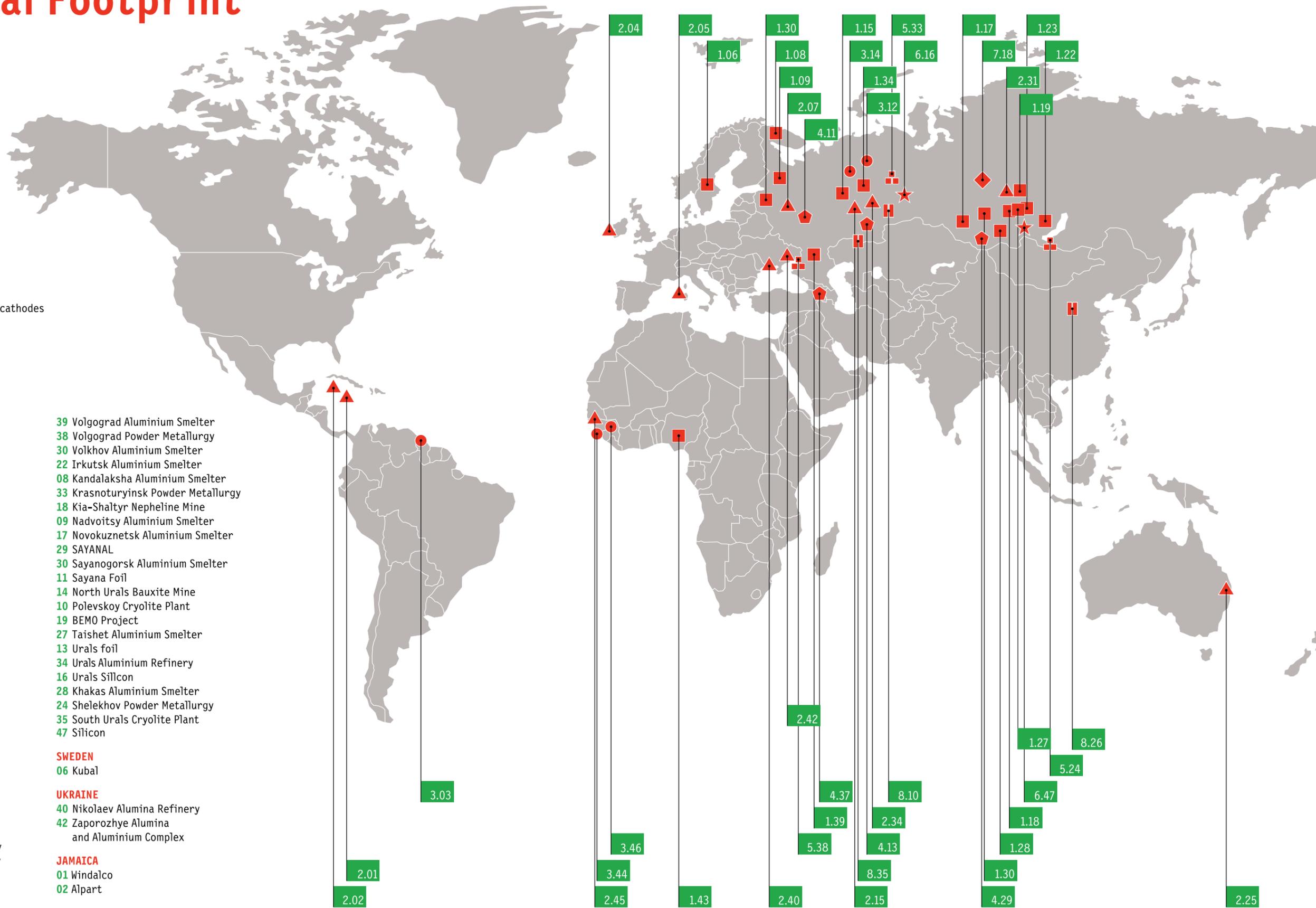


Our Global Footprint

- 1. Aluminium
- ▲ 2. Alumina
- 3. Bauxite
- ◆ 4. Foil
- ▣ 5. Powders
- ★ 6. Silicon
- ◇ 7. Nepheline ore
- ▨ 8. Production of cryolite and cathodes

- ARMENIA**
- 37 ARMENAL
- AUSTRALIA**
- 25 QAL
- GUYANA**
- 03 Bauxite Company of Guyana Inc
- GUINEA**
- 44 Kindia
- 45 Friguia
- 46 Dian Dian
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- 04 Aughinish Alumina
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- 26 Cathode Production
- KAZAKHSTAN**
- 32 LLP Bogatyr Komir
- NIGERIA**
- 43 ALSCON
- RUSSIA**
- 31 Achinsk Alumina Refinery
- 15 Bogoslovsk Aluminium Refinery
- 07 Boksitogorsk Alumina Refinery
- 12 Timan Bauxite
- 23 Bratsk Aluminium Smelter

- 39 Volgograd Aluminium Smelter
- 38 Volgograd Powder Metallurgy
- 30 Volkhov Aluminium Smelter
- 22 Irkutsk Aluminium Smelter
- 08 Kandalaksha Aluminium Smelter
- 33 Krasnoturyinsk Powder Metallurgy
- 18 Kia-Shaltyr Nepheline Mine
- 09 Nadvoitsy Aluminium Smelter
- 17 Novokuznetsk Aluminium Smelter
- 29 SAYANAL
- 30 Sayanogorsk Aluminium Smelter
- 11 Sayana Foil
- 14 North Urals Bauxite Mine
- 10 Polevskoy Cryolite Plant
- 19 BEMO Project
- 27 Taishet Aluminium Smelter
- 13 Urals foil
- 34 Urals Aluminium Refinery
- 16 Urals Silicon
- 28 Khakas Aluminium Smelter
- 24 Shelekhov Powder Metallurgy
- 35 South Urals Cryolite Plant
- 47 Silicon
- SWEDEN**
- 06 Kuba
- UKRAINE**
- 40 Nikolaev Alumina Refinery
- 42 Zaporozhye Alumina and Aluminium Complex
- JAMAICA**
- 01 Winalco
- 02 Alpart



Corporate Profile

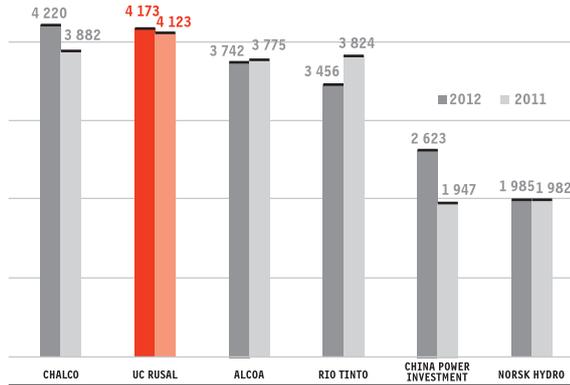
UC RUSAL IS ONE OF THE WORLD'S LARGEST PRODUCERS of primary aluminium and alloys with a particular focus on the production and sale of value-added products.

Within its upstream business, UC RUSAL is vertically integrated to a high degree, having secured substantial supplies of bauxite and alumina production capacity. The Company's core smelters, located in Siberia, Russia, benefit from access to stranded low-cost hydro generated electricity enabling it to be a low-cost producer of aluminium, with its principal Siberian facilities in close proximity to important European and Asian markets.

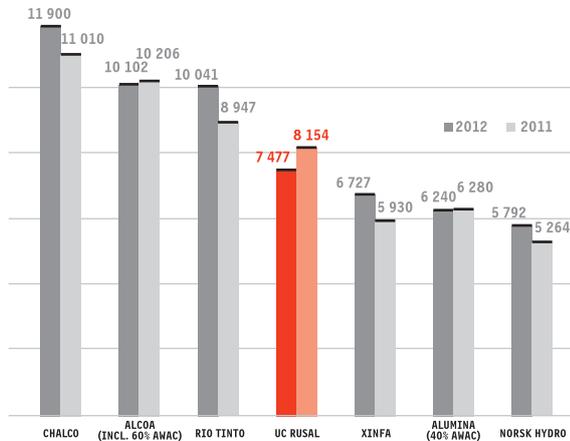
Global scale and reach – Unique exposure to the global aluminium market. In 2012, UC RUSAL was one of the largest aluminium producers in the world and one of the industry leaders in alumina production.

Source: Based on UC RUSAL's internal company report, and peer companies' publicly available results, announcements, reports and other information.

PRIMARY ALUMINIUM PRODUCTION (THOUSAND TONNES)



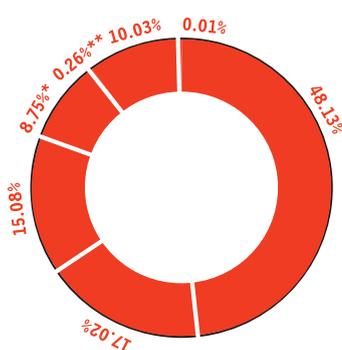
ALUMINA PRODUCTION (THOUSAND TONNES)



Secure access to sources of green and renewable electricity – UC RUSAL has long term contracts with low-cost hydro power plants in Siberia. In 2012, UC RUSAL maintained its position among the leading companies on the aluminium cost curve.

Corporate Profile

KEY SHAREHOLDERS¹



48.13% En+
 17.02% Onexim
 15.08% Sual Partners
 8.75%* Amokenga Holdings
 0.26%** Directors
 10.03% Public Float
 0.01% Shares held for vesting under LTIP

Note:

(*) Amokenga Holdings is ultimately controlled by Glencore International Plc.

(**) Including 0.23% directly held by the CEO of the Company.

Focus on higher margin upstream business –

Primary aluminium production with a focus on alloys and value-added products. UC RUSAL's target is to increase the production of value-added products by up to 50%, in particular, through improvements to its smelters located in the European part of Russia, the Urals and Siberia.

High degree of vertical integration with its

upstream business – UC RUSAL's scale, upstream focus and position on the cost curve provide unique exposure to the aluminium industry. UC RUSAL operates bauxite and nepheline ore mines, alumina refineries, aluminium smelters and casting houses, foil mills and packaging production centres as well as power-generating facilities.

Strong growth potential of the UC RUSAL platform

- around 1 million tonnes of attributable aluminium capacity currently under construction (equivalent to 25% of the current Company's production volume):
 - The BEMO Project, which involves the construction of the 3,000 megawatt BEMO HPP and BEMO aluminium smelter in the Krasnoyarsk region of Russia, has a design capacity of 588 thousand tonnes of aluminium per annum.
 - The Taishet aluminium smelter in the Irkutsk region of Russia has a design capacity of 750 thousand tonnes of aluminium per annum.

Proprietary R&D and internal EPCM expertise –

UC RUSAL has developed its own in-house R&D, design and engineering centres and operates RA-300 and RA-400 smelting technologies. A new energy efficient and environmentally friendly RA-500 smelting technology is under design.

¹ Source: This information was taken from www.rusal.com on 31 December 2012.

Corporate Profile

DIVERSIFICATION OPPORTUNITIES THROUGH INVESTMENTS

- As at the Latest Practicable Date, UC RUSAL owns approximately 28% interest in Norilsk Nickel, the world's largest nickel and palladium producer and one of the leading producers of platinum and copper¹.
- UC RUSAL's 50/50 LLP Bogatyr Komir coal joint venture in the Ekibastuz coal basin, one of the largest coal basins in the CIS, providing UC RUSAL with a natural energy hedge.

KEY FACTS

In 2012, UC RUSAL accounted for about 9% of the world's aluminium output² and about 8% of the world's alumina production³, generated from the following facilities located throughout the world:

- 14 aluminium smelters
- 11 alumina refineries
- 8 bauxite mines
- 4 foil mills
- 1 cathode plant

UC RUSAL's shares are listed on the Hong Kong Stock Exchange and are also listed on NYSE Euronext Paris in the form of Global Depositary Shares and on MICEX and RTS in the form of Russian Depositary Receipts.

¹ Source: www.nornik.ru

² Source: Brook Hunt (A Wood Mackenzie Company).

³ Source: Brook Hunt (A Wood Mackenzie Company).

THE COMPANY'S CURRENT CAPACITY MEANS IT IS ABLE TO PRODUCE 4.5 MILLION TONNES OF ALUMINIUM, 11.9 MILLION TONNES OF ALUMINA AND 80 THOUSAND TONNES OF FOIL PER ANNUM

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Chairman's Statement



DEAR SHAREHOLDERS,

It is my pleasure to be able to present this annual report as Chairman of UC RUSAL. I am proud to report that despite the extremely challenging headwinds for the previous year we demonstrated sustainable performance through the downturn.

The prevailing economic conditions made our management team respond quickly and effectively to ensure that the impact of the downturn was eliminated. Strong focus on cost control and reduction of working capital as well as continued deleveraging played a significant part in ensuring that the Group performed well into the future recovery with intention to deliver value to all its shareholders.

UC RUSAL has continued its focus on improving corporate governance standards, management principles and internal regulations while implementing various policies to bring in line with the new requirements on HKEX and aligned with the world's best practices.

The current composition of the Board, now comprising five Independent Non-Executive Directors, is a step in the right direction. Furthermore, the Company has taken steps to improve transparency with a number of detailed documents on its approach to corporate governance available on the Company's website. A number of additional policies are at various stages of development, all with the aim of further advancing UC RUSAL's corporate governance.

The attention on improving transparency has not been solely focused on corporate governance but also on the transparency of UC RUSAL's supply system. The transparent nature of all of UC RUSAL's procedures as well as the Company's competitive selection choices can now all be seen on the Company website. The Company has launched a new system of customer accreditation as

well as adopting a new risk management policy on the 1st March 2013.

A significant focus during the year was improving efficiency across all our operations, with the launch of our capacity optimization program to support production discipline in the industry. This has led to production at outdated facilities being replaced with technologically advanced and improved facilities and a boost to the output of value added products. We have already begun to see the benefits of these changes in helping to lower costs and expect further improvements in the coming 12 months.

We have continued to make substantial progress developing our long term growth projects, in particular Boguchanskaya HPP, with the launch of the first four turbines at the end of 2012. Work continues on track at the Boguchansky aluminium smelter, with its launch scheduled for 2013, which will further help the Company with its cost efficiency, combining low-cost and eco-friendly power generation with highly efficient aluminium-production facilities.

We continued our efforts to ensure that RUSAL's investment in Norilsk Nickel brings value for all the shareholders. The agreement signed at the end of 2012 provided the RUSAL management team with greater flexibility, allowing it to focus on the core aluminium business going forward. The agreed dividend flow over the next years will not only further strengthen the Company's financial position but provide further opportunities to deleverage and may lead to a potential re-rating of the stock. RUSAL has a clear aim to reduce its short and medium term debt burden, in addition to identifying further ways to optimize financing costs.

Management continues to concentrate on long term cost efficiency, particularly in the current market conditions, to strengthen the Company's competitiveness globally, through adding new efficient

Chairman's Statement

low-cost capacities such as Taishet smelter, which is very important for Company's future position in the industry.

Social responsibility remains a key priority for the Company and UC RUSAL has implemented many social programmes over the past 12 months. Our Centre of Social Programmes (CSP) is the operator of all of the Company's social enterprises with its own special dedicated personnel forming a modern and professional team, who work jointly with local communities and administrators, to address each individual community with its needs.

2012 marked the 80th anniversary of the aluminium industry in Russia. To celebrate this momentous occasion, the Company organised a unique historical exhibition in Moscow, demonstrating the unlimited range of applications of aluminium.

UC RUSAL personnel have been instrumental in helping the Company weather the continuing difficult conditions across the globe and this could only have been achieved with their teamwork and dedication. I have been hugely impressed since joining the Company by their enthusiasm and expertise in light of incredibly challenging macro-economic conditions and personally as well as on behalf of the Board, would like to thank them all for their continued hard work and commitment to UC RUSAL.

We would also like to thank our various investors and stakeholders, whose ongoing support and backing has contributed to our progress and development over the past 12 months.

Aluminium remains unique in terms of the sheer number and variety of applications that it continues to be used for and as a result I believe we can look forward to the positive prospects of the aluminium industry for years to come.

MATTHIAS WARNIG
CHAIRMAN OF THE BOARD

30 April 2013

CEO's Review



2012 remained particularly challenging for the aluminium industry. Despite global aluminium consumption rising by 6% in 2012 to 47.4 million tonnes negative investor sentiment led to LME prices for aluminium decreasing by 15.7% year-on-year, taking a large share of global production capacity to or below break-even level. Whilst UC RUSAL's long-term focus on operational efficiency and cost control has allowed the Company to address these challenges, the unfavourable market conditions and lower LME price has inevitably impacted the operating profitability and underlying results of the Company.

UC RUSAL's revenue was down by 11.4% in 2012 to USD10,891 million from USD12,291 million in 2011. The decrease in LME price was partly offset by a record 30% increase in average realised premiums over LME price. Adjusted EBITDA for 2012 reached USD915 million with the Company focusing all of its efforts to efficiently manage costs in the environment of depressed prices. Aluminium segment cost per tonne in 2012 decreased by 1.9% to USD1,946. In particular, power tariffs decreased by 9% to USc.3.17KWh in 2012 in spite of market inflation in the second half of the year. As a result, EBITDA margin was 8.4% which is in line with the global peers, while EBITDA margin in aluminium segment comprised 12.1% allowing UC RUSAL to maintain the premier position in industry.

Market developments in 2012 highlighted the pressure the whole sector is under and emphasized the need for more discipline across the industry in the form of a more responsible approach from the supply side while meeting the still growing demand. During the second half of the year, UC RUSAL began implementing its long term production optimization programme focusing on production at its low cost, energy-efficient smelters in Siberia and continued to drive the output of value added products.

UC RUSAL's aluminium output increased by 1% to 4,173 thousand tonnes in 2012 as a result of production restarting at the Sayanogorsk aluminium smelter which had been partially interrupted in 2011 following the collapse of a key railway bridge. Aluminium Division West, which manages the Company's smelters located in the European part of Russia and the Urals, as well as Kubal in Sweden, saw a decrease in output of primary aluminium at the Company's least cost-efficient smelters as the production optimization plan began to be rolled out. Across the whole Company the share of alloys in total production volume grew to a record high of 39% in 2012 (compared to 36% in 2011). It is the Company's intention that Aluminium Division West will become UC RUSAL's alloy production hub producing 100% alloys. At Aluminium Division East, which manages UC RUSAL's smelters in Siberia, the Company intends to raise alloy production by up to 70% by 2016.

Alumina output totaled 7,477 thousand tonnes in 2012, a decrease of 8% compared to 2011. Bauxite production totaled 12,365 thousand tonnes in 2012, a decrease of 8% compared to 2011. These decreases resulted from the Company taking advantage of the excess of global supplies of the raw materials to purchase them at a lower cost on the open market. Importantly, at the end of 2012 UC RUSAL signed an Annex to the agreement with the Republic of Guinea regarding the development of Dian-Dian bauxite mine and construction of an alumina refinery. This project enhances UC RUSAL's self-efficiency in raw materials for aluminium production for the years ahead.

2012 also saw the Company continue to make significant progress with its major growth projects, most notably, the BEMO Project, in partnership with RusHydro. In October 2012 BEMO HPP has launched and currently operates four hydropower units with the aggregate installed capacity of 1,332 MW. Since

CEO's Review

December 2012 it has been supplying electrical power to the wholesale market, providing the population and industrial consumers of Siberia with electricity. The construction of the BEMO aluminium smelter, which will be the preeminent consumer of the power, generated by the Boguchanskaya HPP continues as planned with the smelter scheduled to produce first metal in the second half of 2013. It is expected that the BEMO smelter, with an annual production capacity of 588 thousand tonnes of aluminium per year, will be fully completed by the end of 2016 and will consume 9.8 billion kWh per year. Construction is ongoing at 29 primary and auxiliary facilities; first phase (147 thousand tonnes of aluminium per year, 168 cells) is to be commissioned by the end of 2013. The smelter will be equipped with energy efficient RA-300 cells designed by UC RUSAL's world class R&D team.

Despite the postponement of the launch of the Taishet aluminium smelter, due to unfavorable market conditions, works continued at the construction site in 2012. The technological equipment agreed under previously signed contracts, has nearly been fully supplied and includes modern gas treatments, transformers, tending assembly, bath processing and anode rodding facilities. Construction of two residential buildings (out of the four planned) for the plant's employees continued, with 60 and 80 flats respectively, and are expected to be completed during 2013. The Company remains committed to delivering efficient and low cost production across all of its assets and our new low carbon footprint hydro-powered projects – Boguchansky and Taishet aluminium smelters – are expected over time to replace the Company's inefficient and outdated production facilities located in the European part of Russia.

In 2012, the Company developed a disciplined strategy for liquidity management and mitigation of financial risks. This has enabled UC RUSAL to maintain its strong liquidity position after year-end, we announced an extension to the financial covenant non-testing period, further demonstrating the continued support of our blue chip lenders. In 2012 UC RUSAL made a total debt repayment exceeding USD1 billion with USD441 million being paid out of the Company's cash flows. During the first quarter of 2013, UC RUSAL has made early debt repayments of USD472 million to its international and Russian lenders meaning the Company has already completed half of its 2013 debt prepayment programme with approximately USD448 million remaining to be repaid or refinanced by the end of the year. Importantly the Company maintained its robust cash position with USD999 million of free cash flow generated for the year ended 31 December 2012 and saw a reduction in working capital by 20.0% due to stocks optimization.

An undoubted milestone of 2012 was the signing of an agreement between UC RUSAL, Interros, and Millhouse aimed at settling the shareholders' conflict in MMC Norilsk Nickel. All parties' efforts will be integrated to deliver improved corporate governance and to increase the value of Norilsk Nickel in the interest of all its shareholders. Importantly, in accordance with this agreement, Norilsk Nickel is expected to declare dividends in respect of 2012, 2013 and 2014 (to be paid in 2013, 2014 and 2015, respectively) to the amount of USD2 billion, USD3 billion and USD3 billion respectively. These dividends shall be increased by a further USD1 billion payable in connection with Norilsk Nickel's proposed disposal of non-core assets. Moreover, pursuant to the agreement, the dividends of Norilsk Nickel in respect of 2015 and subsequent years (which shall be payable from 2016) shall be equal to 50% EBITDA of Norilsk Nickel calculated based on the audited consolidated financial statements of Norilsk Nickel according to IFRS for the year in respect of which the dividend is paid. Given UC RUSAL's strategic shareholding in Norilsk Nickel this dividend stream will further strengthen the Company's financial position and provide significant support as we continue to reduce our debt levels.

CEO's Review

Although the pace of global recovery remains uncertain, there were clear signs towards the end of 2012 that key markets in China, other Asian countries and North America continue to increase their aluminium consumption. These markets will remain at the forefront of aluminium demand during the year ahead, driven by the automotive sector and continued investment in large scale infrastructure projects. We forecast that global primary aluminium consumption will reach 50 million tonnes (6% growth) in 2013, with China being the largest growing market (9.5% growth), followed by India (6% growth), Asia excluding China (5.8% growth), North America (5% growth) and Russia & CIS (4% growth). The outlook for the Eurozone remains less encouraging with consumption growth expected to be 2% lower than 2012 levels. In addition, financial deals will continue to be a dominant factor in LME aluminium pricing. More than 65% of LME stocks are currently locked in financial deals with ongoing low costs of finance and renewed interest from the hedge funds increasing financial trading of aluminium contracts which is significantly exceeding the physical demand. As a result, fundamental pricing factors including rising producers' costs and real demand growth for physical metal have less impact on the aluminium price.

Through its lower cost smelters and capacity to optimize production, the Company has demonstrated its ability to respond to the challenging market conditions of the past 12 months. The continued focus on cost control, together with our longer term growth projects and robust financial position means we remain confident in our ability to deliver value and growth for all stakeholders.

OLEG DERIPASKA
CHIEF EXECUTIVE OFFICER

30 April 2013

UC RUSAL'S ASSETS INCLUDE 14 ALUMINIUM SMELTERS, 11 ALUMINA REFINERIES, 8 BAUXITE MINES, 4 FOIL MILLS AND 1 CATHODE PLANT

3



Business Overview

Business Units

ALUMINIUM

UC RUSAL operates 14 aluminium smelters which are located in four countries: Russia (twelve plants), Sweden (one plant) and Nigeria (one plant). The Company's core asset base is located in Siberia, Russia, accounting for some 85% of the Company's aluminium output in 2012. Among those, the Bratsk and Krasnoyarsk smelters together account for nearly half of UC RUSAL's aluminium production.

The Company's aluminium smelters benefit from access to low-cost and renewable energy sources, particularly in Siberia where smelting facilities rely on stranded hydro power as their principal source of electricity.

As a result of the Company's competitive advantage in accessing low-cost captive power, UC RUSAL has maintained its position among the leading companies on the aluminium cost curve.

Access to low-cost and relatively abundant hydro power generation will allow the Company to retain its current competitive position on the global cost curve going forward, as environmental concerns and competition for energy sources continue to put pressure on the cost base of other aluminium producers that rely more on thermal or gas power.

During 2012, UC RUSAL continued to implement a comprehensive program designed to control costs, optimise the production process and strengthen the Company's position as one of the world's most cost-efficient aluminium producers.

The table below¹ provides an overview of UC RUSAL's aluminium smelters (including capacity) as at 31 December 2012.

¹ The table presents total nameplate capacity of the plants, each of which is a consolidated subsidiary of the Group.

/ Asset /	Location	% Ownership	Nameplate capacity, kt	Capacity utilisation rate
Siberia				
Bratsk aluminium smelter	Russia	100%	1,006	99%
Krasnoyarsk aluminium smelter	Russia	100%	1,008	99%
Sayanogorsk aluminium smelter	Russia	100%	542	100%
Novokuznetsk aluminium smelter	Russia	100%	322	90%
Khakas aluminium smelter	Russia	100%	297	99%
Irkutsk aluminium smelter	Russia	100%	529	78%
Russia (Other than Siberia)				
Bogoslovsk aluminium smelter	Russia	100%	187	54%
Urals aluminium smelter	Russia	100%	75	93%
Volgograd aluminium smelter	Russia	100%	168	100%
Volkhov aluminium smelter	Russia	100%	24	65%
Nadvoitsy aluminium smelter	Russia	100%	81	73%
Kandalaksha aluminium smelter	Russia	100%	76	94%
Other countries				
KUBAL	Sweden	100%	128	100%
ALSCON	Nigeria	85%	96	23%
Total nameplate capacity			4,539	92%

Business Overview

¹ All capital expenditure amounts given above for the BEMO and Taishet projects are based on UC RUSAL's management accounts and differ from amounts disclosed in the consolidated financial statements, as the management accounts reflect the latest best estimate of the capital costs required to complete the project, whereas amounts disclosed in the consolidated financial statements reflect actual capital commitments as at 31 December 2012. All figures for the BEMO project are exclusive of VAT.

² Calculated based on the pro rata share of the Group's ownership in corresponding alumina refineries (QAL and Winalco).

UC RUSAL intends to further expand its aluminium smelting base in Russian Siberia. The two flagship organic growth projects are the BEMO and Taishet smelter projects, which together will increase production capacity by an additional 1.3 million tonnes per annum post-completion (1 million tonnes on an attributable basis).

BEMO Project

The BEMO Project involves the construction of the 3,000 megawatt Boguchanskaya Hydropower Plant (BEMO HPP) and the BEMO aluminium smelter in the Krasnoyarsk region in Siberia, which will produce approximately 588 thousand tonnes of aluminium per annum.

The construction of the BEMO aluminium smelter is divided into a number of stages, with the first stage (147 thousand tonnes of aluminium per annum, 168 pots) of the start-up complex scheduled for completion in 2013.

In 2012, UC RUSAL (together with RusHydro) continued to receive credit funds from VEB for the completion of construction of the BEMO HPP and the first start-up complex of the BEMO aluminium smelter and continued works at both construction sites.

Also in December 2012 UC RUSAL (together with RusHydro) have received additional financing from VEB in an amount of USD 819 million for construction of the second stage of the start-up complex of aluminium smelter (adding 168 pots with a total capacity of 298 ktpa), that is scheduled for completion in 2015.

The capital expenditure for the BEMO aluminium smelter (capacity 298 ktpa), incurred and to be incurred, is currently estimated at approximately USD 1,612 million¹ (UC RUSAL's share of this capital expenditure will be approximately USD 806 million), of which approximately USD722 million has been incurred as of 31 December 2012 (of which UC RUSAL's share amounted to USD361 million).

As at 31 December 2012, the first stage of the start-up complex of the BEMO aluminium smelter was estimated to be 47% complete, the construction is ongoing at 29 primary and auxiliary facilities.

Taishet aluminium smelter

The Taishet aluminium smelter is located in Irkutsk, Russia, and will be constructed in the medium term. The smelter's design capacity is 750 thousand tonnes per annum.

The Company was successful in arranging RUB40 billion (approximately USD1.3 billion) from VEB as a project financing. The respective decision was approved by VEB Supervisory Board decision. The credit facilities documentation is expected to be signed in 2013. These funds will finance construction

of the first phase of the Taishet aluminium smelter, by way of a 14-year non-recourse basis credit facility. Capital spending will recommence upon execution of the credit documentation.

In 2012, manufacturing of the main process equipment continued under previously signed contracts; at the production site of the Taishet aluminium smelter construction and assembly works were ongoing aimed at safekeeping unfinished construction objects.

The total capital expenditure for phase 1 of the smelter (375 thousand tonnes per annum, excluding construction of the anode plant), incurred and to be incurred, is currently estimated to be approximately USD1,772 million, of which approximately USD712 million (exclusive of VAT) has been spent as of 31 December 2012. The total capital expenditure for 2012 was approximately USD 65.6 million (inclusive of VAT).

ALUMINA

The Group operates 11 alumina refineries. UC RUSAL's alumina refineries are located in six countries: Ireland (one plant), Jamaica (two plants), Ukraine (one plant), Italy (one plant), Russia (four plants) and Guinea (one plant). In addition, the Company holds a 20% equity stake in QAL, an alumina refinery located in Australia. Most of the Group's refineries have ISO 9001 certified quality control systems, ten refineries and QAL have been ISO 14001 certified for their environmental management and three refineries have received OHSAS 18001 certification for their health and safety management system.

The Company's long position in alumina capacity helps to secure sufficient supply for the prospective expansion of the Company's aluminium production capacity and allows the Company to take advantage of favourable market conditions through third-party alumina sales.

The table below² provides an overview of UC RUSAL's alumina refineries (including capacity) as at 31 December 2012:

Business Overview

/ Asset /	Location	% Ownership	Nameplate capacity, kt	Capacity utilisation rate
Achinsk Alumina Refinery	Russia	100%	1,069	88%
Boksitogorsk Alumina Refinery	Russia	100%	165	– ¹
Bogoslovsk Alumina Refinery	Russia	100%	1,052	96%
Urals Alumina Refinery	Russia	100%	768	100%
Friguia Alumina Refinery	Guinea	100%	650	23%
QAL	Australia	20%	4,058	91%
Eurallumina	Italy	100%	1,085	–
Aughinish Alumina Refinery	Ireland	100%	1,927	100%
Alpart	Jamaica	100%	1,650	–
Winalco	Jamaica	93%	1,210	46%
Nikolaev Alumina Refinery	Ukraine	100%	1,601	89%
Total nameplate capacity			15,235	
UC RUSAL attributable capacity			11,870	63%

BAUXITE

As at 31 December 2012, the Group had attributable JORC bauxite Mineral Resources of 1,856.4 million tonnes, of which 593.6 million tonnes were Measured, 623.7 million tonnes were Indicated and 639.1 million tonnes were Inferred.

Securing the supply of high quality bauxite at adequate volumes and cost competitive prices for its alumina facilities is an important task for

the Company. Additional exploratory work is being undertaken to find new deposits of bauxite in the existing operational bauxite mining areas of the Group and in new project areas. Each of the Group's mining assets is operated under one or more licences.

The table below provides an overview of the Company's bauxite mines as at 31 December 2012:

¹ Production of alumina hydrate at Boksitogorsk Alumina Refinery was stopped in July 2011. The Group decided to start purchasing less expensive alumina hydrate from the nearby located Pikalevo Alumina Plant to cover its corundum production needs.

/ Asset /	Location	% Ownership	Mineral Resources ⁽¹⁾				Annual capacity mt
			Measured mt	Indicated mt	Inferred mt	Total mt	
Timan Bauxite ⁽¹⁾	Russia	80%	108.2	67		175.2	2.5
North Urals Bauxite Mine	Russia	100%	6.0	175.4	114	295.4	3.0
Compagnie des Bauxites de Kindia	Guinea	100%		29.4	61.6	91.0	3.3
Friguia Bauxite and Alumina Complex	Guinea	100%	30.6	142.4	152.6	325.6	2.1
Bauxite Company of Guyana, Inc. ⁽²⁾	Guyana	90%	3.0	41.3	44.2	88.5	1.7
Alpart	Jamaica	100%	15.2	40.7	38.0	93.9	4.9
Winalco ⁽³⁾	Jamaica	93%	28.6	56.5	11.7	96.8	4.0
Dian-Dian Project	Guinea	100%	402	71	217	690	
Total			593.6	623.7	639.1	1,856.4	21.5

(1) Mineral Resources:

– are recorded on an unattributable basis, equivalent to 100% ownership; and
– are reported as dry weight (excluding moisture).

Mineral Resources tonnages include Ore Reserve tonnages.

(2) The total annual capacity of the Group's fully consolidated subsidiaries Timan and Bauxite Co. of Guyana is included in annual capacity figures, notwithstanding that minority interests in each of these subsidiaries are held by third parties.

(3) Annual capacity is calculated based on the pro rata share of the Group's ownership in Winalco.

Business Overview

1 All capital expenditure amounts given above for the BEMO project are based on UC RUSAL's management accounts and differ from amounts disclosed in the consolidated financial statements, as the management accounts reflect the latest best estimate of the capital costs required to complete the project, whereas amounts disclosed in the consolidated financial statements reflect actual capital commitments as at 31 December 2012. All figures for the BEMO project are exclusive of VAT.

2 Revenue for 2012 and 2011, including railway tariffs.

3 PGMs – platinum group metals.

4 Production and operational data in this section is derived from www.nornick.com and 2012 IFRS audited financial results

5 Source: Bloomberg (Ticker GMKN RX for market value).

Energy assets

BEMO PROJECT

In May 2006, UC RUSAL and RusHydro, a company controlled by the Russian Government, entered into a cooperation agreement for the joint construction of the BEMO Project. In 2012, UC RUSAL (together with RusHydro) continued to receive credit funds from VEB for the construction of the BEMO HPP and the first start-up complex of the BEMO aluminium smelter and continued works at both construction sites. UC RUSAL (together with RusHydro) have also received in December 2012 additional financing from VEB in the amount of USD 819 million for construction of the second stage of the start-up complex of the aluminium smelter (adding 168 pots with total capacity of 298 ktpa).

In October 2012, BEMO HPP was successfully launched. During October – December four units (total installed capacity of 1,332MW) of the HPP were put into test operation and starting from December 2012 produced the first self-generated electricity. In 2013, the station will be put in full operation and its installed capacity will reach 3,000 MW.

UC RUSAL's proportion of capital expenditure for the BEMO Project is 50%. The total capital expenditure for the BEMO HPP, incurred and to be incurred, is currently estimated to be approximately USD 2,116 million¹ (UC RUSAL's share of this capital expenditure will be approximately USD1,058 million), of which USD1,864 million had been spent as of 31 December 2012 (of which UC RUSAL's share amounted to USD932 million).

The financing is provided by VEB, pursuant to the credit facility agreement signed in December 2010.

The Investment Fund of the Russian Federation finances the necessary infrastructure (the costs of which are not included in the project budget). The total investment from the Investment Fund approved by the Russian Government for the BEMO Project amounted to RUB26.4 billion, including RUB19.9 billion invested in the period between 2008 and 2010 and RUB4.3 billion in 2011.

Mining Assets

UC RUSAL's mining assets comprise 16 mines and mine complexes, including eight bauxite mines (the resources of which are described above), two quartzite mines, one fluorite mine, two coal mines, one nepheline syenite mine and two limestone mines. The Company jointly operates the two coal mines with Samruk-Energo, the energy division of Samruk-Kazyna under a 50/50 joint venture, LLP Bogatyr Komir. The long position in alumina capacity is supported by the

Company's bauxite and nepheline syenite resource base.

LLP BOGATYR KOMIR

LLP Bogatyr Komir, which is located in Kazakhstan, is a 50/50 joint venture between the Company and Samruk-Energo. LLP Bogatyr Komir, which produced approximately 44 million tonnes of coal in 2012, has approximately 706 million tonnes of JORC Proved and Probable Ore Reserves and has Measured Mineral Resources and Indicated Mineral Resources in aggregate of approximately 2 billion tonnes as at 31 December 2012. LLP Bogatyr Komir generated sales of USD610 million in 2011 and USD652 million in 2012². Sales are divided approximately as to 1/3 and 2/3, respectively between Russian and Kazakh customers in terms of physical volumes.

Investment in Norilsk Nickel

Norilsk Nickel is the world's largest nickel and palladium producer and one of the leading producers of platinum and copper. UC RUSAL held a 25.13% shareholding in Norilsk Nickel as at 31 December 2012.

UC RUSAL's shareholding in Norilsk Nickel allows for significant diversification of earnings, through Norilsk Nickel's exposure to PGMs³ and bulk materials, and also broadens UC RUSAL's strategic opportunities. The Company's objective is to maximise the value of this investment for all shareholders.

COMPANY PROFILE⁴

As of 2012 Norilsk Nickel maintained 17% and 41% share of global nickel and palladium production, respectively. Norilsk Nickel's Resource Base consists of 707 million tonnes of Proved and Probable Ore Reserves and 2,444 million tonnes of Measured and Indicated Mineral Resources. Its key assets are located in Norilsk region and Kola Peninsula in Russia, with foreign facilities located in Finland, Australia, Botswana and South Africa.

In 2012 Norilsk Nickel produced 300 thousand tonnes of nickel, 364 thousand tonnes of copper, 2,731 thousand ounces of palladium and 683 thousand ounces of platinum.

Norilsk Nickel's products are traded globally, with 55% of its revenue coming from Europe, 11% from America, 25% from Asia and 9% from Russia as of 2012. Of its total revenue in 2012, 47% came from nickel sales, 26% from copper sales, 16% from palladium sales and 9% from platinum sales.

Business Overview

FINANCIAL RESULTS⁵

The market value of UC RUSAL's investment in Norilsk Nickel increased to USD 8,846 million as at 31 December 2012, from USD 7,371 million as at 31 December 2011. As at 15 April 2013 the market value of investment decreased to USD 7,607 million due to deterioration of market environment.

Based on IFRS for the year ended 31 December 2012, Norilsk Nickel reported revenue of USD 12,065 million, EBITDA of USD 4,928 million (with a 41% margin) and Net Income of USD 2,143 million (with an 18% margin).

SETTLEMENT WITH INTERROS IN RELATION TO NORILSK NICKEL

On 3 December 2012, the Board accepted an offer from Interros, Norilsk Nickel's largest shareholder, to enter into an agreement to improve the existing corporate governance and transparency of the Norilsk Nickel group, to maximize profitability and shareholder value and to settle the disagreements of UC RUSAL and Interros in relation to the Norilsk Nickel group (the "Interros Offer"), including the arbitration commenced by UC RUSAL against Interros on 11 August 2010 in the London Court of International Arbitration relating to a dispute concerning a cooperation agreement entered into by UC RUSAL and Interros on 25 November 2008.

On 10 December 2012, UC RUSAL, Interros, Millhouse Capital UK Ltd. (Millhouse), and the respective beneficial owners of Interros and Millhouse, namely Mr. Vladimir Potanin and Mr. Roman Abramovich, entered into an agreement giving effect to the Interros Offer (the "Agreement"). Simultaneously with the execution of the Agreement, Mr. Oleg Deripaska entered into a separate deed to procure UC RUSAL's performance under the Agreement.

The Agreement provides for all quasi-treasury shares currently held by subsidiaries of Norilsk Nickel, representing approximately 7.3% of the company, to be redeemed by Norilsk Nickel upon which UC RUSAL and Interros will sell 3,873,537 shares and 5,420,464 shares in Norilsk Nickel, respectively, to Millhouse at USD 160 per share in cash. After the aforesaid acquisition and following the redemption of all of the quasi-treasury shares, UC RUSAL, Interros and Millhouse will hold approximately 27.8%, 30.3% and 5.87% shares in Norilsk Nickel respectively.

In accordance with the terms of the Agreement, in the event that any of UC RUSAL, Interros or Millhouse (the "Norilsk Nickel Shareholders") commits certain breaches as set out in the Agreement, the non-defaulting Norilsk Nickel Shareholders may at their discretion (in an amount pro-rated according to their respective shareholdings in Norilsk Nickel) (i) buy-out 7.5% of the shares in Norilsk Nickel of the

defaulting party in cash at a 25% discount to the average weighted price of the shares at the Moscow stock-exchange for 30 days prior to the buy-out date; or (ii) purchase (in an amount pro-rated according to their respective shareholdings in Norilsk Nickel) 1.875% shares in Norilsk Nickel of the defaulting party in cash at a nominal consideration of USD 1.

The board of directors of Norilsk Nickel shall be composed of thirteen (13) members, out of which four (4) will be nominated by UC RUSAL, four (4) by Interros, one (1) by Millhouse, and three (3) will be independent directors, with each independent director being nominated by each of UC RUSAL, Interros and Millhouse. The thirteenth member of the Board will be elected by Norilsk Nickel's remaining minority shareholders. The independent chairman of the board of directors shall be nominated jointly by UC RUSAL, Interros and Millhouse. Also, Mr. Potanin shall be the General Director of Norilsk Nickel and shall be responsible for the management of the Norilsk Nickel group. In addition, Mr. Potanin in his capacity as a Managing Partner will assume certain obligations seeking, among others, to address the proper governance of Norilsk Nickel.

In accordance with the terms of the Agreement, certain reserved matters set forth in the Agreement require the consent of each of UC RUSAL, Interros and Millhouse. Such reserved matters include (a) dividend policy; (b) amendment to the charter documents of Norilsk Nickel; (c) related party transactions; (d) material transactions; (e) transactions outside the ordinary course of business; (f) acquisitions and disposals outside of Russia; (g) securities transactions; (h) marketing strategy; (i) profit distributions other than dividends; (j) dividends not in compliance with the dividend policy; and (k) replacement of the General Director of Norilsk Nickel by a management company.

The Agreement provides for certain measures ensuring the stability of dividends paid by Norilsk Nickel in relation to the years 2012, 2013 and 2014. Pursuant to the Agreement, Norilsk Nickel is expected to declare dividends in respect of 2012, 2013 and 2014 (to be paid in 2013, 2014 and 2015, respectively) in the amount of USD 2 billion, USD 3 billion and USD 3 billion, respectively, and such dividends shall be increased by USD 1 billion payable in connection with Norilsk Nickel's proposed disposal of foreign or non-core energy assets. Moreover, pursuant to the Agreement, the dividends of Norilsk Nickel in respect of 2015 and subsequent years (which shall be payable from 2016) shall be equal to 50% EBITDA of Norilsk Nickel calculated based on the audited consolidated financial statements of Norilsk Nickel according to IFRS for the year in respect of which the dividend is paid. Payment of any such proposed dividends shall

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be subject to, among other things, applicable law, downward adjustment and other prevailing conditions such as the right of the General Director of Norilsk Nickel to defer in certain cases a portion of the dividends to subsequent periods, or as otherwise agreed by UC RUSAL and Millhouse

The ongoing disputes and claims with regard to the Norilsk Nickel group and transactions with shares of Norilsk Nickel, including the judicial, arbitration and other proceedings between UC RUSAL and the Interros group have been stayed and, subject to compliance with the terms and conditions provided in the Agreement, such disputes and claims shall be settled in full.

Pursuant to the Agreement, each of UC RUSAL and Interros may not sell or otherwise dispose of the shares it holds in Norilsk Nickel for a period of five (5) years after the date of the Agreement and Millhouse may not sell or dispose of the shares it holds in Norilsk Nickel for a period of three (3) years after the date of the Agreement, subject to certain exceptions. Moreover, each of UC RUSAL, Interros and Millhouse are entitled to a right of first refusal in respect of any contemplated sale of Norilsk Nickel shares by any other party to the Agreement.

The transactions contemplated by the Agreement may require the satisfaction of certain conditions including, among other things, approval of UC RUSAL's shareholders as required under the listing rules of The Stock Exchange of Hong Kong Limited and any other applicable regulatory and contractual approvals.

Group wide initiatives

INNOVATIONS AND SCIENTIFIC PROJECTS

Aluminium

In 2012 the Company completed a project to produce alloys and wire rod with improved properties (strength and heat resistance) to double the conductivity of aluminium alloy conductors. At the moment a production site is being selected for the production of new wire rod for increased strength conductors. So far, new equipment has been developed for making wire rod using a combined casting, milling and extrusion process. The new equipment can produce extra hard and extra strong wire rod. The equipment is being trialled and currently setup and configuration efforts are underway to get it operating at full design capacity.

To facilitate the environmental modernisation of aluminium smelters using obsolete Soderberg technology, a basic Eco-Soderberg technological package (S-8BME and S-8BE) was developed, with the aim of being replicated at the Company's smelters

in Krasnoyarsk, Bratsk, Novokuznetsk, Volgograd, and Irkutsk. In four potrooms of the Krasnoyarsk aluminium smelter, S-8BME reduction cells are being tested to confirm their environmental and technological parameters in the replication process. The process involves 197 Eco-Soderberg reduction cells, with the following parameters achieved as compared with the actual KrAZ Soderberg tests: +1.7% for current efficiency and -230 kWh/tonne for power consumption.

In addition, for the purpose of environmental modernisation of vertical stud Soderberg (VSS) cells, new designs of prebaked anodes RA-167 reduction cells have been developed and installed for trials to replace the existing C2, C3 VSS reduction cells with minimal capital expenditures. The new reduction cells will replace C2, C3 cells at NkAZ, VgAZ, IrkAZ. At the moment four new reduction cells are being successfully trialled in NkAZ's testing area.

At the R&D work "Development of technology of alternative pitch", prototype of oil-coal tar pitch was produced. Alternative pitch consists of 50% of petroleum refinery products. It will allow reducing 50% in benzopyrene emissions by preliminary results. The anode paste using binder coal tar and oil pitches supplied by Koppers has been produced. The impact of the new paste on the production process parameters of the reduction cells is now being assessed. In addition in a joint effort with Koppers, research is being carried out to find out whether it would be possible to use ingredients supplied by Russian oil and coal producers in the production of the binder so as to reduce the production costs of the new pitch.

In 2011, the Skolkovo Foundation approved a grant worth RUB150 million to the Company for the project "A Reduction Cell with Inert Anodes". The second tranche of RUB83,6 million was received in 2012. In 2012, work under the project comprised the following: inert anode materials were tested at reduction cell 3000 A. A graphic design of an inert-anode reduction cell and design of potroom were developed for current strength exceeding 100 kA. Going forward, it is the intention to design an experimental potroom and install it at one of the Company's facilities. The potroom will be used for pilot testing of technical solutions related to the inert-anode reduction cell.

Other R&D achievements in 2012 include: development and successful trials of a new reduction cell design that reduces electricity consumption to 700 kilowatt per hour for self-baking anodes and 500 kilowatt per hour for prebaked anodes. In 2013 the Company plans to expand the use of the new reduction cell design. In respect of the Sayanogorsk aluminium smelter, a technology was developed for the installation of lining using production waste materials, with lining material costs reduced by 30%.

Business Overview

installation labour costs reduced by 60% and capital overhaul periods reduced by 24 hours, and in respect of the Krasnoyarsk aluminium smelter, engineering solutions were developed to enhance the efficiency and durability of alumina pneumo-paths, making it possible to reduce compressed air consumption by 30% and to double operating life.

Alumina

As part of an R&D project to develop a technology for processing red mud, construction of a new area has begun at UAZ to produce mud with low alkaline content so it can be used in ferrous metals and cement production. In a large scale laboratory project a new production process was developed and tested for using red mud to make iron ore concentrate (Fe ~ 50%) and scandium oxide (over 99% purity). Semi-industrial trials of the products made from red mud have been carried out on customers' premises and it has been confirmed that our customers are interested in conducting full-fledged industrial trials in 2013.

In an effort to expand and strengthen its own raw materials base in Siberia, UC RUSAL developed a concept chloride process for processing Siberian clays and other mineral resources that can be converted into alumina and a number of other useful by-products. Promising deposits of alternative mineral resources have been identified that should last for more than 100 years and industrial tests of samples of the new raw materials have been carried out at key production stages. In addition a memorandum of understanding has been signed with the leading developer of acid technologies, the Canadian company Orbite Aluminae Inc. (Canadian National Winner of the 2012 Awards in New Technology) about joint development of new technologies to expedite the creation of industrial prototype.

A number of R&D projects implemented in 2012 aimed to increase the efficiency of the Company's existing alumina refineries:

- In 2012 RUSAL Engineering and Technology Directorate (Alumina) in Saint Petersburg carried out R&D at UAZ, which processes 100% of boehmite bauxite supplied by the Middle Timan Bauxite deposit, to develop a cheap and efficient process for purging zinc compounds from digested slurry and aluminate solutions. The new process enables the production department to quickly respond to changes in the production process situation and does not require the use of expensive and/or hazardous components. The process has been tested in a laboratory and undergone preliminary design assessment.
- A new process and equipment have been developed for processing sodium carbonate – sodium

sulphate mix (an alumina production waste product) at BAZ into a number of commercial products (potassium sulphate and potash).

MODERNISATION AND DEVELOPMENT

The Company continues to invest in three areas of development:

- Increasing raw materials independence;
- Reducing production costs and improving production efficiency;
- Increasing the share of high added value products (aluminium alloys) in total output.

Raw materials sufficiency

- KrAZ and BrAZ have completed modernisation of their coke calcination kilns, which has increased their total production capacity by 112,800 tonnes per year. New areas for shipping KEP-1 calcined coke have also been built to supply the carbon plants at NkAZ and IrkAZ.
- In 2012, the Company continued work on the project to build a coke calcination area in Sayanogorsk, utilising retort furnaces. 150,000 tonnes of KEP-2 coke is to be produced per year to supply the carbon plants at SAZ and KhAZ. The project is to be financed jointly with Chinese banks.
- A feasibility study has been developed for the modernisation of the calciners at IrkAZ. Once the project has been implemented IrkAZ will be able to satisfy all its own needs for calcined petroleum coke at a rate of 92,000 tonnes per year.
- The reduction areas of the BoAZ and TaAZ smelters currently under construction are to be supplied with anodes produced on site. To build a 870,000 tonne per year carbon plant in Taishet, efforts were organised to develop design documentation that would ensure approval by State Expert Examination of the Russian Federation. Key raw coke calcination and green anode baking processes have been selected, that meet up-to-date environmental friendliness requirements. A process flow diagram has been developed for making calcined coke, green and baked anodes, specifications have been prepared for all the types of main production equipment.

Reducing production costs and improving production efficiency

- Transition to the Eco-Soederberg process. In KrAZ's potrooms 3-6, 195 of the available 352 reduction cells have been switched to the Eco-Soederberg process (89 more reduction cells are to be switched to the new process in 2013). BrAZ and VgAZ are completing the construction of experimental production areas featuring

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automatic feeding of raw materials into the reduction cells.

- KrAZ continued modernisation of reduction cells in potroom 10. This project is an example of successful commercialisation by the Company of an R&D project of its own. The project includes replacement of the existing cathode units with new ones during pot rebuilds with the new units designed and built by the Company's Engineering and Technology Centre. The new cathode unit will increase the service life of the reduction cell to 60 months, while cutting down aluminium production costs. 77 out of 92 reduction cells have been modernised so far, the remaining 15 cells are to be modernised in 2013.
- In 2012, basic engineering was carried out for the project to ensure grooved anode production capability at SAZ. The project aims at increasing the efficiency of aluminium production and reducing anode consumption.
- For NGZ technology was developed and commercialised to utilise Guinean Kindia bauxite as a sweetening ore. This reduced the consumption of the expensive high-silica Guyana bauxite by at least 80%.
- 100% of the bauxites used by UAZ comes from the Mid Timan bauxite mine thus reducing production cost at the refinery.
- For AGK a process and key parameters were developed for burning coal powder in sintering kilns. The coal powder consists of 70% coal and 30% brown coal.
- Work has begun pursuant to the feasibility study for the modernisation of the alumina refinery at UAZ.

Increasing the share of high added value products (aluminium alloys) in total output

The Company is putting special emphasis on increasing the share of alloys in its total output.

- In 2012, casthouse 3 at BrAZ modernised two of its 70-tonne holding furnaces to increase the production of foundry alloys for the automotive segment.
- A fine PDBF-100 filter was installed on casting machine No 4 at KrAZ. This increased its productivity, ensuring compliance to strict customer specification requirements for 3XXX foil and lithographic quality slabs.
- New casting tables were installed at NkAZ. As a result production of 6XXX billets increased by 18,000 tonnes per year.

In total the Company's capacity for the production of added value products went up by 118,000 tonnes per year in 2012.

ENGINEERING AND CONSTRUCTION DIVISION

The Engineering and Construction Division was created by UC RUSAL in July 2005 when repair and maintenance services for equipment, engineering and construction projects were outsourced by aluminium smelters.

The main advantage of the Engineering and Construction Division is its ability to provide comprehensive repair, scheduled maintenance, engineering and construction services, while reducing capital and operating expenses, ensuring dynamic and stable economic growth by means of creation of new production facilities and reconstruction of existing production facilities.

Main functional areas of the Engineering and Construction Division:

- Repair, maintenance and replacement of process equipment at all facilities of the Group,
- Implementing projects to create new production facilities and reconstructing existing production facilities by using the principle of signing a contract for engineering, equipment procurement and construction with direct customer's participation in the engineering process.

Maintenance and repairs

The Engineering and Construction Division performs overhauls and routine maintenance, maintenance and replacement of process equipment at all production facilities of the Group located in Russia and Ukraine.

The Engineering and Construction Division has 20 branches and subsidiaries in Russia, Ukraine and China and over 18,000 of employees involved in the maintenance and repair activity.

Overhauls and routine maintenance scheduled for 2012 were performed in full, target technical readiness coefficient were achieved.

High-quality services allowed production facilities to reduce equipment downtime during repairs and achieve production and economic performance.

The Engineering and Construction Division continues to reduce costs and improve the quality of its services, focusing on the reduction of labour intensity and financial expenses, improvement of quality of performed works, the reduction of downtime during maintenance and repair of equipment. The branches created maintenance crews which work closely with maintenance staff.

To expand the better practice of use of TPS (Toyota Production System) tools, in 2012, the Krasnoyarsk branch organised a project in the area of production of cathode busbar for the project of construction of the Boguchansk aluminium smelter, where 177 managers and experts from companies in the Engineering and Construction Division underwent

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practical training.

All business units promoted the practical use of production system methodology, which represents an important component of development of the workforce and production culture aimed at the continuous improvement of production processes.

During 2012, the business units of the Engineering and Construction Division worked on reducing emergency equipment shutdowns, reducing the time and cost of repairs, opening over 170 projects for this purpose. The implementation of the projects also allowed stabilising the operation of diesel machinery at NkAZ and the operation of cranes at KrAZ, reducing equipment downtime at SAZ Anode Rodding Shop and reducing costs of transportation of ground bath at IrkAZ.

Focus maintenance and repairs areas of the Engineering and Construction Division in 2013:

1. To continue increasing labour productivity, reducing financial expenses, improving the quality of repairs and maintenance, reducing maintenance downtime and increasing the service time of equipment and the time between overhauls;
2. To standardise technological processes of repair and maintenance;
3. To organise the retrofitting of the diesel processing machinery and own manufacturing of diesel processing machinery for Company aluminium smelters.

Engineering and Construction

The Engineering and Construction Division uses the principle of entering into the contract for engineering, equipment procurement and construction with direct customer's participation in engineering process (EPCM), acting as the internal contractor for the Group.

The Engineering and Construction Division provides the whole set of works related to the implementation of projects, including preparing detailed design documentation, engineering, equipment procurement, construction and commissioning of industrial facilities.

The division is an active participant of construction of industrial facilities and implementation of Company investment projects.

The Engineering Construction Company, which is responsible for the management of construction of new production facilities, was transferred under the management of the Engineering and Construction Division in August 2012.

Within the framework of construction of the Boguchansk aluminium smelter a separate business unit was created at the production site in the Tazhny village in September 2012. This company

organises and performs construction and installation works. Construction rates increase monthly.

The main results of activity of the Engineering and Construction Department related to the construction of the smelter in 2012 include: installation of 51 cathode pot shell, installation of 63 sets of cathode busbar, initiation of superstructures, installation of 2 cranes in the casting area and initiation of construction of the anode rodding shop.

In 2012, the Krasnoyarsk branch produced 131 sets of busbar, while reducing the headcount, the use of production areas and the number of equipment used. Today the area can produce one set of busbar per day and ensure the needs of construction of the first stage of the smelter in full.

The branches of the Engineering and Construction Division include teams working in accordance with EPCM principle at modernisation and reconstruction of the existing facilities at aluminium smelters and alumina refineries of the Group.

The installation of the airless shot-blasting machine of Shlick studs at BrAZ and the works of dam raise and installation of distribution red mud piping map No. 2 red mud disposal field No. 2 to the level of 186.5 m were completed in 2012 at UAZ.

Focus engineering and construction areas of the Engineering and Construction Division in 2013:

1. To continue the implementation of environmental measures at Company production facilities:
 - Extension of operating life of map No. 1 and No. 2, construction of the circulation water unit at AGK;
 - Reconstruction of red mud disposal area No. 1 and extension of operating life of red mud disposal area No. 2 at NGZ;
 - Construction of gas treatment facilities for silicon furnaces Urals Silicon;
 - Expansion of red mud disposal area No. 2 at BAZ.
2. To continue the construction of ground facilities at North Urals bauxite mine, including the construction of the poppet head and ore warehouse of the 'Cheryomukhovskaya – Glubokaya' mine.

Corporate Strategy

UC RUSAL's mission is to generate superior and sustainable returns for its shareholders over a long term period. The strategy to achieve this focuses on:

1. Maintaining UC RUSAL's position one of the most efficient and lowest cost producers through:
 - Competitively priced long-term contracts for power;

Business Overview

- Development where appropriate of captive power generation capacity to create a natural hedge for electricity costs;
 - R&D focusing on increased efficiency of the smelting and refining technology;
 - Expansion of aluminium production capacity in Siberia where there is stranded, low-cost power supply;
 - Increase of share of value added products in the production mix and leveraging primary sales to maximise overall premium over LME;
 - Emphasis on company-wide cost management programs;
 - Optimisation of other raw material sourcing, transport and logistics to minimise costs; and
 - Efforts to increase flexibility of production to be able to adapt quickly to changing markets.
2. Increasing of sales to automotive, packaging/ printing and electronics sectors by:
 - Expanding value added products in the production mix at UC RUSAL plants in Siberia;
 - Expanding sales to Asia taking full advantage of UC RUSAL's operating proximity to Asian end-users; and
 - Refurbishing and modernising cast houses of smelters located in the European part of Russia, the Urals, Sweden and Ukraine, to take advantage of the logistical proximity of these facilities to consumption centres in the western regions of Russia as well as in the European Union.
 3. Maintaining an efficient capital structure that provides a sound platform for growth by:
 - further reducing financial debt; and
 - refinancing debt obligations on better terms where situation allows.
 4. Pursuing value accretive growth opportunities organically or through acquisitions or asset swaps by:
 - enhancing upstream vertical integration while maintaining a focus on higher margin upstream primary aluminium production;
 - exploring growth opportunities in regions with stranded, low-cost captive electricity supply;
 - enhancing its bauxite and alumina self-sufficiency by exploring new opportunities in geographically diverse regions and exploiting regional supply / demand imbalances; and
 - securing access to and self-sufficiency in key production inputs.
 5. Managing environmental protection matters and utilising natural resources responsibly by making all of UC RUSAL's production facilities meet emission standards set by the local laws in the jurisdictions where UC RUSAL conducts business.

Environmental and Safety Policies

As with other natural resources and mineral processing companies, the Group's operations create hazardous and non-hazardous waste, effluent emissions into the atmosphere, as well as water, soil and safety concerns for its workforce. Consequently, the Group is required to comply with a range of health, safety and environmental laws and regulations. The Group believes that its operations are in compliance in all material respects with the applicable health, safety and environmental legislation of the Russian Federation, including its regions, and the countries and regions where the Group's plants are situated. The Group regularly reviews and updates its health, safety and environmental management practices and procedures to ensure where feasible that they comply, or continue to comply, with best international standards.

Operating on five continents and being involved in the metal production and processing, mining and power generation industries, UC RUSAL shares responsibility for addressing regional and global environmental issues and finding cutting edge approaches to solving such problems. The Company considers its environmental protection activities to be an inherent part of its business as well as its contribution to public sustainable development projects.

UC RUSAL's goal is to facilitate the gradual improvement of environmental indicators, while taking into account practical possibilities and social and economic factors.

The following guidelines are adhered to when making management decisions at all levels and in all areas of the Company's business:

- Risk Management: define and assess environmental risks, set targets and plan work taking into account environmental risk management issues;
- Compliance: comply with environmental legislative requirements of the countries where UC RUSAL has operations, as well as comply with environmental covenants assumed by the Company;
- Prevention: apply the best available techniques and methods to prevent pollution, minimise risks of environmental accidents and other negative impact on the environment;
- Training: train employees of the Company to meet the environmental requirements applicable to their business areas to give employees a better understanding of the environmental consequences should such requirements not be met;

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- Cooperation: note the opinions and interests of related parties, establish environmental requirements when selecting suppliers and contractors and assist them in complying with those requirements;
- Measurability and evaluation: establish, measure and evaluate environmental indicators and assess compliance with environmental legislation in the countries where UC RUSAL operates and with environmental covenants assumed by the Company; and
- Openness: openly demonstrate the Company's plans and results of its environmental activities, including through public reports issued by the Company.

Key goals of UC RUSAL's environmental strategy include:

- reducing emissions, including greenhouse gases;
- creating a closed-circuit water supply system for the main production processes of the Company's facilities;
- increasing the volume of treated and used waste products and their safe disposal;
- replacing and disposing of electrical equipment containing polychlorobiphenyls (PCBs);
- rehabilitating land which has been negatively impacted and assisting in the maintenance of biodiversity; and
- creating corporate systems to manage environmental aspects and risks.

By following this environmental policy and undertaking to regularly review and update its provisions, the Company has tasked itself with constantly developing and improving its environmental management system and implementing its principles at all production facilities of UC RUSAL, including all those which are in operation and those which are still under construction.

The Group has also taken steps to lessen the environmental impact of its operations and complied with all applicable environmental laws and regulations. The Group's mines, refineries, smelters and other plants located in Russia are subject to statutory limits on air emissions and the discharge of liquids and other substances. Russian authorities may permit, in accordance with the relevant Russian laws and regulations, a particular Group facility to exceed statutory emission limits, provided that the Group develops a plan for the reduction of the emissions or discharge and pays a levy based on the volume of contaminants released in excess of the limits.

In 2007, the Company signed a memorandum of understanding with the United Nations Development Program. The aim of the memorandum is to implement

measures to minimise the Group's impact on climate change, by reducing the Group's greenhouse gas emissions. The Group is actively participating in the International Aluminium Institute's activities related to targeting the reduction of greenhouse gas emissions and energy efficiency. The Group has achieved significant reductions in greenhouse gas emissions. For instance, the Group's aluminium smelters reduced greenhouse gas emissions in 2012 by 45% compared to 1990 emissions level.

In 2012, the Group has intensified its activity on the Carbon Market and has developed four new Joint Implementation Projects in accordance with article 6 of Kyoto Protocol (The projects: "Reduction of PFC emissions at JSC "RUSAL Bratsk"", "Reduction of PFC emissions at JSC "RUSAL Sayanogorsk"", "Reduction of PFC emissions at JSC "RUSAL Novokuznetsk"", "Reduction of PFC emissions at Irkutskiy Aluminium Smelter"). Thus, along with JI Project at Krasnoyarsk aluminium smelter, the Group has developed the total of 5 JI projects with overall potential of 22 million Emission Reduction Units (ERUs). By the end of 2012, the Group has verified and sold 13,789,030 ERUs. The revenue from such sale was used to finance new environmental projects at smelters as required by Russian Government.

In 2012, the Group was audited by an independent auditor - Det Norske Veritas, and has reconfirmed its twenty ISO14001 and ten OHSAS 18001 certificates.

The Group's social performance is guided by the ten universal social and environmental principles of the UN Global Compact, to which the Company is a signatory. The Company measures its social performance in accordance with the requirements of the Global Reporting Initiative's Business Guide to the Sustainability Reporting Guidelines. The principles of the Global Reporting Initiative's reporting system are fully compatible with the principles of the UN Global Compact.

Care for the health of the Group's employees is a key element of the Group's social policy. The Group provides a full range of medical services for its employees and promotes a healthy lifestyle. The Group emphasises preventive medicine and the reduction of lost working time resulting from occupational illnesses through corporate medical centres it has established in most regions where the Group operates.

Social investments and charity

Contribution to the development of the Company's habitat is a priority for UC RUSAL. UC RUSAL is not only the one of the leaders in aluminium production, but also one of the most socially responsible

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companies in the regions where it operates, with rich experience in the development and realisation of sponsorship and charity projects.

The Centre of Social Programmes (CSP) has been involved in the management of UC RUSAL's social activity in Russia and the Ukraine since 2004. Today UC RUSAL's CSP is a modern, highly professional non-profit organization meeting the demands of local communities in an efficient and innovative way.

When implementing social investment programmes CSP actively cooperates with governmental, non-profit and business structures, sharing its business experience with local communities and supporting social initiatives valuable to the communities in which it operates.

In 2012, the Company's social investments implemented the following key projects: "RUSAL's Territory", "RUSAL's First Aid", "Partnership Projects" and Individual Charity Programme.

"RUSAL'S TERRITORY" PROJECT

In 2012, UC RUSAL continued to implement its programme «RUSAL's Territory» aimed at supporting socially important projects and civil initiatives valuable to the communities in which it operates. The programme is based on the principle of private and governmental partnership and has two key objectives:

- to upgrade the quality of infrastructure, including the reconstruction, repair and supply to facilities in the areas of education, physical activity and sport, youth policy and social services;
- to support and develop civil initiatives, the implementation of volunteer programmes, promotion of sport and a healthy lifestyle, learning of ethnocultural values of the area and initiatives aimed at young people in the area of self-implementation, development of socio-tech creativity including energy saving, computer technology, robot technology and simulation.

In 2012, using grant financing from the Company, a set of large-scale infrastructural projects were implemented. Projects included the creation of a prototyping laboratory in regional Palace of the Pioneers and School Students, the repair of the gym in School 149 in Krasnoyarsk, the creation of a club for disabled young people as part of the Social Service Centre in the small town of Boguchany, the repair of the youth centre Sibir in Achinsk, the supply of necessary equipment for Achinsk's regional library and the construction of a hockey stadium in Kandalaksha and a modern sport facility in Sayanogorsk alongside other important social projects. The volume of investment amounted to more than USD5 million.

In 2012, "RUSAL's Territory" was awarded a prize in the contest "The Leaders of Corporate Charity"

in a special nomination 'The best programme facilitating the development of local communities and enhancing the social climate in the habitat of the Company' initiated by the Russian Ministry of Economic Development and Trade. The contest was arranged by grant awarding non-profit partners 'Forum of Donors' and 'Vedomosti' newspaper.

In 2013, UC RUSAL plans to continue implementing the programme in 10 of the regions where it operates across Russia and the Ukraine, the Republic of Khakassia, the Republic of Karelia, the regions of Volgograd, Irkutsk, Kemerovo, Murmansk, Orenburg, Sverdlovsk, Krasnoyarsk and Nikolayev (the Ukraine) regions.

PARTNERSHIP PROJECTS

Taking care to balance the social development of the regions where it operates, UC RUSAL has been implementing the programme "Partnership Projects" since 2006, aimed at implanting the culture of charity and voluntary work, as well as establishing an important partnership and social interaction with the local authorities, non-profit and business organisations. Within the framework of this programme the Company shares its accumulated experience with the local communities and unites the efforts of the partnership organisation to help solve social problems impacting the region.

In 2012, the Programme was implemented in Russia (the Republic of Khakassia, in the regions of Krasnoyarsk, Irkutsk, Kemerovo, Sverdlovsk regions) and in the Ukraine (Nikolayev region). In the applicable regions charity efforts such as the all-Russian volunteer programme "A spring week of good deeds", youth photoquest, "The city as seen by the youth" or "The city in focus", "Autoquest of good deeds", the contests of public appreciation "Social star", "Giving goodness" etc. took place.

Based on the results of the year, more than 100 000 people were involved in the implementation of the programme. 667 different organizations participated in the programme with 442 activities carried out whereas the total volume of partners' investments amounted to more than USD53 thousand.

PROGRAMME "RUSAL'S FIRST AID"

One of the priorities in UC RUSAL's efforts is the development of corporate volunteering, demonstrated with the implementation of the corporate programme "RUSAL's First Aid". The programme comprised the Company's personnel and their family members, involving them in social problems concerning a city or a region through their participation in an activity valuable to the local community.

In 2011, the programme was tested in 5 cities,

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namely Achinsk, Bratsk, Krasnoyarsk, Sayanogorsk and Nikolayev. In 2012, the programme was further expanded to Kamensk-Uralskiy, Krasnoturyinsk, Moscow, Novokuznetsk, Severouralsk and Shelekhov. Today there are volunteer teams incorporating the personnel and members of their families arranged in these cities. As part of this programme the volunteers render adequate financial assistance and non-financial support to those-in-need and to social institutions through the regular arrangement of socially important initiatives and activities.

In 2012, 4,102 employees participated in the programme, carrying out 1,722 charity programmes including "Happy starts", creative workshops for children from orphanages, environmental programmes, charity concerts and other.

In 2012, as part of the programme, 2 large-scale charity programmes were launched; a corporate quest "80 years – mission possible!" and a New Year marathon "We believe in miracles, we revoice miracles!"

PROGRAMME OF INDIVIDUAL DONATIONS

In 2012, UC RUSAL continued its programme of individual donations from employees, which allows every employee of UC RUSAL the opportunity to render adequate financial assistance to people in need and organisations. The accumulated funds provided financial support to non-profit organisations assisting seriously ill children, handicapped, troubled teenagers, as well as financing urgent medical operations and gather necessary items for orphans and children from boarding schools.

As part of the programme, in July 2012 an initiative to raise funds intended for those injured from the flood in Krasnodar region "RUSAL helps Krymsk" launched, the collected funds were later doubled by the Company.

Within the framework of the Donation Programme the employees of the Company raised more than USD62 thousand overall.

In 2012, UC RUSAL allotted more than USD8.6 million to fund sponsorship and charity projects.

**IN 2012 UC RUSAL ACCOUNTED FOR APPROXIMATELY 9% OF
GLOBAL PRODUCTION OF ALUMINIUM AND 8% OF ALUMINA**

4



Management Discussion and Analysis

Overview of trends in industry and business

KEY HIGHLIGHTS

UC RUSAL forecasts that:

- Global demand for aluminium will maintain its growth and increase by 6% reaching 50 million tonnes in 2013
- Aluminium consumption growth will be primarily driven by China, other Asian countries and the United States (US)
- Aluminium premiums will continue to grow in 2013
- About 1-1.5 million tonnes of the global aluminium production will be idled in 2013 under the current circumstances as significant amount of the global production will be at the break-even point
- The aluminium market will remain balanced in 2013

GLOBAL ALUMINIUM CONSUMPTION IN 2012

Global aluminium consumption rose by 6% in 2012 to 47.4 million tonnes. While aluminium demand in Europe remained subdued, this was offset by strong consumption growth in China and the US in the fourth quarter of 2012 which has continued into the first quarter of 2013 and ensures positive sentiment for the year ahead.

Aluminium consumption in the US grew by 5.4% in 2012 to 5.9 million tonnes. Demand in the fourth quarter of 2012 was boosted by increased production across the automotive industry, of particular relevance due to increasing levels of aluminium parts being used in manufacture of cars and significant uplift in construction sector activity.

In China, continued spending on large infrastructure projects combined with domestic economy stimulus plans led to improved growth in the Chinese economy in the fourth quarter of 2012 to 7.9% and industrial production to 10.3%. Chinese automotive production grew 6.3% year-on-year to 20.6 million units in 2012. Chinese aluminium consumption in 2012 grew by 9.3% to 21.8 million tonnes.

Japanese aluminium consumption grew by 3.1% to 2 million tonnes in 2012 while consumption in South Korea grew by 3% to 1.3 million tonnes for the same period. Other Asian economies are expected to benefit from continued growth in Chinese economic activity and as a result of the growth in the export of products containing aluminium.

2013 OUTLOOK

UC RUSAL expects that the uncertainties seen in 2012, namely the current Eurozone financial crisis and slowdown in Chinese growth, will lessen during 2013 thanks to the strong financial stimulus programs that have been taken by central banks in key regions and growing data from China.

UC RUSAL forecasts global primary aluminium consumption to reach 50 million tonnes (6% growth), with China being the largest growing market (9.5% growth), followed by India (6% growth), Asia excluding China (5.8% growth), North America (5% growth) and Russia & CIS (4% growth). Consumption growth in Europe in 2013 is expected to be 2% lower than 2012 levels.

As a consequence UC RUSAL forecasts that the global aluminium market to be balanced in the current year.

CHINA

Chinese infrastructure investments were boosted by 20.6% in 2012. The continued urbanization process will require significant investment in infrastructure, including housing, transportation, and social services in 2013.

According to official statistics real estate sales in China were strong towards the end of 2012 with sales in October and November by floor area increasing by 23% and 30% year-on-year respectively, suggesting improved economic sentiment as freer credit conditions allowed households to get access to loans.

According to WardsAuto forecast, Chinese car production is expected to exceed European production in 2013. China is forecasted to manufacture 19.6 million cars and light vehicles in 2013 (a 10% increase year-on-year). The emerging economies like China and India should be the ultimate beneficiaries of aluminium demand from the car sector given that the aluminium penetration in those countries remains well below the level in North America and Europe.

China's stimulus program for home appliance purchases in rural areas boosted sales of products containing aluminium like televisions, air-conditioners, washing machines and refrigerators.

OTHER ASIA

The trend of Japan's automotive and electronics' plants moving to low-cost countries in South East Asia or to North America and Eastern Europe continued and was a negative factor for aluminium demand in the past year. This is likely to impact the level of consumption

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growth in Japan in the medium to long term. The strong value of the YEN against the USD also affected exports in 2012. In addition, geopolitical tensions between China and Japan affected production of aluminium die casters in Japan. Aluminium stock adjustments in the first quarter of 2013 will result in a fall in imports in the same period but growth is expected as the stimulus plans announced in December 2012 resulted in a 13% devaluation of the Yen, which will be positive for exports and the consumption of aluminium.

South Korea's consumption growth is estimated at 3% in 2012 due to weaker demand in the fourth quarter as a result of negative impact of demand for aluminium semis and goods in the US and especially in Europe for export-oriented sectors. The ongoing recovery in the US and strong demand in Southeast Asia is expected to support exports and aluminium consumption in 2013. The new government is reacting to the 2012 slowdown by increasing public infrastructure investment, which will in turn increase domestic demand. Renewable energy projects are planned and the transmission lines associated with the new generation capacity will have a positive influence on aluminium demand.

Primary aluminium consumption in India increased by about 5.5% in 2012. The electrical power sector is the largest aluminium consumer sector, responsible for 40% of total aluminium consumption in India in 2012. In the medium and long term, there are several electrification plans that will continue to boost aluminium demand from this sector. The transportation sector is also a large consumer of aluminium in the country. Demand from transportation will show the highest year-on-year percentage increase in the future.

NORTH AMERICA

According to WardsAuto passenger car production increased by 17.5% to 15.4 million units in 2012 compared to 13.1 million units in 2011. The level of automotive production capacity utilization reached 92.7% in the third quarter of 2012 compared to 78.7% in the third quarter of 2011.

According to Ducker Worldwide Research, the aluminium content in American cars has now reached 150 kg per vehicle in 2012 and will continue to grow at a compound annual growth rate (CAGR) of 3.7% until 2020.

The North American building and construction sectors supported the demand for aluminium in 2012. The US construction market as a whole continues to show solid growth. According to official statistics US housing demand climbed by 12.1% month-on-month in December, continuing to signal a recovery in demand for the construction sector. In annual terms US housing rose by 36.9% in December to 954,000 units and by 27.7% year-on-year in 2012.

EUROPE

While the US, China and rest of Asia are expected to drive aluminium demand in 2013, our view on the European consumption of aluminium remains negative for 2013. Despite the efforts taken by the European Central Bank (ECB) to solve the debt problem, European countries are still suffering from weak economic activity, large budget deficits and cuts in capital spending which are unlikely to stimulate economic growth and consumption activity. Aluminium consumption in Europe declined by 3% to 7.7 million tonnes in 2012.

The automotive industry, a key aluminium end-user, remains depressed in Europe. According to EUROSTAT, in 2012, new car registrations totalled around 12 million units, a decrease of 8.2% from 2011. The demand for new cars fell to the lowest level recorded since 1995. After two years of production growth, unit production started to fall again in 2012 (-7%), under-shooting the pre-crisis level from 2007 by around 15%. It is expected that there will be a further, albeit less pronounced, decline of car production in 2013. However any reduction is expected to be partially offset by an increase in the aluminium content in cars, which has increased to 135 kg per vehicle in 2012.

LME STOCKS AND PREMIUMS

LME stocks have sustained the 5.2 million tonnes level seen at the end of 2012. The current warehouse incentives in Europe and the US will continue to attract surplus metal which will be supported by strong contangoes resulting from ongoing low costs of finance and renewed interest from the hedge funds.

Financial deals continue to be a dominant factor for LME aluminium pricing. As more than 65% of LME stocks are locked in financial deals, ongoing low costs of finance and renewed interest from the hedge funds increase financial trading of aluminium contracts which is significantly exceeding a physical demand. Fundamental pricing factors including rising producers' costs and real demand growth for physical metal are currently less defining for aluminium price.

The increase in demand and the tight metal availability continued to push regional premiums to historical highs in all major regional markets in 2012 and this trend will possibly continue in 2013. As at the end of December, the Japanese premium stood at USD254 per tonne, the US Mid-West premium was at USD248 per tonne and the European Rotterdam in-warehouse premium was reported to be at USD285 per tonne.

Our Business

The principal activities of the Group are bauxite and nepheline ore mining and processing, alumina refining, aluminium smelting and refining, as well as the sale of

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bauxite, alumina and various primary aluminium products. There were no significant changes in the nature of the Group's principal activities during the year.

ALUMINIUM PRODUCTION RESULTS¹

UC RUSAL's total aluminium output amounted to 4,173 thousand tonnes in 2012, as compared to 4,123 thousand tonnes in 2011 (an increase of 1%).

The increase in volumes during the period was mostly due to increased production across the lower cost aluminium smelters located in Siberian Region (Russia), as well as at KUBAL (Sweden) and at Alscon (Nigeria).

The significant increase in the output at the Sayanogorsk aluminium smelter in 2012 (by 42 thousand tonnes or by 8%) was due to the reduced production in the second half of 2011 following the collapse of the railway bridge over the Abakan River in Khakas region that was used to deliver, among other freights, raw materials to the Sayanogorsk and Khakas aluminium smelters. As a result of started capacity curtailments program aluminium output decreased in 2012 at certain less-efficient smelters located in the European part of Russia and the Urals (mainly at the Bogoslovsk and Nadvoitsy aluminium smelters, by 21 thousand tonnes and 15 thousand tonnes respectively).

The situation observed in the aluminum industry in the last 12 months requires that producers take a rational approach to the utilization of existing and the launch of new capacity. The overproduction crisis that has emerged in the industry after the global financial crisis and the recession in Europe has not yet been fully overpassed. The growing demand for aluminium in Asia, North America and Russia is fully satisfied by new capacities commissioning, primarily in China and the Gulf region. This being said, global inventories are not getting any lower.

So given the need for sustaining a balance between the overall demand and supply, as well as the need for performance enhancement, in March 2013 the Board of UC RUSAL has resolved to reduce the production volume of aluminum in the course of one year by up to 300 thousand tonnes.

The management has been entrusted with providing a list of specific smelters and amounts to be curtailed at each of them. Besides it has been decided to sustain the production volumes of 2013 for 3 subsequent years at the current operating facilities. The Company's commitments to clients will be fulfilled in whole, including by means of purchasing the metal in the market.

Under the Program, it is envisaged that the decommissioning of the smelters will coincide and be aligned with the commissioning of modern and highly efficient facilities in Siberia, including the commissioning of the BEMO smelter.

¹ The sums of the figures in the table are different due to rounding.

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The below table sets out the total production of each facility, each of which is a consolidated subsidiary of the Company.

/ Asset / (kt)	Interest	Year ended 31 December		Change year-on-year (%)
		2012	2011	
Russia (Siberia)				
Bratsk aluminium smelter	100%	995	988	1%
Krasnoyarsk aluminium smelter	100%	1,000	995	1%
Sayanogorsk aluminium smelter	100%	541	499	8%
Novokuznetsk aluminium smelter	100%	291	286	2%
Irkutsk aluminium smelter	100%	413	403	3%
Khakas aluminium smelter	100%	295	293	1%
Russia – Other				
Bogoslovsk aluminium smelter	100%	103	124	(17%)
Volgograd aluminium smelter	100%	168	168	-
Urals aluminium smelter	100%	71	77	(8%)
Nadvoitsy aluminium smelter	100%	60	75	(20%)
Kandalaksha aluminium smelter	100%	71	68	4%
Volkhov aluminium smelter	100%	16	16	-
Ukraine				
Zaporozhye aluminium smelter	97.6%	-	7	(100%)
Sweden				
Kubikenborg Aluminium (KUBAL)	100%	129	111	16%
Nigeria				
ALSCON	85%	22	15	47%
Total production		4,173	4,123	1%

The Company's aluminium division is divided into Aluminium Division West and Aluminium Division East.

Aluminium Division East

Aluminium Division East comprises all smelters located in Siberia, Russia. As part of this division's activities, several projects were carried out in 2012.

Increase in output:

Production of alloys increased from 1,136 thousand tonnes in 2011 to 1,219 thousand tonnes in 2012.

- Production of high purity aluminium at the Krasnoyarsk aluminium smelter increased by 13% to 15.7 thousand tonnes in 2012.
- Production and shipment of calcined coke at the Krasnoyarsk aluminium smelter and Bratsk aluminium smelter was 66.2 thousand tonnes in 2012. The modernisation of calcination kilns at those smelters was completed in 2012.
- Production and shipment of baked anodes at the

Sayanogorsk aluminium smelter was 29.9 thousand tonnes in 2012 (increased by 17% as compared to 2011).

Small mechanization:

In 2012, the following projects were implemented at the Aluminium Division East smelters:

- Operation testing of the alumina unloader and crust breaker designed by Bryansk Arsenal and Tver' Excavator Plant was conducted.
- Major upgrade of the inter-shop transport module was performed.
- The pot operator's universal vehicle for mechanised transportation of tools was developed.
- Three anode slotting machines upgraded for operations under low temperatures started operations.
- The fleet of fork loaders and bobcats was expanded and a significant number of loaders were equipped with rotators.

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- An adaptor for cleaning flange sheet was developed for fork loaders.
- A special tool was developed for bobcats to be used in the gas removal system of S8-BM(e) cells.

Environment:

According to plans for 2012, the new modifications of processing equipment were more widely used, works on improvement of diesel equipment are to be continued, and upgrade of electrode-handling and potroom cranes was performed:

- The AD East smelters were provided with inter-shop transportation modules, alumina unloaders and crust breakers produced by RUS-Engineering.
- The number of anode beam rackers was increased at KrAZ.
- The number of fork loaders was significantly increased at KrAZ, IrkAZ, and SAZ.
- Vacuum loaders were implemented at NkAZ and IrkAZ to mechanise handling alumina.
- Development and operation testing of the anode mass loader.
- Development of a project for upgrade of the stud pulling crane.

To reduce emission of pollutants, NkAZ conducts R&D intended to convert cells from Soderberg technology to baked anode technology. As part of this project, in 2012, 4 baked anode cells (PA-167 type) were commissioned at a test site. In 2013, the test site will be equipped with state-of-the-art gas treatment facilities to start full-fledged product operations of the environment-friendly technology.

At the second industrial site of the Novokuznetsk-based smelter, new waste water treatment facilities started operations; the total cost of the facilities is RUB304 million. The new waste-treatment system allows NkAZ to switch to a closed-loop water circulation regime.

NkAZ and SAZ confirmed their compliance with the requirements of the international environment management standard ISO 14001.

Aluminium division West

Aluminium Division West comprises the Volgograd smelter, Nadvoitsy smelter, Kandalaksha smelter, Volkhov smelter (all in Russia), KUBAL (in Sweden), the aluminium sections of the Bogoslovsk and Ural smelters (in Russia), as well as the secondary alloys facility.

In March foundry facilities for ingots production were started at 'NAZ-SUAL' and 'VAZ-SUAL' plants. These facilities allow manufacturing filtered and degassed ingots (value-added products). Overall production is 30,000 tonnes per year ('NAZ-SUAL') and 24,000 tonnes per year ('VAZ-SUAL') accordingly.

At the end of the second half of 2012, filter-box was installed at 'BAZ-SUAL'. Since August 2012, filtered and degassed alloys have been produced. Now BAZ facility

equipped with filter-box allows manufacturing at least 1,000 tonnes of the alloys per month for export.

ALUMINA PRODUCTION RESULTS

UC RUSAL's total attributable alumina output¹ amounted to 7,477 thousand tonnes in 2012, compared to 8,154 thousand tonnes in 2011, a decrease of 8%.

The decrease in the volume of alumina production in 2012 compared to that of 2011 was predominantly attributable to the Achinsk Alumina Refinery and Bogoslovsk Alumina Refinery (Russia), Nikolaev alumina refinery (Ukraine) and the Friguia Alumina Refinery (Guinea) with operations interrupted in April 2012.

¹ Calculated based on the pro rata share of the Group's ownership in the corresponding alumina refineries.

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/ Asset / (kt)	Interest	Year ended 31 December		Change
		2012	2011	year-on-year (%)
Ireland				
Aughinish Alumina	100%	1,926	1,927	-
Jamaica				
Alpart	100%	-	-	-
Windalco (Ewarton and Kirkvine Works)	93%	514	554	(7%)
Ukraine				
Nikolaev Alumina Refinery	100%	1,429	1,601	(11%)
Italy				
Eurallumina	100%	-	-	-
Russia				
Bogoslovsk Alumina Refinery	100%	1,006	1,052	(4%)
Achinsk Alumina Refinery	100%	945	977	(3%)
Urals Alumina Refinery	100%	768	741	4%
Boxitogorsk Alumina Refinery	100%	-	55	(100%)
Guinea				
Friguia Alumina Refinery	100%	150	574	(74%)
Australia (JV)				
Queensland Alumina Ltd. ¹	20%	740	673	10%
Total production		7,477	8,154	(8%)

¹ Pro-rata share of production attributable to UC RUSAL.

² Calculated based on pro-rata share of the Company's ownership in corresponding bauxite mines and mining complexes. The total production of the Company's fully consolidated subsidiaries, Timan and Bauxite Company of Guyana Inc., are included in the production figures, notwithstanding that minority interests in each of these subsidiaries are held by third parties.

MoU was signed in October 2012 with the government of Italy which, among other things, stipulates the financing of the modernisation of the production site and the construction of a coal-fired thermal power plant by the government of Italy and regional authorities. Also in 2012, the Company obtained EUR 39.3 million of VAT refunds in Italy related to earlier paid export VAT.

A first instance European court cancelled the resolution of the European commission regarding the refund of the fuel excise, claims of EUR 32 million against Eurallumina were dropped and Aughinish was given a refund of EUR 10.9 million.

A long term contract was signed between UC RUSAL and FOSAGRO for the supply of fluorides. Under the contract production of fluorides is to be expanded to meet the demand of UC RUSAL's production sites. An extra 12,000 tonnes of fluorides will be produced. The project is to be implemented in 2012-2015. The parties are considering implementing a similar project at Balakvoskiye Mineral Fertilisers OJSC (a subsidiary of FOSAGRO).

A long term contract was signed between UC RUSAL

and Glencore to sell alumina in 2012 -2019. The total guaranteed amount of alumina to be supplied under the contract is 3.4 million tonnes. The contract will allow the Company to diversify its sales of alumina and maximise the profit of its alumina business.

A three year contract was signed with Hydro to buy MRN bauxites. As a result the Aughinish alumina refinery is going to have enough sweetening bauxites to meet its production targets through 2015.

Transshipment of imported alumina was organised at Rostov-on-Don and Hamina (Finland), the rate at which alumina gets unloaded from ships was increased at Vanino, SPB, Kokkola, Murmansk, Liepāja. To avoid problems with getting sufficient quantities of alumina delivered to aluminium smelters in due time, the amounts of alumina being transhipped at Murmansk, Kotka and Liepāja have been increased.

BAUXITE PRODUCTION RESULTS

UC RUSAL's total attributable bauxite output² was 12,365 thousand tonnes in 2012, compared to 13,473

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thousand tonnes in 2011 (a decrease of 8%).

The decrease in the volume of bauxite production took place mainly due to the reduced mining operations at the Friguia bauxite mine in Guinea following production interruption at the Friguia alumina refinery and bauxite mine North Urals (mine of Cheryomukhovskaya-Glubokaya was converted in category of mines under construction); this was partially offset by the increased output at other facilities in Russia, Guinea and Guyana. The table below

shows the contribution from each facility.

In December 2012, the Company announced the signing of the Annex 11 to the Dian-Dian Concession Agreement with the Republic of Guinea specifying details of the development of Dian-Dian, the world's largest bauxite deposit. According to the Annex, the project development will be divided into four phases to be fulfilled by the end of 2019 and will involve the development of a bauxite mine and construction of an alumina refinery.

/ Bauxite mines / (Kt Wet)	Interest	Year ended 31 December		Change year-on-year (%)
		2012	2011	
Jamaica				
Alpart	100%	-	-	-
Windaico (Ewarton and Kirkvine)	93%	1,812	1,842	(2%)
Russia				
North Urals	100%	2,954	3,350	(12%)
Timan	80%	2,212	2,030	9%
Guinea				
Friguia	100%	491	1,921	(74%)
Kindia	100%	3,331	3,002	11%
Guyana				
Bauxite Company of Guyana Inc.	90%	1,566	1,328	18%
Total production		12,365	13,473	(8%)

An MoU was signed in October 2012 with the government of Jamaica under which the company's local operations will not have to pay the bauxite levy for one year. Savings are expected to be about USD 4.6 million in 2012-2013. The risk that the licence for extracting bauxites from the Alpart deposits could have been rescinded due to the current suspension of mining operations was also eliminated by the MoU.

In Guinea, the access road to the Balaya deposit (Kindia-2) has been completed and development of the new deposit has begun. During the construction of the access road to Balaya a deposit of high quality bauxites was discovered, estimated to contain 1.487 million tonnes of bauxite.

The Bauxite Company of Guyana has begun the implementation of the Kurubuka-22 project, which should allow it to improve the quality of finished goods and keep the production site in operation. Licences have been obtained to extract bauxites from the Block 38 deposit in Guyana (estimated to have about 40 million tonnes of bauxites).

NEPHELINE PRODUCTION RESULTS

UC RUSAL's nepheline syenite production was 4,947 thousand tonnes in 2012, compared to 4,608 thousand tonnes in 2011 (an increase of 7%).

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/ Nepheline mines (Achinsk) / (Kt)	Interest	Year ended 31 December		Change
		2012	2011	year-on-year (%)
Kiya Shaltyr Nepheline Syenite	100%	4,947	4,608	7%
Total production		4,947	4,608	7%

FOIL AND PACKAGING PRODUCTION RESULTS

The aggregate aluminium foil and packaging material production from the Company's plants increased by 6% to 86 thousand tonnes in 2012, primarily due to increased production at Sayanal in Russia.

The production volume at Sayanal increased due to an increase in the performance of the V1 rolling mill at Sayanal after completion of a major upgrade in the third quarter of 2011.

As a result of our expansion to new markets and an increase of our share in the key clients' consumption the export sales volume has increased by over 6,800 tonnes or 14% as compared to 2011. As a consequence, the domestic market share decreased while in physical terms the volume of sales on the domestic market has virtually not changed (the growth in comparison to 2011 is 58 tonnes).

The table below shows the contribution from each facility.

/ Foil Mills / (Kt)	Interest	Year ended 31 December		Change
		2012	2011	year-on-year (%)
Russia				
Sayanal	100%	40,666	36,372	12%
Ural Foil	100%	16,509	17,305	(5%)
Sayana Foil	100%	2,808	2,164	30%
Armenia				
Armenal	100%	26,263	25,313	4%
Total production		86,246	81,154	6%

OTHER BUSINESS

The Company's aggregate output from its non-core business has shown multidirectional dynamics. Silicon increased by 6% to 59,348 tonnes in 2012 while in 2011 secondary alloys decreased by 9%, cathodes by 67%, powder by 4% and fluorides by 11% compared to 2011. The decrease in the production was due to weaker demand for the products.

The increase in production of silicon is related to growth of its export as a result of the aggressive policy of sales at the EU market; nevertheless, supplies to the

domestic market and the CIS market diminished due to the falling demand and strengthening competition from Kazakhstan- and China-based producers of silicon.

The reduction in production of powders is related to the planned reduction in sales of low-profitability coarse powders and switching to high-margin products.

An 11% reduction in production of fluorides in 2012 as compared to 2011 is due to mothballing of South-Ural Kryolite Plant (YuUKZ) in conformity with the programme of mothballing of unprofitable production capacities.

Management Discussion and Analysis

<i>(t) unless otherwise indicated</i>	Year ended 31 December		Change year-on-year (%)
	2012	2011	
Secondary alloys	24,635	27,105	(9%)
Cathodes	11,177	34,000	(67%)
Silicon	59,348	56,171	6%
Powder	19,110	19,934	(4%)
Fluorides	69,514	77,760	(11%)
Coal (50%) (Kt)	22,012	20,320	8%
Transport (50%) (Kt of transportation)	7,793	8,160	(4%)

Coal production results

The coal production attributable to the Group's 50% share in LLP Bogatyr Komir increased by 8.3% to 22,012 thousand tonnes in 2012, as compared to 20,320 thousand tonnes in 2011. The increase in volume in 2012 as compared to 2011 was due to a general increase in electricity consumption in Kazakhstan.

Transportation results

The coal, iron ore and other products transported

by railway by LLP Bogatyr Trans, in which the Company had a 100% share up until September 2011 when it sold a 50% interest to an unrelated party, decreased by 4.5% to 7,793 thousand tonnes in 2012, as compared to 8,160 thousand tonnes in 2011. The decrease in volume in 2012 was due to extensive maintenance of railways in Russia (and the respective low turnover of rail cars), and a decrease in coal consumption in Russia.

Financial Overview

REVENUE

	Year ended 31 December 2012			Year ended 31 December 2011		
	USD million	kt	Average sales price (USD/tonne)	USD million	kt	Average sales price (USD/tonne)
Sales of primary aluminium and alloys	9,323	4,203	2,218	10,414	4,017	2,592
Sales of alumina	503	1,582	318	664	1,837	361
Sales of foil	302	80	3,775	309	75	4,120
Other revenue	763	–	–	904	–	–
Total revenue	10,891			12,291		

Total revenue decreased by 11.4% to USD10,891 million in 2012 compared to USD12,291 million in 2011. The decrease in total revenue primarily resulted from the decrease in sales of primary aluminium and alloys due to the decline in the LME aluminium price. Sales of primary aluminium and alloys accounted for 85.6% and 84.7% of UC RUSAL's revenue for the years 2012 and 2011, respectively.

Revenue from sales of primary aluminium and alloys decreased by USD1,091 million, or by 10.5%, to USD9,323 million in 2012, as compared to USD10,414 million in 2011, despite an increase in volumes of the primary aluminium and alloys sold. This decrease resulted primarily from the sharp decline in weighted-average realised aluminium price, by 14.4% in 2012 as compared to 2011,

due to the weak performance of the LME aluminium price (which decreased to an average of USD2,018 per tonne from USD2,395 per tonne for the years 2012 and 2011, respectively). The decrease in average LME aluminium prices was slightly offset by a 30.0% growth in premiums above the LME price in the different geographical segments (to an average of USD208 per tonne from USD160 per tonne for the years 2012 and 2011, respectively).

Revenue from sales of alumina decreased by 24.2% to USD503 million in 2012 as compared to USD664 million in 2011, due to an 11.9% decrease in alumina weighted-average sales prices (which was in line with the overall weaker aluminium price performance in 2012) as well as a 13.9% decrease in alumina sales volume.

Management Discussion and Analysis

Revenue from sales of foil decreased by 2.3% to USD302 million in 2012, as compared to USD309 million in 2011, primarily due to a decrease in average realised price driven by the decline in LME aluminium prices.

Revenue from other sales, including transportation, energy and bauxite, decreased by 15.6% to USD763 million in 2012 as compared to USD904 million in 2011, primarily

due to the change in scope of consolidation after the disposal in September 2011 of a 50.0% share in the transportation business in Kazakhstan.

COST OF SALES

The following table shows the breakdown of UC RUSAL's cost of sales for the periods ended 31 December 2012 and 2011:

(USD million)	Year ended 31 December		Change year-on-year (%)	Share of costs for
	2012	2011		the year ended 31 December 2012, %
Cost of alumina	1,352	1,052	28.5%	14.6%
Cost of bauxite	530	513	3.3%	5.7%
Cost of other raw materials and other costs	3,148	3,145	0.1%	34.1%
Energy costs	2,592	2,535	2.2%	28.1%
Depreciation and amortisation	515	492	4.7%	5.6%
Personnel expenses	914	860	6.3%	9.9%
Repairs and maintenance	147	149	(1.3%)	1.6%
Change in asset retirement obligations	(2)	7	NA	0.0%
Net change in provisions for inventories	36	33	9.1%	0.4%
Total cost of sales	9,232	8,786	5.1%	100.0%

Total cost of sales increased by USD446 million, or 5.1%, to USD9,232 million in 2012, as compared to USD8,786 million in 2011. The increase was primarily driven by the 4.6% (or 186 thousand tonnes) growth in the aggregate aluminium sales volumes.

Cost of alumina increased by 28.5% in 2012 as compared to 2011, primarily as a result of an increase in the volumes of externally purchased alumina following the decrease of self-produced alumina as well as the slight growth in transportation tariffs.

Cost of bauxite increased by 3.3% in 2012 as compared to 2011, primarily as a result of an increase in the purchased volume.

Costs of raw materials (other than alumina and bauxite) and other costs were almost flat during 2012 as compared to 2011.

Energy cost was almost flat during 2012 as compared to 2011, as the increase in sales volumes of aluminium was offset by the decrease in weighted-average electricity tariffs and the depreciation of the Russian Ruble against the US dollar.

DISTRIBUTION, ADMINISTRATIVE AND OTHER EXPENSES

Distribution expenses decreased by 13.6% to USD527

million in 2012, compared to USD610 million in 2011, mainly due to the change in scope of consolidation after the disposal in September 2011 of a 50% share in the transportation business in Kazakhstan, where distribution expenses represented the key component of operating expenses. The fluctuation of the Russian Ruble in 2012 as compared to 2011 also facilitated a decrease in distribution expenses.

Administrative expenses decreased by 5.4% to USD718 million in 2012, compared to USD759 million in 2011. The decrease was primarily the result of the cost optimization programme.

Impairment of non-current assets increased by USD59 million in 2012 to USD304 million as a result of impairment of the alumina and bauxite plant in Guinea and the recognition of impairment charge relating to the specific assets of the Group.

Other operating expenses decreased by 70.4% to USD42 million in 2012, compared to USD142 million in 2011. The significant drop in other operating expenses was driven by the reduction in the provisions for tax and legal contingencies.

Management Discussion and Analysis

ADJUSTED EBITDA AND RESULTS FROM OPERATING ACTIVITIES

(USD million)	Year ended 31 December		Change year-on-year (%)
	2012	2011	
Reconciliation of Adjusted EBITDA			
Results from operating activities	60	1,749	(96.6%)
Add:			
Amortisation and depreciation	543	518	4.8%
Impairment of non-current assets	304	245	24.1%
Loss on disposal of property, plant and equipment	8	–	100.0%
Adjusted EBITDA	915	2,512	(63.6%)

A sharp decrease in the results from operating activities and Adjusted EBITDA for the year ended 31 December 2012 to USD60 million and USD915 million, respectively, as compared to the results from operating activities and Adjusted EBITDA of USD1,749 million and USD2,512 million, respectively for the corresponding period in 2011, reflected primarily low aluminium prices, the weaker macro-economic environment and an overall

increase of certain raw materials purchase prices and transportation tariffs.

SEGMENT REPORTING

The Group has four reportable segments, which are the Group's strategic business units: Aluminium, Alumina, Energy, Mining and Metals.

The core segments are Aluminium and Alumina.

(USD million)	Year ended 31 December			
	2012		2011	
	Aluminium	Alumina	Aluminium	Alumina
Segment revenue				
kt	4,299	6,122	4,096	6,977
USD million	9,515	2,043	10,600	2,444
Segment result	722	(190)	2,072	(24)
Segment EBITDA	1,150	(86)	2,472	76
Segment EBITDA margin	12.1%	(4.2%)	23.3%	3.1%
Total capital expenditure	327	155	416	223

For the years ended 31 December 2012 and 2011 respectively, segment result margins (calculated as the percentage of segment result to total segment revenue) from continuing operations were 7.6% and 19.5% for the aluminium segment, and negative 9.3% and 1.0% for the alumina segment. Key drivers for the decrease in margin in the aluminium segment are disclosed in "Revenue",

"Cost of sales" and "Adjusted EBITDA and Results from operating activities" sections above. Detailed segment reporting can be found in the consolidated financial statements for the year ended 31 December 2012. Finance income and expenses

Management Discussion and Analysis

(USD million)	Year ended 31 December		Change
	2012	2011	year-on-year (%)
Finance income			
Interest income on loans and deposits	19	7	171.4%
Foreign exchange gain	–	58	(100.0%)
Change in fair value of derivative financial instruments, including	–	416	(100.0%)
<i>Change in fair value of embedded derivatives</i>	–	499	(100.0%)
<i>Revaluation of financial instruments linked to the share price of Norilsk Nickel</i>	–	(97)	(100.0%)
<i>Change in other derivatives instruments</i>	–	14	(100.0%)
Interest income on provisions	6	40	(85.0%)
	25	521	(95.2%)
Finance expenses			
Interest expense on bank loans and company loans wholly repayable within five years, bonds and other bank charges, including	(682)	(1,319)	(48.3%)
Nominal interest expense	(590)	(664)	(11.1%)
Excess of effective interest rate charge over nominal interest rate charge on restructured debt	–	(560)	(100.0%)
Bank charges	(92)	(95)	(3.2%)
Foreign exchange loss	(66)	–	100.0%
Change in fair value of derivative financial instruments, including	(107)	–	100.0%
Change in fair value of embedded derivatives	(113)	–	100.0%
Change in other derivatives instruments	6	–	100.0%
Interest expense on provisions	(65)	(17)	282.4%
	(920)	(1,336)	(31.1%)

Finance income decreased by USD496 million to USD25 million in 2012 as compared to USD521 million in 2011, as finance income in 2011 was affected by a gain on the change in fair value of derivative financial instruments of USD416 million, of which USD499 million was represented by a gain on the revaluation of embedded derivative financial instruments. Starting from the beginning of 2011, the valuation is based on the contractually-committed volumes of electricity and capacity, as detailed in, and consistent with, the term of notice submitted to the administrator of the trading system, on a monthly basis. Previously, the embedded-derivative features were valued for the entire duration of the contracts. As a result, the change in fair value of derivative financial instruments, representing the revaluation of the energy-embedded derivatives for the period under the contracts that extends beyond the term of notice, which amounted to USD738 million for 2010, was derecognised in the first quarter of 2011.

Finance expenses decreased by 31.1% to USD920 million in 2012 as compared to USD1,336 million in 2011 primarily due to the decrease in interest expenses partially compensated by the negative foreign exchange effect.

Total interest expenses on bank and company loans decreased in the year ended 31 December 2012 mainly due to the completed refinancing of the Company's outstanding debts during the year ended 31 December 2011. As at the date of refinancing, the excess of effective interest rate charges over nominal interest rate charges on restructured debt in amount of USD320 million was recognised. Nominal interest expenses decreased by 11.1% in 2012 as compared to 2011, as a result of the reduction in the principal amount payable to international and Russian lenders and in the overall interest margin.

Finance expenses in 2012 were also affected by a foreign exchange loss of USD66 million, as compared to a foreign exchange gain of USD58 million during 2011. The difference was driven by fluctuations in the exchange rate between the Russian Ruble and the US dollar and their effect on the working capital items of several Group companies denominated in currencies other than their functional currencies in 2012 and 2011.

Management Discussion and Analysis

SHARE OF PROFITS OF ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

(USD million)	Year ended 31 December		Change year-on-year (%)
	2012	2011	
Share of profits/(losses) of Norilsk Nickel, with	490	(336)	NA
Effective shareholding of	30.27%	30.27%	
Share of profits	490	943	(48.0%)
Result from changes in the underlying net assets following treasury share transactions	–	(1,279)	NA
Share of losses of other associates	(21)	(13)	61.5%
Share of profits/(losses) of associates	469	(349)	NA
Share of profits of jointly controlled entities	55	25	120.0%

The Company's share of the results of associates for the years ended 31 December 2012 and 2011 included a gain of USD469 million and loss of USD349 million, respectively. Share in results of associates in both periods resulted primarily from the Company's investment in Norilsk Nickel, which amounted to profit of USD490 million and loss of USD336 million for 2012 and 2011, respectively. The Company's share of Norilsk Nickel results for 2011 included a loss of USD1,279 million recognized by the Company as a result of a decrease in the carrying value of the Company's share of net assets of Norilsk Nickel. This change in carrying value was attributable to sales and purchases by Norilsk Nickel of its own shares during this period and in particular to the combined effect of the prices at which such transactions took place and the changes in the Company's proportionate share of Norilsk Nickel resulting from the reduction and increase in Norilsk Nickel treasury stock as a consequence of the transactions.

Share of profits of jointly controlled entities was USD55 million in 2012 as compared to USD25 million in 2011. This represents the Company's share of results in the Company's joint ventures – BEMO, LLP Bogatyr Komir, Mega Business and Alliance (transportation business in Kazakhstan) and North United Aluminium Shenzhen Co., Ltd.

INCOME TAX

Income tax expense decreased by USD347 million to USD26 million in 2012, as compared to an income tax expense of USD373 million in 2011.

Current tax expenses decreased by USD35 million, or 21.1%, to USD131 million as at 31 December 2012, compared to USD166 million as at 31 December 2011 due to a decrease in the taxable profit period-on-period.

The deferred tax benefit was USD105 million in 2012 as compared to a deferred tax expense of USD207 million in 2011. The deferred tax benefit for the year ended 31 December 2012 primarily resulted from reversal of previously recognized provisions in respect of certain deferred tax assets. The deferred tax expense for the year ended 31 December 2011 was primarily represented by the tax effect of the revaluation of energy embedded derivative liabilities recognized in the first half of 2011 in the amount of USD148 million.

NET (LOSS)/PROFIT FOR THE PERIOD

As a result of the above, the Company recorded a net loss of USD337 million in 2012, as compared to a net profit of USD237 million in 2011.

Management Discussion and Analysis

ADJUSTED AND RECURRING NET (LOSS)/PROFIT

(USD million)	Year ended 31 December		Change, year-on-year, %
	2012	2011	
Reconciliation of Adjusted Net (Loss)/Profit			
Net (loss)/profit for the period	(337)	237	NA
Adjusted for:			
Share of profits and other gains and losses attributable to Norilsk Nickel, net of tax effect (9.0%), with	(490)	534	NA
<i>Share of profits, net of tax</i>	(490)	(842)	(41.8%)
<i>Result from changes in the underlying net assets following treasury share transactions</i>	–	1,279	(100.0%)
<i>Revaluation of financial instruments linked to the share price of Norilsk Nickel</i>	–	97	(100.0%)
<i>Change in fair value of embedded derivative financial instruments, net of tax (20.0%)</i>	25	(589)	NA
Excess of effective interest rate charge over nominal interest rate charge on restructured debt	–	560	(100.0%)
Impairment of non-current assets, net of tax	304	245	24.1%
Adjusted Net (Loss)/ Profit	(498)	987	NA
Add back:			
Share of profits of Norilsk Nickel, net of tax	490	842	(41.8%)
Recurring Net (Loss)/Profit	(8)	1,829	NA

Adjusted Net (Loss)/Profit for any period is defined as the net (loss)/profit adjusted for the net effect of the Company's investment in Norilsk Nickel, the net effect of embedded derivative financial instruments, the excess of effective interest rate charges over nominal interest rate charges on restructured debt and the net effect of non-current assets impairment. Recurring Net Profit for any period is defined as Adjusted Net (Loss)/Profit plus the Company's net effective share in Norilsk Nickel results. Adjusted Net Loss and significant reduction of the Recurring Net Profit in 2012 in comparison of the corresponding period of the prior year were primarily driven by the decrease in the Company's result from operating activities and share of profits attributable to Norilsk Nickel, net of tax effect.

ASSETS AND LIABILITIES

UC RUSAL's total assets increased by USD56 million, to USD25,401 million as at 31 December 2012 as compared to USD25,345 million as at 31 December 2011. The increase in total assets mainly resulted from the increase in the carrying value of the investment in Norilsk Nickel.

Total liabilities decreased by USD328 million, or 2.2%, to USD14,478 million as at 31 December 2012 as compared to USD14,806 million as at 31 December 2011. The decrease was mainly due to the decrease in the outstanding debt of the Group.

CAPITAL EXPENDITURE

UC RUSAL recorded total capital expenditures of USD501 million for the year ended 31 December 2012. UC RUSAL's capital expenditure in 2012 was aimed at maintaining existing production facilities.

Management Discussion and Analysis

(USD million)	Year ended 31 December	
	2012	2011
Growth project		
Taishet smelter	76	89
	76	89
Maintenance		
Pot rebuilds costs	134	181
Re-equipment	291	352
Total capital expenditure	501	622

Loans and borrowings

The nominal value of the Group's loans and borrowings was USD10,522 million as at 31 December 2012, not including bonds which amounted to an additional USD988 million.

In 2012, the Group has developed an optimal strategy for liquidity management and mitigation of financial risks, which has enabled the Company to maintain its strong liquidity position despite the volatility experienced in the commodity and financial markets.

The strategy involved the introduction of a period when financial covenants are not tested under the credit facilities with Russian and international lenders, refinancing the Group's short-term debt obligations due in 2013, establishment of additional credit lines and working capital optimization.

Set out below is an overview of certain key terms of the Group's loan portfolio as at 31 December 2012:

Management Discussion and Analysis

Facility / Lender*	Principal amount outstanding as at 31 December 2012	Tenor / Repayment Schedule	Pricing
Syndicated Facilities			
		Tranche A (USD2.84 billion) – 5 years; Tranche B (USD1 billion) – 7 years, until October 2016 and September 2018, respectively	Tranche A: 3 month LIBOR plus margin fluctuating depending on Total Net Debt to Covenant EBITDA ratio (as at 31 December 2012 constituting 4.25% p.a.)
USD4.75 billion pre-export facility	USD3.84 billion**	Tranche A: USD500 million prepayment no later than 4 October 2012***, then equal quarterly repayments starting from January 2013****	
		Tranche B: equal quarterly repayments starting from January 2017	Tranche B: 3 month LIBOR plus margin of 5.25% p.a.
Bilateral loans			
Sberbank loans	USD5 billion	September 2016, bullet repayment at final maturity date	1 year LIBOR plus 4.5% p.a. (partially hedged)
Sberbank loan	RUB18.3 billion	November 2016, bullet repayment at final maturity date	9.7% p.a. (partially hedged through cross-currency swap)
VTB loans*****	RUB12.1 billion	November 2013, certain annual repayments	Central Bank of Russia refinancing rate plus 1.5% p.a.
Gazprombank loans	USD0.6 billion	October 2016, equal quarterly repayments starting from June 2013	3 month LIBOR plus 6.5% p.a.
Bonds			
Rouble bonds series 07	RUB15 billion	March 2018, bullet repayment at final redemption date, subject to a' bondholders put option exercisable in March 2014 following coupon reset	5.13% p.a. (after giving effect to hedging transactions)
Rouble bonds series 08	RUB15 billion	April 2021, bullet repayment at final redemption date, subject to a bondholders' put option exercisable in April 2015 following a coupon reset	5.09% p.a. (after giving effect to hedging transactions)

* As at the Latest Practicable Date, all loans, except Rouble bonds, are secured. Please refer to the "Security" section below for a summary description of the security provided in respect of the Group's loans.

** As at the Latest Practicable Date, USD406.3 million has been prepaid. Please refer to the "2013 Amendments" section for a description of the latest amendments.

*** The initial USD500 million prepayment was made in January 2012. Please refer to the "Key events" section for a description of the latest amendments.

**** The Company has prepaid during 2012 and 2013 the scheduled amortizations of principal due for 2013 in full in the total amount of USD813 million.

***** As at the Latest Practicable Date, RUB2,000 million has been prepaid. Please refer to the "2013 Amendments" section for a description of the latest amendments.

Management Discussion and Analysis

The average maturity of the Group's debt as at 31 December 2012 is 3.3 years. Further, after the prepayments that were made in 2012 and in the first quarter of 2013, there are, as of the date of the Annual Report, only USD448 million to be repaid in 2013 (falling mainly to 2H2013) under Russian facilities which are fully covered by available credit lines.

SECURITY

As of the date of this Annual Report, the Group's debt (excluding the Rouble bonds) is secured by pledges over certain fixed assets (including assets owned by the Group's aluminium smelters), pledges of shares in certain operating companies, the assignment of receivables under certain contracts, and security over relevant collection accounts. Such security includes a pledge over shares in Norilsk Nickel (representing 25% plus one share of Norilsk Nickel's issued share capital) in favour of Sberbank.

KEY EVENTS

In January 2012, the Company finalised negotiations held pursuant to its existing internal risk management procedures and agreed with its international and Russian lenders to amend certain terms of the existing credit facilities, in order to better reflect the global market environment. In particular, the Company obtained the option to introduce a 12-month financial covenant holiday, starting from any quarter in 2012, enabling it to enjoy more flexibility in managing financial ratios where necessary. On 30 March 2012, the Company decided to exercise this option and, therefore, the financial covenants were not tested during a 12 months period commencing from the first quarter of 2012 in accordance with the revised terms of the credit facilities entered into between the Company and the international and Russian lenders. In November 2012 the Company has reached an agreement with its lenders on the extension, until the end of 2013, of the period during which financial covenants under the credit facilities arranged by international and Russian lenders are not to be tested.

On 28 December 2012, the Group signed the agreements with Gazprombank for new 5-years amortizing loan facilities of up to USD300 million in total with the interest rate of 3-months Libor plus 6.5% p.a.

During the year 2012, the Group made the following repayments:

- On 30 January 2012 - prepayment of Tranche A loans under the USD4.75 billion syndicated facility in the amount of USD500 million using proceeds of a Sberbank facility with a credit limit of up to RUB18.3 billion with a five year maturity and 9.7% interest rate raised in January 2012.
- On 16 March 2012 the Group repaid a part of VTB

loan in the amount of RUB2 billion.

- On 30 March 2012 the remaining portion of the USD200 million secured syndicated credit facility in favour of Alumina & Bauxite Company Ltd dated 10 November 2006 (with Natixis as facility agent and security agent) was fully prepaid in the amount of USD66 million.
- On 14 November 2012 – further prepayment under USD4.75 billion syndicated facility in the amount of USD406 million (being the scheduled amortization of the first and second quarters of 2013) out of the remaining proceeds of a Sberbank facility and the Group's own funds.

2013 AMENDMENTS

- In January 2013 the Group has entered into a 5-year amortizing multicurrency credit facility agreement of up to USD400 million with various international banks. The utilization under this financing was made in February 2013 with the proceeds in the amount equivalent to USD 328 million together with the Group's own funds in the amount of USD78 million used to prepay the scheduled amortizations of principal due for the third and fourth quarters of 2013 under the USD4.75 billion syndicated facility in the amount of USD406 million.
- On 7 February 2013 the Group also repaid a part of VTB loan in the amount of RUB2 billion using its own funds.

No dividends were declared and paid by the Company during the year ended 31 December 2012 due to restrictions imposed by the credit facility agreements to which the Company is party as borrower. These restrictions limit the ability of the Company to pay dividends during the covenant holiday period (which applied for the duration of the financial year 2012 and will continue to apply for the duration of the financial year 2013) and recovery period (as such terms are defined in the relevant credit agreements). Once these restrictions cease to apply to the Company, it will be permitted to pay dividends up to agreed thresholds on the terms outlined in the applicable credit agreements.

FUNDING AND TREASURY POLICIES

The Group's treasury operations are handled by the Company's treasury department, the functions of which include financing, treasury and cash management. The treasury management system is largely centralised which allows liquidity risk to be minimised and cash to be allocated efficiently. Cash payments and receipts for the whole Group are controlled by the treasury department.

Management Discussion and Analysis

Liquidity and Capital Resources

LIQUIDITY

In 2012, the Group's principal source of liquidity was operating cashflow of USD1,092 million. The Group's principal uses of cash through 2012 are expected to be for operating expenses, debt repayment and capital expenditure. It expects to fund its liquidity needs mainly through operating cash flow.

EQUITY AND DEBT RAISINGS

There were no equity raisings and/or allotments

and issues of equity during, nor were there any debt raisings in 2012.

CASH FLOWS

In 2012, the Company used its USD1,092 million of net cash generated from operating activities, and USD335 million in dividends from associates and jointly controlled entities, predominantly to make debt repayments (comprising net repayment of USD441 million), to pay interest (USD610 million) and on total capital expenditure (USD501 million).

The following table summarises the Company's cash flows for 2012 and 2011:

(USD million)	Year ended 31 December	
	2012	2011
Net cash generated from operating activities	1,092	1,781
Net cash used in investing activities	(93)	(299)
Net cash used in financing activities	(1,131)	(1,346)
Net (decrease)/increase in cash and cash equivalents	(132)	136
Cash and cash equivalents at beginning of period	613	486
Effect of exchange rate fluctuations on cash and cash equivalents	9	(9)
Cash and cash equivalents at end of period	490	613

The Company generated net cash from operating activities of USD1,092 million for the year ended 31 December 2012 as compared to USD1,781 million for the previous year. Net decrease in working capital and provisions contributed USD287 million to the operating cash flow for 2012 unlike the previous year when the net increase in working capital and provisions comprised USD644 million.

Net cash used for the investing activities decreased to USD93 million for 2012 as compared to USD299 million for the previous year primarily due to the enhanced control over the capital expenditures.

The above mentioned initiatives allowed the Company to assign USD441 million of the own cash flows for the debt repayment that together with the interest payments of USD610 million represent the main components of the cash used in the financing activities of a total amount of USD1,131 million for 2012.

CASH AND CASH EQUIVALENTS

Restricted cash of USD15 million and USD33 million for letters of credit pledged with banks were included in cash and cash equivalents as at 31 December 2012 and 31 December 2011 respectively. Note 23 to the consolidated financial statements shows a comparison of the Company's cash and cash equivalents as at 31 December 2012 and 31 December 2011, respectively.

Financial Ratios

GEARING

The Group's gearing ratio, which is the ratio of total debts (including both long-term and short-term borrowings and bonds outstanding) to the total assets, as at 31 December 2012 and 31 December 2011 was 44.6% and 46.1%, respectively.

RETURN ON EQUITY

The Group's return on equity, which is the amount of net profit as a percentage of total equity, as at 31 December 2012 and 31 December 2011 was (3.1%) and 2.2%, respectively.

INTEREST COVERAGE RATIO

The Group's interest coverage ratio, which is the ratio of earnings before interest and taxes to net interest, for the years ended 31 December 2012 and 31 December 2011 was 0.6 and 1.3, respectively.

Quantitative and Qualitative Disclosures About Market Risk

The Group is exposed in the ordinary course of its business to risks related to changes in interest rates and foreign exchange rates.

Management Discussion and Analysis

The Group's policy is to monitor and measure interest rate and foreign currency risk and to undertake steps to limit their influence on the Group's performance.

INTEREST RATE RISK

The Group is exposed to interest rate risk due to interest rate fluctuations in the floating rate of its long-term borrowings. Such interest rate risk is managed through the maintenance of a balanced credit portfolio, as well as through interest rate hedging.

To minimise interest rate exposure, in December 2011, the Group entered into an interest rate swap to convert the floating 1 year LIBOR rate on a portion of the USD4.58 billion facility with Sberbank, to a fixed rate of 2.4795%. The notional amount of the facility that is subject to the swap is USD3.3 billion. The swap is effective from 30 September 2012 until the maturity of the underlying facility.

In February 2012 - May 2012 the Group entered into additional cross-currency swaps to convert a portion of 5 year rouble denominated credit in the amount of RUB15.2 billion into USD denominated liability of USD504 million.

FOREIGN CURRENCY RISK

The Group is also exposed to foreign currency risks on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities, primarily USD but also the Russian Rouble, the Ukrainian Hryvna and the Euro.

The Group's credit portfolio is over 80% USD denominated in order to match the structure of generated cash flows.

To minimise foreign currency exposure with respect to its Rouble denominated borrowings, the Group has entered into cross-currency swap transactions to

convert its Rouble bond exposure into USD.

A detailed description of the Group's interest rate and foreign exchange risks is set out in note 30(c) of the consolidated financial statement for the year ended 31 December 2012.

Environmental Performance and Safety

SAFETY

In 2012 the LTIFR for the Group reached 0.25, –the same as for 2011 and 2010.

In 2012, there were six fatal accidents involving employees and one involving contractors. In 2011, there were eleven fatal accidents involving employees and four involving contractors whereas in 2010 there were eleven fatal accidents involving employees and three involving contractors.

ENVIRONMENTAL PERFORMANCE

Russian environmental levies for air emissions and the discharge of liquids and other substances amounted to USD 18.7 million in 2010, USD20.6 million in 2011 and USD19.5 million in 2012. There has been no material environmental pollution incident at any of the Group's sites or facilities during the two years ended 31 December 2012.¹

¹ Material accidents are defined in terms of financial damage to the Group – any environmental pollution accident costing more than USD 50 million is considered to be material.

Employees

The following table sets forth the aggregate average number of people (full time equivalents) employed by each division of the Group during each of the two years ended 31 December 2012 and 2011, respectively.

/ Division /	Year ended 31 December 2012	Year ended 31 December 2011
Aluminium	20,877	21,897
Alumina	20,570	21,021
Engineering and Construction	18,836	19,135
Energy	36	37
Packaging	1,883	1,921
Managing Company	593	574
Commercial Directorate	4,857	3,944
Technology and Process Directorate	1,620	1,315
Others	2,000	2,117
Totals	71,272	71,961

Management Discussion and Analysis

REMUNERATION AND BENEFITS POLICIES

The remuneration paid by the Group to an employee is based on his or her qualifications and performance, as well as the complexity of his or her job. Wages for employees are generally reviewed annually and are revised in accordance with a performance assessment and local labour market conditions. Annual salary reviews covering main labour markets are unaudited for this purpose.

UC RUSAL's Personnel Policy and corporate code of conduct govern the relationship between the Group and its staff. The Group's corporate code of conduct strictly prohibits discrimination based on gender, race and/or religion and forbids any form of child, forced or indentured labour.

In July 2012, the medical insurance programme offered to employees was extended. The programme covers employees working at the Company's facilities in the Russian Federation, and allows employees to receive qualified medical care in a timely manner without any additional costs. Additionally, the range of medical services available to eligible employees has been expanded.

As part of the project to automate and standardise HR cost accounting processes, seven production sites in the Company installed the same 1C Enterprise 8: Payroll and HR Management software solution and approved a standard method for accounting and calculating payroll using the new software system.

BONUS AND SHARE SCHEMES

On 11 May 2011, the Board adopted the LTIP, in which eligible participants (being employees of the Group) may be entitled to participate. From the pool of eligible participants, the Board may, in its discretion, select employees for participation in the LTIP. The number of shares to be awarded to a selected employee is determined by the Company on the "Award Date" (as it is determined in the LTIP Rules). Unless otherwise determined by the Board, in its sole discretion, and with the exception of the vesting of the CEO's LTIP Award, the awarded shares and related compensation for the particular award period ("LTIP Award") that are transferable to a selected employee vest in that selected employee in installments (which each comprises 20% of the total LTIP Award), over a five year period (each a "Tranche"), provided that:

- the selected employee remains an employee at all times following the Award Date and on each of the LTIP Award vesting dates; and
- the first Tranche of each LTIP Award will vest on the vesting date during the calendar year immediately following the award period for which such LTIP Award is awarded.

During 2012, the Board did not approve any LTIP Award for 2011 and, therefore, no Shares were granted

under the 2011 LTIP Award.

Out of those Shares conditionally granted under the 2010 LTIP Award, the second Tranche of the Shares vested in November 2012 comprised 2,224,967 Shares. For the year ended 31 December 2012, Ogier Employee Benefit Trustee Limited, as trustee of the United Company RUSAL Plc Employee Benefit Trust and the LTIP ("Trustee") acquired a total of 3,059,914 Shares with a nominal value of USD0.01 per share. The purchased Shares represent approximately 0.0202% of the Company's issued share capital as at 31 December 2012 and the date of this Annual Report.

The average price paid for the Shares was approximately USD 0.601 per share, in addition to trading fees totaling approximately USD 3,210.

TRAINING SCHEMES

In 2012, the Company's key focus areas in the field of personnel development and training were the following:

- professional training of operators;
- mandatory training programs for senior management and engineers;
- training programs for the Company's external candidate pool, in cooperation with educational institutions, at all education levels.

The following special programs and projects for the development of staff at the production facilities of the Company have been implemented:

- the "Successors Development Program";
- "RUSAL's Professionals", a professional skills contest concerned with the development of leadership skills;
- «Improvement of the Year», the first contest is aimed at the personnel involvement in the production system development;
- the "RUSAL's Manager Standard" program;
- training on the Company's Production System including e-learning course on Fundamentals of this System;
- training on the Quality Management System;
- training of expert engineers in respect of the Company's facilities;
- carrying out of the Russian-French (postgraduate) training program, with the support of the Group of Mountain Schools (Groupe des Ecoles des Mines – GEM), the Siberian Federal University (SFU) and the French Embassy in Russia;
- Start of the target program for the group of students of the Siberian Federal University (SFU) by "Non-Ferrous Metals" specialization;
- a training program for qualified personnel in relation to the Company's foreign facilities (which so far has involved the training of 100 Guinean citizens at four Russian universities);
- the organising of social events for employees, including the implementation of a child corporate holiday program – "Expedition to Planet RUSAL" –

Management Discussion and Analysis

for 716 employee children, which included various educational, developmental, fitness and recreational activities;

- the development of modular programs of mandatory training for workers; and
- the development of professional standards for key positions.

CORPORATE CODE OF CONDUCT

The corporate code of conduct, which is enforced through compliance procedures established by the Group, regulates the professional behaviour and business communications of all the Group's employees. In December 2007, the Group established a "hotline" for employees to report violations of the corporate code of conduct and to answer employee's questions about the corporate code of conduct and other corporate procedures. At the same time, the Group also heavily promoted awareness of the hotline amongst its employees. A team of code of conduct ombudsmen and advisors was also established, which covers all of the Group's production facilities.

LABOUR RELATIONS

About 60% of the Group's employees are unionised and 90% of the employees are covered by collective bargaining agreements. In addition, labour relations and benefits at Russian production facilities are regulated by an industrial tariff agreement for Russian mining and metallurgical complexes.

All collective agreements that expired in 2012 were renewed and entered into for terms of up to two years.

Under the current collective employment agreement the remuneration of employees of the Company's production site was increased in 2012 to offset inflation on the basis of the official data published by the State Statistics Committee of the Russian Federation regarding the minimal living wage for people who have a job and the consolidated index of consumer prices.

DEVELOPMENT OF RUSAL MEDICAL CENTRE

2012 is the year when actions began to be implemented to reduce the frequency of occupational diseases which employees working in hazardous conditions were diagnosed with.

As part of this programme medical personnel at RMC took a course in professional pathology and RMC set up its own service of professional pathologists to ensure that quality medical care was provided to employees affected by occupation related medical conditions and that a link between specific medical conditions and specific occupations was discovered as early as possible. Together with the country's leading labour medicine research facilities and industry leaders a national applied science conference called Modern Issues of Assessment and Management of Professional

Health Risks in Aluminium Production with foreign participants was organised. During the conference key problems and solutions to these issues were discussed.

In addition, programmes to prevent the development of occupation-related medical conditions were launched in 2012 targeting Company employees and seeking to reduce the frequency of medical conditions affecting the respiratory system, muscles and bones.

Thanks to the voluntary medical insurance programme offered to employees, in 2012 it was possible to reduce the amount of work time lost due to sick leave by 4% relative to the previous year, from 9.37 days per person in 2011 down to 8.95 days per person in 2012.

Changes to the organisational structure of the Company

In 2012, the Company's organizational structure was modified with the aim of increasing management efficiency and creating more distinct production facility specialisations, through maximising the concentration of specific tasks, while ensuring clear coordination of, and constant interaction between, the various elements of the Company's structure.

As a result, in 2012, the export Sales Directorate was renamed the Sales Directorate and consolidated Export Sales Directorate and Russia and CIS Sales Directorate.

The Alumina Division East and International Alumina Division were consolidated and renamed as Alumina Division.

Newly established Supply Chain Division consolidates in the current structure Commercial Directorate, Directorate of Transport & Logistics and bauxite trading from the former International Alumina Division.

Engineering & Construction Division consolidated Engineering & Construction businesses of the Company – Engineering & Construction Company Ltd., Russian Engineering Company Ltd. and others.

The Equity and Corporate Development Directorate was renamed the Strategy Development and Equity Directorate, the Strategy Directorate was renamed the Management of Strategic Investments Directorate.

The Directorate for Relations with Natural Monopolies of the Company was separated from the Government Relations Directorate.

Business risks

The Company has identified the following risks which affect its business:

- The Group operates in a cyclical industry that has recently experienced price and demand volatility, which have had and may continue to have a material adverse effect on the Group's performance and financial results.

Management Discussion and Analysis

- The Group's competitive position in the global aluminium industry is highly dependent on continued access to inexpensive and uninterrupted electricity supply, in particular, long-term contracts for such electricity. Increased electricity prices (particularly as a result of deregulation of electricity tariffs), as well as interruptions in the supply of electricity, could have a material adverse effect on the Group's business, financial condition and results of operations.
 - The Group depends on the provision of uninterrupted transportation services and access to state-owned infrastructure for the transportation of its materials and end products across significant distances, and the prices for such services (particularly rail tariffs) could increase.
 - The terms of the credit facility agreements impose certain limits on the Group's capital expenditure and payment of dividends. Failure by the Group to comply with the terms and conditions of these agreements may materially adversely affect the Group and its Shareholders.
 - The Group benefits significantly from its low effective tax rate, and changes to the Group's tax position may increase the Group's tax liability and affect its cost structure.
 - The Group is exposed to foreign currency fluctuations which may affect its financial results.
 - En+ is able to influence the outcome of important decisions relating to the Group's business, which includes transactions with certain related parties.
 - The Group depends on the services of key senior management personnel and the strategic guidance of Mr. Oleg Deripaska.
 - Adverse media speculation, claims and other public statements could adversely affect the value of the Shares.
 - The Group does not have operational or management control over Norilsk Nickel and other material joint ventures.
 - The Group's business may be affected by labour disruptions, shortages of skilled labour and labour cost inflation.
 - The Group relies on third-party suppliers for certain materials.
 - Equipment failures or other difficulties may result in production curtailments or shutdowns.
 - The Group is subject to certain requirements under Russian anti-monopoly laws.
 - The Group operates in an industry that gives rise to health, safety and environmental risks.
 - Ore Reserves and Mineral Resources data are estimates only and are inherently uncertain, and such Ore Reserves and Mineral Resources may be depleted more rapidly than anticipated.
 - The Group's licenses and concession rights to explore and mine Ore Reserves may be suspended, amended or terminated prior to the end of their terms or may not be renewed.
 - The Group is exposed to risks relating to the multi-jurisdictional regulatory, social, legal, tax and political environment in which the Group operates. To mitigate certain of the risks referred to above, the Company has put in place the following insurance policies:
 - property damage and business interruption insurance including extensions relating to external power supply incidents and key supplier incidents;
 - cargo insurance;
 - general liability insurance, including sudden and accidental pollution;
 - directors and officers liability insurance;
 - credit insurance to address the risks associated with customers who have deferred payment conditions; and
 - other types of insurance, including insurance which is compulsory in territories in which the Group operates.
- Each of the insurance policies referred to above has been arranged in compliance with best market practice, with the majority of risks placed with insurance companies which are rated A or higher by Standard & Poor's.

Contingencies

The Board has reviewed and considered the contingent liabilities of the Company and disclosed information concerning such contingent liabilities in note 32 to the consolidated financial statements. Accordingly, for detailed information about contingent liabilities, please refer to note 32 to the consolidated financial statements. Details of the amounts of provisions are also disclosed in note 27 to the consolidated financial statements.

TAX CONTINGENCIES

New transfer pricing legislation was introduced in Russia from 1 January 2012 which applies to cross-border transactions between the Group companies in and out of Russia and to certain domestic related parties' transactions in Russia exceeding a certain annual threshold (RUB3 billion in 2012 to be reduced threefold by 2014). The new legislation brings local transfer pricing rules closer to the OECD guidelines, however creates additional immediate uncertainty in their application and interpretation. Since there is no practice of applying the new rules by the Russian tax authorities and the pre-existing practice and case-law is of little reliance, it is difficult to predict the effect, if any, of the new transfer pricing rules on

Management Discussion and Analysis

the consolidated financial statements. The Company nevertheless believes it is compliant with the new rules as it has historically applied the OECD-based transfer pricing principles to the relevant transactions in Russia.

LEGAL CONTINGENCIES

The Group's business activities expose it to a variety of lawsuits and claims which are monitored, assessed and contested on the ongoing basis. Where management believes that a lawsuit or another claim would result in the outflow of the economic benefits for the Group, a best estimate of such outflow is included in provisions in the consolidated financial statements (refer to note 27 (c)). As at 31 December 2012, the amount of claims, where management assess outflows as possible approximates USD 213 million (31 December 2011: USD 164 million).

In May 2009, the Republic of Guinea filed a claim in Guinea against one of the Group's subsidiaries of USD1,000 million contesting the terms of privatisation of the Group's subsidiary in Guinea. The subsidiary appealed that decision and received a decision from the Appeal Court of Conakry overruling the previous court's decision regarding the jurisdiction of the local court to consider this claim in Guinea. In June 2011, the relevant Group subsidiary filed a request for arbitration with the International Chamber of Commerce in Paris against the Republic of Guinea for, among other things, a declaration that the privatization is valid. In May 2012, the Republic of Guinea filed an answer and counterclaim that the privatisation is invalid. Thereafter, the Republic of Guinea withdrew its counterclaim, and merely denies that the relevant Group subsidiary is entitled to the relief it seeks. The final hearing in the case is scheduled for September 2013. On the basis that the counterclaim has been withdrawn management believes the risk of a significant cash outflow in connection with the case is remote and therefore, no provision has been recorded in this regard in the consolidated financial statements.

On 24 November 2006 a claim was issued on behalf of Mr. Michael Cherney ("Mr. Cherney") against Mr. Oleg V. Deripaska ("Mr. Deripaska"), the controlling shareholder of En+. Mr. Deripaska advised the Company on 27 September 2012 that Mr. Cherney's litigation in London against Mr. Deripaska has been terminated on the basis that Mr. Cherney will make no claim against the shares or assets of the Company or Mr. Deripaska.

On 4 April and 23 July 2012, the Company received separate requests for arbitration made to the London Court of International Arbitration ("LCIA"), pursuant to the LCIA arbitration rules, for the commencement of arbitration by SUAL Partners against, under the first request, Glencore International AG, En+ Group Limited, the Company and Mr. Oleg Deripaska and, in respect

of the second request, the same parties apart from Glencore International AG. The two arbitrations were subsequently joined in one arbitration proceeding. SUAL Partners alleges, inter alia, that certain contracts between the Company and Glencore International AG and a contract between the Company and a company indirectly controlled by En+ were, or will be, in breach of those shareholder arrangements in respect of the Company. SUAL Partners seeks a number of remedies, including injunctive relief preventing the Group from performing the contracts, annulment of the contracts, an account of profits from, and damages against the respondents. Management do not expect that the arbitration will have a material adverse effect on the Group's financial position or its operation as a whole.

Interests in associates and jointly controlled entities

As at the Latest Practicable Date, the Group owns an interest of around 28% in the share capital of Norilsk Nickel. In addition, the Group is a party to certain material joint venture agreements through which it owns the following:

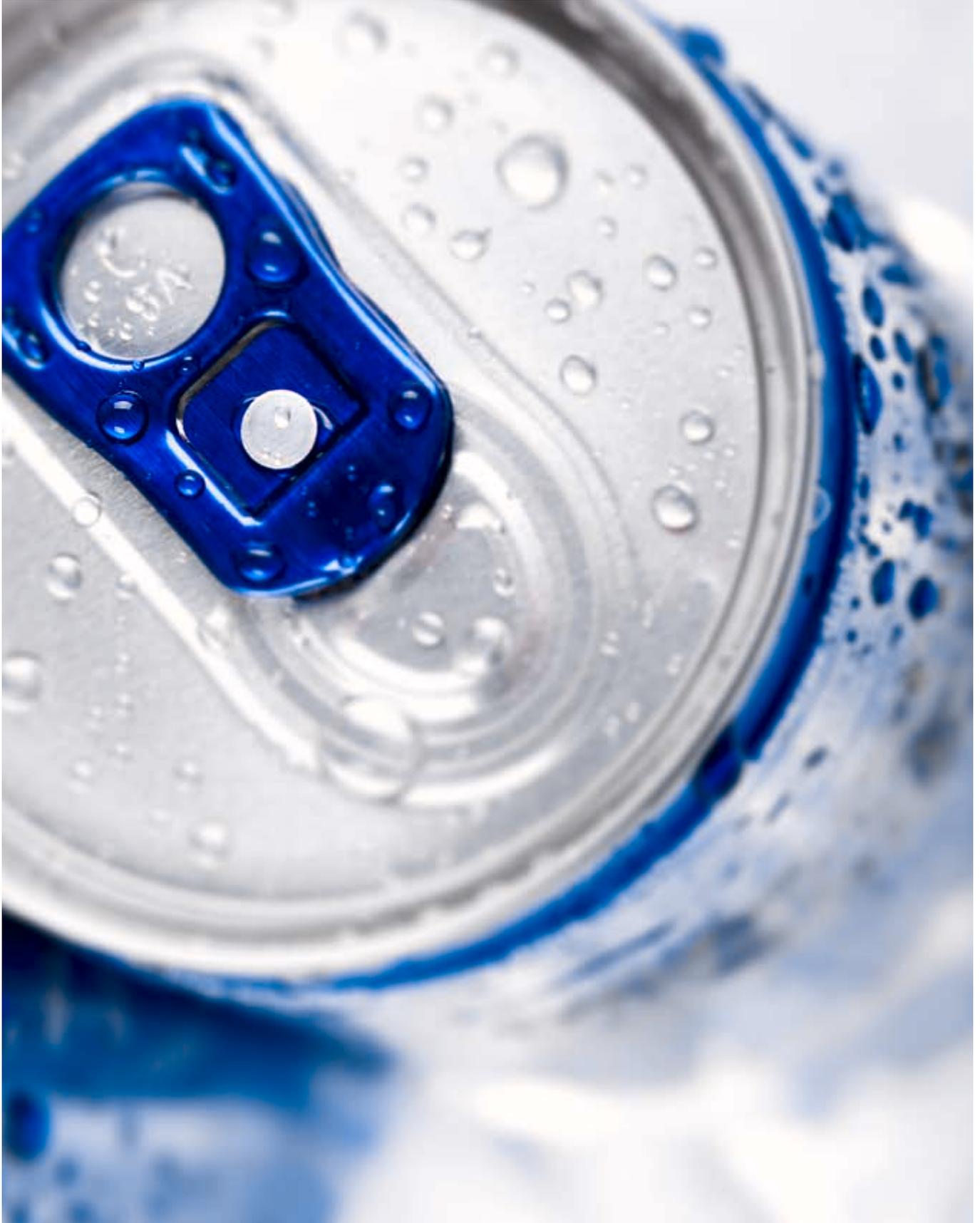
- a 20% equity interest in QAL;
- a 50% equity interest in the companies comprising BEMO;
- a 50% equity interest in LLP Bogatyr Komir;
- a 50% equity interest in the transportation business; and
- a 33% equity interest in North United Aluminium

In April 2012 the Group acquired a 33% interest in North United Aluminium for USD16 million. North United Aluminium is a trader specialising in the trade of aluminium, alloys and other non-ferrous metals.

The Group's interest in jointly controlled entities was USD1,156 million as at 31 December 2012, compared to USD1,102 million as at 31 December 2011. For additional information on the Group's interests in associates and jointly controlled entities, please refer to notes 17 and 18 to the consolidated financial statements.

UC RUSAL OPERATES IN 19 COUNTRIES ON 5 CONTINENTS

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Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

OLEG DERIPASKA, AGED 45 (CHIEF EXECUTIVE OFFICER, EXECUTIVE DIRECTOR)

Oleg Deripaska was appointed as the executive Director and Chief Executive Officer of the Company, and the chief executive officer and head of the Moscow Branch of RUSAL Global Management B.V. in January 2009.

From April to December 2010, Mr. Deripaska held the position of chief executive officer of En+ Management LLC. From 23 December 2010 till 8 July 2011, Mr. Deripaska held the position of chairman of the board of directors of En+. On 8 July 2011 he was appointed as President of En+. Mr. Deripaska has been a member of the Company's Board since 26 March 2007. He is responsible for the development and implementation of the Company's strategy as both an energy and metals corporation that meets best international standards for production, product quality, environment, industrial safety and corporate governance. Mr. Deripaska is also focused on ensuring the sustainable development of the Company.

Having raised his initial capital by trading in metals, Mr. Deripaska acquired shares in the Sayanogorsk aluminium smelter and became its director general in 1994. In 1997, Mr. Deripaska initiated the creation of the Sibirsky Aluminium Group LLC, which was Russia's first vertically integrated industrial group. Between 2000 and 2003, Mr. Deripaska was director general of RA, which was set up as a result of the combination of the aluminium smelters and alumina refineries of Sibirsky Aluminium and the Sibneft Oil Company. From October 2003 to February 2007 he held the position of chairman of the board in RA. Since October 2002, Mr. Deripaska has been a director of Basic Element. From December 2001 to December 2002 and

since September 2003, he has held the position of chairman of the supervisory board of Company Bazovy Element LLC, as well as from October 1998 to March 2001 and from March 2009 to July 2012 he had held the position of general director of that same company. Mr. Deripaska has been the chairman of the board of OJSC Russian Machines (formerly RusPromAvto LLC) since 10 November 2006 until 29 June 2010. Mr. Deripaska has been a member of the OJSC Russian Machines board since 29 June 2010 until now. He was a director of Transstroy Engineering & Construction Company LLC from April 2008 to April 2009 and chairman of the board of directors of En+ since 23 December 2010. Mr. Deripaska has been a member of the board of directors of OJSC Irkutskenergo, Norilsk Nickel and OJSC "AKME-Engineering" since 19 November 2010, 31 July 2010 and 23 October 2009, respectively.

Mr. Deripaska was born in the city of Dzerzhinsk in 1968. In 1993, he graduated with distinction from the Physics Department of Moscow State University, Lomonosov, and in 1996 he received a degree from Plekhanov Academy of Economics. Mr. Deripaska is vice president of the RSPP and chairman of the executive board of the Russian National Committee of the International Chamber of Commerce. He is also a member of the Competitiveness and Entrepreneurship Council, an agency of the Russian Government. In 2004, Russian President Vladimir Putin appointed Mr. Deripaska to represent the Russian Federation on the Asia-Pacific Economic Cooperation Business Advisory Council. In 2007, he was appointed chairman of the Russian section of the Council. He sits on the board of trustees of many institutions including the Bolshoi Theatre and the School of Economics at Moscow State University, Lomonosov and

is co-founder of the National Science Support Foundation and the National Medicine Fund. His charity foundation, Volnoe Delo, supports a wide range of projects including initiatives to help children, improve medical care and increase educational opportunities throughout Russia.

Mr. Deripaska received the Order of Friendship in 1999, a state award from the Russian Federation. He was named businessman of the year in 1999, 2006 and 2007 by Vedomosti, a leading Russian business daily published in partnership with The Wall Street Journal and The Financial Times.

Save as disclosed in this Annual Report, Mr. Deripaska was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

Profiles of Directors and Senior Management

VLADISLAV SOLOVIEV, AGED 39 (FIRST DEPUTY CHIEF EXECUTIVE OFFICER, EXECUTIVE DIRECTOR)

Vladislav Soloviev was appointed as a non-executive Director on 18 October 2007 and First Deputy Chief Executive Officer and executive Director on 9 April 2010.

He is responsible for the operational management of the Company, focusing on increasing business efficiency, improving production and financial performance as well as increasing labour productivity and product quality.

From 2008 until April 2010, Mr. Soloviev was chief executive officer of En+ Management LLC. From 2007 to 2008, Mr. Soloviev was the head of the Company's Finance Directorate following the Company's formation. Before that, he was the director of the Company's accounting department. Prior to joining the Company, Mr. Soloviev was Deputy Director of the department of tax policy and worked as adviser to the Minister for taxes of the Russian Federation, where he was responsible for implementing amendments to tax laws. From 1994 to 1998, he held various top positions in UNICON/MC Consulting and was in charge of auditing oil and gas companies. Mr. Soloviev serves on the board of directors of En+. He resigned as a director of Norilsk Nickel on 11 March 2011.

Mr. Soloviev was born in 1973. In 1995, he graduated from the Higher School of the State Academy of Management with Honours, and in 1996, he graduated from the Stankin Moscow Technical University. In 2004, Mr. Soloviev graduated from the Finance Academy of the Government of the Russian Federation and was awarded an MBA degree by Antwerp University in Belgium.

Save as disclosed in this Annual Report, Mr. Soloviev was independent

from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

VERA KUROCHKINA, AGED 42 (DIRECTOR OF PUBLIC RELATIONS, EXECUTIVE DIRECTOR)

Vera Kurochkina was appointed as a member of the Board on 11 November 2010.

Ms. Kurochkina has been the director of the Public Relations Directorate of the Moscow Branch of RUSAL Global Management B.V. since late March 2007. She is responsible for the development and the implementation of the external and internal communications strategy of the Company and for establishing co-operational ties with industrial and non-commercial associations. Ms. Kurochkina is also responsible for key media relations projects, event management, advertisements, charity and social programmes. Since 10 January 2012, she is also the Deputy Chief Executive Officer, Public Relations of Basic Element. Ms. Kurochkina has also been a member of the board of directors of Ingosstrakh Open Joint-Stock Insurance Company and Joint Stock Company Agency "Rospechat" since 10 May 2012 and 22 June 2012 respectively.

From 2006 to 2007, Ms. Kurochkina was the public relations director of "RUSAL Managing Company" LLC. Prior to 2006, she headed "RUSAL Managing Company" LLC's mass media relations department. From 2001 to 2003, she was the public relations and marketing director at LUXOFT, a large Russian software developer. From 2000 to 2001, Ms. Kurochkina managed a group of projects in Mikhailov & Partners, a strategic communications agency, and from 1998 to 2000 she was a marketing and communications manager at PricewaterhouseCoopers.

Ms. Kurochkina holds a Master's degree from the Peoples' Friendship University of Russia in Moscow, from

Profiles of Directors and Senior Management

which she graduated with Honours in 1993. She also holds a Master's degree from the Finance Academy of the Russian Government.

Save as disclosed in this Annual Report, Ms. Kurochkina was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

MAXIM SOKOV, AGED 34 (DIRECTOR FOR MANAGEMENT OF STRATEGIC INVESTMENTS, EXECUTIVE DIRECTOR)

Maxim Sokov was appointed to the Board as an executive Director with effect from 16 March 2012. He was appointed as the director for management of strategic investments of the Company in February 2012. In this role, Mr. Sokov primarily focuses on any matters in connection with the Company's investment in OJSC MMC Norilsk Nickel ("**Norilsk Nickel**"), with a primary goal to increase Norilsk Nickel's value for the benefit of all shareholders of Norilsk Nickel, including the Company. Mr. Sokov is also a member of Norilsk Nickel's board of directors, which he joined on 26 December 2008 and remains in this position. He also currently holds a position of the general director of Limited Liability Company "United Company RUSAL Investment Management" which is a subsidiary of the Company.

From 2009 to 2011, Mr. Sokov has also served on the board of directors of OJSC OGK-3. Prior to assuming his current role at the Company, Mr. Sokov was the director for corporate strategy of the Company from 2010 till 2012, during which period he focused on new opportunities for the Company to develop and diversify its businesses, and strengthen the Company's competitive advantages to increase its market value. Mr. Sokov has joined the Group in 2007 and prior to 2010 he held various leading managerial positions in strategy and corporate development at the Moscow Branch of RUSAL Global Management B.V. and the legal department of LLC RUSAL-Management Company, where he was responsible for mergers and acquisitions. Prior to joining the Group, Mr. Sokov worked at the Moscow office of

Herbert Smith CIS Legal Services.

Mr. Sokov was born in 1979 and graduated with honors from the Russian State Tax Academy under the Russian Ministry of Taxes, in 2000, majoring in law. Mr. Sokov also graduated from New York University School of Law with a Master's degree in 2002.

Save as disclosed in this Annual Report, Mr. Sokov was independent from and not related to any other Directors, members of senior management, substantial shareholder or controlling shareholder of the Company as at the end of the financial year.

Profiles of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

MAKSIM GOLDMAN, AGED 41 (NON-EXECUTIVE DIRECTOR)

Maksim Goldman was appointed to the Board with effect from 16 March 2012. He is currently a director of strategic projects of Renova Management AG which he joined in July 2007 as a deputy chief legal officer and was promoted to his current position in April 2008. He has been a member of the board of directors, member of the strategy committee and the remuneration committee of OJSC "Volga" since September 2011, a member of the board of directors of FC "Ural" since July 2011 and a member of the board of directors and the remuneration committee of Independence Group since December 2007. Between June 2009 and June 2010, he was a member of the board of directors and the corporate governance, nominations and remuneration committee of OJSC "MMC Norilsk Nickel" and from December 2006 and June 2009, he was a member of the board of directors and the chairman of the remuneration and personnel committee of OJSC "Kirovsky Plant". He was a director of department of financing and securities of RUSAL Global Management B.V. between April and May 2007 and prior to that, between July 2005 and April 2007, he was the vice president and international legal counsel of OJSC "Sual Holding", which is currently a part of UC RUSAL Group. Mr. Goldman worked as an associate in the corporate department of Chadbourne & Parke LLP between October 1999 and July 2005. Mr. Goldman was born in 1971. He graduated from the UCLA School of Law in 1999 and received a bachelor of history degree (magna cum laude) from the University of California, Los Angeles, in 1996.

Save as disclosed in this Annual Report, Mr. Goldman was independent from and not related to any other

Directors, members of senior management, substantial shareholder or controlling shareholder of the Company as at the end of the financial year.

DMITRY AFANASIEV, AGED 43 (NON-EXECUTIVE DIRECTOR)

Dmitry Afanasiev was appointed as a member of the Board on 26 March 2007. He is the chairman of Egorov, Puginsky, Afanasiev and Partners, a Russian law firm that provides legal services to the Company. Prior to co-founding the firm in 1994, he worked at Schnader Harrison Segal & Lewis LLP and Wolf Block Schorr and Solis-Cohen LLP. He specialises in corporate transactions, dispute resolution and public policy. He has represented the interests of the Russian Federation on numerous occasions in various legal matters and participated in the drafting of some of Russia's federal laws, including antitrust legislation. Since June 2011, Mr. Afanasiev has been a board member of CTC Media Inc, a U.S. public company, and a member of the Russian Council for International Affairs.

Mr. Afanasiev was born in 1969. He studied law at Leningrad State University, the University of Pennsylvania and the St. Petersburg Institute of Law. He was awarded a medal by the Federal Chamber of Advocates of the Russian Federation for professional excellence and received a commendation from the President of Russia for achievements in defending human rights. He is a member of the general council of Business Russia, a national non-profit association, and a founding member of the Russian-American Business Council.

Save as disclosed in this Annual Report, Mr. Afanasiev was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

Profiles of Directors and Senior Management

LEN BLAVATNIK, AGED 55 (NON-EXECUTIVE DIRECTOR)

Len Blavatnik was appointed as a member of the Board at its creation on 26 March 2007. Mr. Blavatnik has been a director and a vice president of SUAL Partners from October 2006 until September 2012 and was a director of SUAL from October 2001 to September 2006. Mr. Blavatnik is the founder and Chairman of Access Industries, a privately-held industrial group with holdings in natural resources and chemicals, media and telecommunications, and real estate. Incorporated in 1986, Access Industries is today an international industrial concern with strategic investments in the U.S., Europe, Russia and South America. Mr. Blavatnik was raised in Russia and became a U.S. citizen in 1984. He received his Master's degree in Computer Science from Columbia University in 1981 and his MBA from Harvard Business School in 1989.

Mr. Blavatnik serves on the board of numerous companies in the Access Industries portfolio, including Warner Music Group Corp. (one of the world's leading music companies), and maintains a significant stake in LyondellBasell Industries (the world's third largest independent chemical company). Mr. Blavatnik remains engaged in educational pursuits and, in addition to corporate directorships, sits on boards at the Blavatnik School of Government at Oxford University, Cambridge University, Harvard University and Tel Aviv University. He is also a member of the Board of Governors of the New York Academy of Sciences and a Trustee of the State Hermitage Museum in St. Petersburg, Russia.

Save as disclosed in this Annual Report, Mr. Blavatnik was independent

from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

IVAN GLASENBERG, AGED 56 (NON-EXECUTIVE DIRECTOR)

Ivan Glasenberg was appointed as a member of the Board on 26 March 2007. He is a member of the board of directors of Glencore and Xstrata plc. Mr. Glasenberg joined Glencore in April 1984 and has been the Chief Executive Officer since January 2002. Mr. Glasenberg initially spent three years working in the coal/coke commodity department in South Africa as a marketer, before spending two years in Australia as head of the Asian coal/coke commodity division.

Between 1988 and 1989, he was based in Hong Kong as manager and head of Glencore's Hong Kong and Beijing offices, as well as head of coal marketing in Asia, where his responsibilities included overseeing the Asian coal marketing business of Glencore and managing the administrative functions of the Hong Kong and Beijing offices.

In January 1990, he was made responsible for the worldwide coal business of Glencore for both marketing and industrial assets, and remained in this role until he became Chief Executive Officer in January 2002. Mr. Glasenberg is a Chartered Accountant of South Africa and holds a Bachelor of Accountancy from the University of Witwatersrand. Mr. Glasenberg also holds an M.B.A from the University of Southern California. Before joining Glencore, Mr. Glasenberg worked for five years at Levitt Kirson Chartered Accountants in South Africa.

Save as disclosed in this Annual Report, Mr. Glasenberg was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

Profiles of Directors and Senior Management

ARTEM VOLYNETS, AGED 45 (NON-EXECUTIVE DIRECTOR)

Artem Volynets was appointed as a member of the Board on 16 June 2010. Mr. Volynets was also appointed as a director of En+, the controlling shareholder of UC RUSAL, and as the First Deputy Chief Executive Officer of En+ Management LLC, a wholly owned subsidiary of En+ which provides management services to En+, both appointments with effect from 16 June 2010. Since 24 December 2010, Mr. Volynets has been the chief executive officer of En+ and En+ Management LLC.

On 5 July 2010, Mr. Volynets was appointed as a non-executive director of EuroSibEnergo Plc. He was also appointed as non-executive director of Hong Kong Mercantile Exchange Limited on 25 August 2010.

From March 2007 to June 2010, Mr. Volynets was director for Corporate Strategy and Business Development of the Moscow Branch of RUSAL Global Management B.V.

From 2004 to 2007, Mr. Volynets was Chief Development Officer at SUAL International Ltd., and Vice President of Business Development from 2003 to 2004. From 1997 to 2003 he worked as strategy consultant and corporate finance advisor at Monitor Group in London, UK. Mr. Volynets lived in the U.S.A. from 1991 to 1997 studying at Georgetown and American Universities and working on the consulting projects for US international development agencies. From 2009 to 2010, Mr. Volynets served as a Chairman of the International Aluminium Institute – an international organisation for the aluminium industry, representing over 80% of global production.

Mr. Volynets was born in 1967. He received a BA in Economics from the American University in Washington, D.C. in 1994, and studied Geology and

Philosophy at the Lomonosov Moscow State University from 1984 to 1986 and 1989 to 1991 respectively. Mr. Volynets completed two years of military service from 1986 to 1988. Mr. Volynets received an MBA from Georgetown University in 1997. While at Georgetown, he also studied as an exchange student at INSEAD Business School in France.

Save as disclosed in this Annual Report, Mr. Volynets was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

DMITRY YUDIN, AGED 45 (NON-EXECUTIVE DIRECTOR)

Dmitry Yudin was appointed as a member of the Board on 11 May 2012. He is the director of strategy of En+. He joined En+ as the director of strategy on 16 June 2010. Between 2003 and 2010, Mr. Yudin worked as a business development executive in SUAL International Limited and the Group. He was responsible for strategy design, mergers and acquisitions, and organic growth project management worldwide. Prior to that, Mr. Yudin managed an emerging markets investment advisory practice in the USA and held various executive positions in cash equity brokerage and investment banking at Merrill Lynch, BNP Paribas and HSBC in the UK. From January 2010 to September 2010, he was a director of United Company RUSAL (Hong Kong) Limited, a subsidiary of the Company.

Mr. Yudin holds graduate degrees in oriental studies, international affairs and economics from the Moscow State University (Russia), Universität Witten/Herdecke (Germany) and The American University in Washington D.C. (USA).

Save as disclosed in this Annual Report, Mr. Yudin was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

Profiles of Directors and Senior Management

GULZHAN MOLDAZHANOVA, AGED 46 **(NON-EXECUTIVE DIRECTOR)**

Gulzhan Moldazhanova was appointed as a member of the Board on 15 June 2012. Ms. Moldazhanova has been the chief executive officer of "Company Bazovy Element" LLC since July 2012 and chairs its supervisory board. She is a member of the board of Basic Element Limited, a company which is ultimately beneficially owned by Mr. Oleg Deripaska. She is also a member of the board of En+ since June 2012. Between 2009 and 2011, Ms. Moldazhanova was the chief executive officer of ESN Corporation. Between 2004 and 2009, Ms. Moldazhanova was managing director, deputy chief executive officer and then chief executive officer of "Company Bazovy Element" LLC. Prior to that, Ms. Moldazhanova worked as the deputy general director for strategy at Rusal Management Company Ltd between 2003 and 2004 and the director for strategy and deputy general director for strategy at Open joint-stock company «Russian Aluminium Management» from 2000 and until 2003. Between 1995 and 1999, Ms. Moldazhanova held various positions in Siberian Aluminium including accountant, financial manager and commercial director. Ms. Moldazhanova graduated from the Kazakh State University with an honors degree in physics in 1989, received a doctorate in 1994 from Moscow State University and subsequently graduated from the Russian State Finance Academy. She also holds an MBA from the Academy of National Economy and the University of Antwerp (Belgium).

Save as disclosed in this Annual Report, Ms. Moldazhanova was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

VADIM GERASKIN, AGED 45 **(NON-EXECUTIVE DIRECTOR)**

Vadim Geraskin was appointed as a member of the Board with effect from 1 October 2012. Mr. Geraskin has been the Deputy CEO for Government Relations, Company Bazovy Element LLC since September 2012. Mr. Geraskin represents the Company on the Supervisory Board of Non-Commercial Partnership Market Council of Russia since June 2012 and also on the Supervisory Board of Non-commercial Partnership Council of Railway Operators Market of Russia since June 2012. Mr. Geraskin is also a member of the Interdepartmental Commission on Rail Transport Reformation of Russia since May 2004. Prior to September 2012, Mr. Geraskin had been the director for Natural Monopolies of the Moscow Branch of RUSAL Global Management B.V., responsible for the Company's energy and transport strategy since February 2012. Before that, Mr. Geraskin had been the head of the Directorate for Government Relations, Natural Monopolies, and Protection of Resources Moscow Branch of RUSAL Global Management B.V., since January 2009 and had been a member of the executive committee of the Company since March 2008. Between January 2008 and January 2009, Mr. Geraskin was the acting director of Government Relations of RUSAL Global Management B.V. From March 2004 until March 2007, Mr. Geraskin was in charge of the directorate of Natural Monopolies at Moscow Branch of RUSAL Global Management B.V. and previously, RUSAL Management Company LLC. Earlier, Mr. Geraskin was the head of the Transport & Logistics Directorate at RUSAL Management Company LLC from 2003 to 2004, and the director of Transport Department of JSC "Russian Aluminium Management" from 2000 to 2003. From 1997 to 2000, he held

the office of General Director of 000 "Zarubezhkontrakt", and from 1993, he has been a specialist of AOZT "Alyumin Product". Mr. Geraskin graduated from the Faculty of Physics of Lomonosov Moscow State University in 1993.

Save as disclosed in this Annual Report, Mr. Geraskin was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

Profiles of Directors and Senior Management

CHRISTOPHE CHARLIER,

AGED 41

(NON-EXECUTIVE DIRECTOR)

Christophe Charlier was appointed as a member of the Board on 9 November 2012. Mr. Charlier joined Onexim Group LLC, a privately-held investment fund founded by Mr. Mikhail Prokhorov (the ultimate beneficial owner of Onexim Holdings Limited, a substantial shareholder of the Company), as Deputy CEO in September 2008. In this capacity, he currently serves on the supervisory board of Rusal Global Management BV and on the Board of Directors of Renaissance Financial Holdings Limited (Renaissance Capital), Renaissance Capital Investments Limited, UC Rusal, OJSC RBC, OJSC Quadra – Power Generation, Ukrainian Agrarian Investments S.A. and CJSC OptoGan and is Chairman of the Board of Directors of Commercial "Renaissance Credit" LLC. In addition, Mr. Charlier was appointed as an alternate to Mr. Dmitry Razumov for attending several board meetings of the Company from time to time prior to his appointment as a non-executive Director of the Company, and he has also served as an alternate director to Mr. Razumov in Polyus Gold International Limited from 2011 to March 2013.

Mr. Charlier is also the chairman of the Board of Directors of Brooklyn Basketball Holdings LLC (Brooklyn Nets, an NBA basketball team whose principal owner is Mr. Mikhail Prokhorov) and also serves as a member of the Board of Directors of Brooklyn Arena LLC (which owns the Barclays Center in Brooklyn, New York, of which Mr. Mikhail Prokhorov is a substantial owner).

In his personal capacity, Mr. Charlier also serves on the Board of Directors of Clean Wave Technologies Inc. and is the Chairman of the Board of Directors of Pure Grass Films Ltd and Le Castle Sports

and Entertainment LLC.

Prior to joining Onexim Group, Mr. Charlier was the Director of Strategic Development and M&A at OJSC MMC Norilsk Nickel from 2002 to 2004. From 2002 to 2004, he was also a member of the Board of Directors of OJSC MegaFon, the first trans-Russian GSM mobile operator. From 1998 to 2002, Mr. Charlier was a Vice President of LV Finance Ltd, a corporate finance and venture capital boutique in Moscow, and thereafter up to 2003 as a managing director of the same entity. Prior to that, Mr. Charlier worked in the Investment Banking Group of Renaissance Capital in Moscow and in the M&A Group of JP Morgan in New York. In 1994, Mr. Charlier graduated cum laude with a Bachelor of Science in Economics with a concentration in Finance from the Wharton School of Business and with a Bachelor of Arts in International Relations from the College of Arts & Sciences of the University of Pennsylvania.

Save as disclosed in this Annual Report, Mr. Charlier was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

BARRY CHEUNG CHUN-YUEN,

AGED 55

(INDEPENDENT NON-EXECUTIVE DIRECTOR, APPOINTED AS THE CHAIRMAN OF THE BOARD WITH EFFECT FROM 16 MARCH 2012 AND RESIGNED FROM THE SAME POSITION WITH EFFECT FROM 1 OCTOBER 2012)

Barry Cheung was appointed as a member of the Board on 27 January 2010. Mr. Cheung is Chairman of the Hong Kong Mercantile Exchange as well as Chairman and a board member of Hong Kong's Urban Renewal Authority. He is also a Non official Member of the Executive Council of Hong Kong, Chairman of the Standing Committee on Disciplined Services Salaries and Conditions of Service, Vice-chairman of the Commission on Strategic Development, a member of the Honours Committee, the Long Term Housing Strategy Steering Committee and the Non-official Justices of the Peace Selection Committee of Hong Kong. He is also an independent non-executive director of AIA Group and Gateway Energy and Resources Limited. From July 2004 to January 2008, Mr. Cheung was first the Chief Executive Officer of Titan Petrochemicals Group Limited and later its Deputy Chairman. He previously served as Chairman of the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption. From 1987 to 1994, he was with McKinsey & Company during which time he advised major financial institutions in the United States and Asia, and was seconded to the Hong Kong Government's Central Policy Unit as a full-time member. Mr. Cheung was born in 1958. He holds a Bachelor of Science degree with First Class Honours in Mathematics and Computer Science from the University of Sussex and an MBA from Harvard Business School.

Mr. Cheung was independent from

Profiles of Directors and Senior Management

and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

PETER NIGEL KENNY, AGED 64 (INDEPENDENT NON-EXECUTIVE DIRECTOR)

Dr. Peter Nigel Kenny was appointed independent non-executive Director on 26 March 2007. He is currently a partner at Sabre Capital Worldwide Inc., a private equity company specialising in emerging markets.

From 1992 to 2002, Dr. Kenny held a number of senior positions at Standard Chartered Bank Plc, including group head of Audit, regional general manager for UK & Europe, group head of Operations, Corporate and Institutional Banking and group finance director. In 1978 he joined Chase Manhattan Bank where he assumed regional responsibilities for the bank's audit activities throughout Europe, the Middle East and Africa.

Dr. Kenny started his career at PriceWaterhouse and is a Chartered Accountant. He holds a PhD in Theoretical Physics (1973) and a Bachelors of Science in Physics (1970); both degrees were awarded by the University of Surrey.

Dr. Kenny is currently a non-executive director of First City Monument Bank plc, a bank listed on the Nigerian stock exchange, and an independent director of JPMorgan Emerging Markets Investment Trust plc.

Dr. Kenny was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

PHILIP LADER, AGED 67 (INDEPENDENT NON-EXECUTIVE DIRECTOR)

Philip Lader is an independent non-executive Director of the Company appointed on 26 March 2007. Since 2001, he has held the position of non-executive chairman of WPP plc, the worldwide advertising and communications services company, and senior adviser to Morgan Stanley. A lawyer, he also serves on the boards of Marathon Oil Corporation, AES Corporation, the Smithsonian Museum of American History and The Atlantic Council. Formerly, in addition to senior executive positions in several U.S. companies, he was U.S. Ambassador to the United Kingdom and served in senior positions in the U.S. government, including White House Deputy Chief of Staff.

Mr. Lader holds a Bachelor's degree in Political Science from Duke University (1966) and a Master's degree in History from the University of Michigan (1967). He completed graduate studies in law at Oxford University in 1968 and obtained a Juris Doctor degree from Harvard Law School in 1972.

Mr. Lader was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

Profiles of Directors and Senior Management

ELSIE LEUNG OI-SIE, AGED 74 (INDEPENDENT NON-EXECUTIVE DIRECTOR)

Elsie Leung was appointed as a member of the Board on 30 November 2009. From 1997 to 2005 Ms. Leung was the Secretary for Justice of the Hong Kong Special Administrative Region, as well as a member of the Executive Council of Hong Kong. Ms. Leung was admitted as a solicitor of the Supreme Court of Hong Kong in 1968. She was a partner of P. H Sin & Co., a Hong Kong law firm, which amalgamated with the law firm Iu, Lai & Li Solicitors & Notaries in 1993. Ms. Leung was a senior partner with Iu, Lai & Li Solicitors & Notaries from 1993 to 1997. In 2006, she resumed practice at Iu, Lai & Li Solicitors & Notaries. Ms. Leung has served on several government boards and committees, including the Independent Police Complaints Council, Equal Opportunities Commission, Social Welfare Advisory Committee and Inland Revenue Board of Review. Ms. Leung was appointed as a Delegate of the People's Congress of Guangdong Province in 1989. In 1993, she was appointed as a Delegate of the 8th National People's Congress as well as a Hong Kong Affairs Adviser. Since 2006 she has been the deputy director of the Hong Kong Basic Law Committee of the Standing Committee of the National People's Congress of the People's Republic of China. Ms. Leung was born in 1939. Ms. Leung is a qualified Solicitor in England and Wales and obtained a Master of Law degree from the University of Hong Kong in 1988. Ms. Leung was appointed as an independent non-executive Director of China Resources Power Holdings Company Limited, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange, with effect from 22 April 2010.

Ms. Leung was independent from and

not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

MATTHIAS WARNIG, AGED 58 (CHAIRMAN, INDEPENDENT NON-EXECUTIVE DIRECTOR)

Mr. Warnig was appointed as a member of the Board with effect from 15 June 2012 and was appointed as the Chairman of the Board with effect from 1 October 2012. Mr. Warnig, since 2006, has been the Managing Director of Nord Stream AG (Switzerland). Mr. Warnig has been an independent member of the supervisory council of JSC VTB Bank since 2007. He has also been the Chairman of the Board of Directors of JSC Transneft since June 2011. Since September 2011, Mr. Warnig has been an independent director of OJSC Rosneft. From 1997 to 2005 he was the Member of the Executive Board of Dresdner Bank. From early 1990s to 2006, he held other different positions at Dresdner Bank, including president, chairman of the Board and chief coordinator. In 1981, Mr. Warnig graduated from the Higher School of Economics (Berlin) majoring in national economy.

Mr. Warnig was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

Profiles of Directors and Senior Management

The table below provides membership information of the committees on which each Board member serves.

Board committees	Audit Committee	Corporate Governance & Nomination Committee	Remuneration Committee	Health, Safety and Environmental Committee*	Standing Committee	Marketing Committee*	Norilsk Nickel Investment Supervisory Committee
Maksim Goldman					X		X
Dmitry Afanasiev							X
Len Blavatnik			X				
Ivan Glasenberg		X			X		X
Christophe Charlier	X				X		X
Vadim Geraskin							
Matthias Warnig							
Dmitry Yudin	X						
Artem Volynets		X	X	C	X		X
Barry Cheung Chun-yuen		X	C	X	C		C
Peter Nigel Kenny	C	X	X	X			
Philip Lader	X	C	X	X			
Elsie Leung Oi-sie	X						
Oleg Deripaska							X
Vera Kurochkina							
Gulzhan Moldazhanova						C	
Maxim Sokov							
Vladislav Soloviev							X

Notes:-

C – Chairman

X – member

* – These committees also consist of other non-Board members.

Profiles of Directors and Senior Management

SENIOR MANAGEMENT

EVGENY KORNILOV, AGED 43 (CHIEF FINANCIAL OFFICER)

Evgeny Kornilov was appointed as a Chief Financial Officer on 24 October 2010. He was appointed as a member of the Executive Committee of the Company on 1 November 2010.

Prior to his appointment as Chief Financial Officer of the Company, Mr. Kornilov was the Chief Financial Officer of X5 Retail Group N.V. ("X5"), a Dutch public limited liability company whose Global Depositary Receipts are listed on the London Stock Exchange, since 18 January 2008. He has also held the office of Deputy Chief Executive Officer of X5. In August 2006, Mr. Kornilov was previously appointed as the Chief Financial Officer of Perekrestok, a Russian supermarkets retail chain, which is a member of the X5 group of companies and became the deputy Chief Financial Officer of X5 in 2007 where he remained until his appointment as Chief Financial Officer of the Company. Prior to joining X5, Mr. Kornilov was the Chief Financial Officer and chief controller of SUN Interbrew Limited in Russia and worked in the managerial consulting and audit services practice of PricewaterhouseCoopers in Russia from 1992 to 1999. He graduated from the Moscow State Institute of International Relations with a bachelor's degree in Economics, International Trade and Foreign Languages.

Mr. Kornilov was independent from and not related to the Directors, any other member of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

ALEXEY ARNAUTOV, AGED 38 (DIRECTOR OF ALUMINIUM DIVISION WEST)

Alexey Arnautov was appointed Director of the Aluminium Division West in July 2010. The Aluminium Division West, which encompasses the Volgograd, Volkhov, Kandalaksha and Nadavoitsy aluminium smelters, Zaporozhye Aluminium Complex (Ukraine) and KUBAL (Sweden), as well as the aluminium production facilities of the Urals and Bogoslovsk aluminium smelters, concentrates its efforts on the production of value added products. The western smelters, situated near European customers, focus on supplying end consumers and working together with clients to create new value added products. This task requires the implementation of modernisation projects and advanced training of the staff.

Mr. Arnautov assumed the role of acting director of the Aluminium Division of the Moscow Branch of RUSAL Global Management B.V. in March 2009. He was responsible for raising efficiency as well as achieving steadily high-performance results from the division's assets. He was also in charge of developing a new production management system, which would aim to match the world's best practices. Prior to this appointment, Mr. Arnautov was financial director of the Aluminium Division from April 2006. From November 2004 until April 2006, he was the director of the financial department of the ECD. From 1998 to 2000, he held several positions in the financial services in Sibneft Oil Company. He began his professional career in Noyabrskneftegaz in the Far North of Russia in 1996.

Born in 1974, Mr. Arnautov graduated from Donbass State Academy of

Construction and Architecture with a degree in engineering and construction in 1996. He received a degree with honours from the International Academy of Entrepreneurship in 1998 and an MBA in Economics from the Institute of Business and Economics at California State University in 2004.

Mr. Arnautov was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

Profiles of Directors and Senior Management

MAXIM BALASHOV, AGED 42 (DIRECTOR FOR NATURAL MONOPOLIES)

Maxim Balashov was appointed as a Director for Natural monopolies of the Company since October 2012. He is responsible for drafting and implementation of the Company's strategy in energy supply, railway transportation, cost optimisation in energy resource procurement and cargo transportation by railway, improvements in energy and railway transportation efficiency.

In 2010–2012 Maxim Balashov was Head of electrical energy Unit with the Industry and infrastructure Department of the Russian Government Office.

In 2008–2010 he was an acting Head of department and Deputy Head of department with the Ministry of energy in the Russian Federation.

In 2004–2008 he held a position of a Deputy Head of the Department for structural and investment policy for industry and energy with the Ministry of industry and energy of the Russian Federation.

In 2002–2004 Maxim was Head of Electrical energy Unit, Department of natural monopolies restructuring with the Ministry of economic development of the Russian Federation.

In 2000–2002 he held positions of a leading specialist, senior specialist, consultant with the Unit of electrical energy and industry, Property department with the Ministry of property of the Russian Federation.

In 1994–1999 Maxim was CFO with OAO 'Asia Trading House'.

In 1993–1994 he was a commercial director of AOZT 'Garant'.

Maxim Balashov was certified as

Honorary worker of the Fuel and energy industry.

Maxim Balashov graduated from the Power-plant engineering Department of the Bauman's Moscow Technical University and Department of accounting and audit of the Central University of Professional Development.

Maxim Balashov was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

SERGEY BELSKY, AGED 45 (DIRECTOR FOR RUSSIA AND CIS SALES)

Sergey Belsky was appointed Head of the Directorate for Russia and CIS Sales in June 2010. His responsibilities include increasing the share of the Company's domestic aluminium sales, viewed as a strategic priority of UC RUSAL, as well as to build cooperation with customers to develop new applications for aluminium and to encourage joint programmes with equipment manufacturers to devise high-technology products containing aluminium.

Previously, since November 2008, Mr. Belsky was appointed the director of the Marketing and Sales Directorate of the Company. Since the foundation of Russian Aluminium in 2000, Mr. Belsky has worked as the head of the Sales Departments of Russia and the CIS, including as the sales director of the Company's Moscow office from 2007 to 2008. Between 1999 and 2000 he was the head of the export sales department in Sibirsky Aluminium. Mr. Belsky started his career as a trader in Raznoimport before working his way up to head a division at Trans World Group in 1996.

Mr. Belsky was born in Moscow in 1967. In 1991, Mr. Belsky graduated from the Moscow Institute of Steel and Alloys where he majored in metal engineering. A year later, he graduated from the Moscow Institute of International Business of the Ministry of Economic Relations and Trade. In 2003, he received a degree from the London Business School.

Mr. Belsky was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

Profiles of Directors and Senior Management

DMITRY BONDARENKO, AGED 34 (DIRECTOR FOR PRODUCTION DEVELOPMENT)

Dmitry Bondarenko has been RUSAL's Director for Production Development since 2010. He oversees the development and introduction of RUSAL production system. He is also responsible for organisation of production and logistics as well as for the quality management system.

Between 2009 and 2010 Dmitry Bondarenko was Head of Production Department of RUSAL's Aluminium division. From 2001 through 2009, Mr Bondarenko was the lead expert at GAZ Group Managing Company LLC, where he was in charge of introducing the Toyota Production System.

Dmitry Bondarenko graduated with honours from the Nizhny Novgorod State Technical University, majoring in Design of Technical and Technological Complexes.

Mr. Bondarenko was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

SERGEY CHESTNOY, AGED 50 (DIRECTOR FOR INTERNATIONAL AND SPECIAL PROJECTS)

Sergey Chestnoy was appointed Director for International and Special Projects in January 2013. He is responsible for Company's relations with regions and countries of strategic importance, providing the public support for overseas initiatives. He coordinates RUSAL's action with executive bodies of Russian Federation regarding the international relations, with foreign governmental bodies.

From 2001 to 2012 Sergey Chestnoy was the Director of the UC RUSAL International Department.

Between 2000 and 2001, he was the Advisor to the Chairman of the Board of Directors of OJSC BANK Rossiysky Credit.

From 1984 through 2000, Sergey Chestnoy served as a diplomat of the Soviet, and then Russian Ministry of Foreign Affairs, specialising in multilateral economic diplomacy, assistance to developing countries, including the debt problems, trade, economic and scientific cooperation with the United States, as well as Russia's role in the G8.

Sergey Chestnoy was Deputy Director of the Department of Economic Cooperation of the Russian Ministry of Foreign Affairs, Senior Advisor, head of the Economics Department at the Russian Embassy in the United States, Deputy Director of the North America Department at the Russian Ministry of Foreign Affairs, Russian Ministry of Foreign Affairs adviser to the Russian President's Envoy (Sherpa) at G8. In various periods he was a member of Russian and Soviet official delegations at negotiations with the IMF, the World Bank, the Paris Club, GATT/WTO, at the G7+1 and G8 summits. As a member of the

Soviet delegation, he took part in the establishment of the European Bank of Reconstruction and Development and as a member of the Russian delegation he also took part in the establishment of the Black Sea Trade and Development Bank. Sergey Chestnoy's diplomatic rank is Counsellor, Grade 1.

In 1984 he graduated magna cum laude from the Moscow State University of International Relations of the USSR Ministry of Foreign Affairs (Faculty of International Economic Relations); in 1988 he completed his post-graduate studies at the same university. He holds a PhD in Economics.

Mr. Chestnoy was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

Profiles of Directors and Senior Management

VALERY FREIS, AGED 58 (DIRECTOR FOR SECURITY)

Valery Freis has been the head of the UC RUSAL Directorate of Security since February 2008. He is responsible for the creation and effective management of the security system and the development of a policy and strategy in the field of resource protection from causing harm to the Company's economic interests, business standing, business processes, and personnel.

Before joining the Company, Mr. Freis was deputy general director for economic security at Irkutskenergo JSC and chairman of the board of directors of several companies. In the period between 1996 and 2002, he was deputy general director for security at Ust-Ulimsk Timber Processing Complex JSC. From 1989 to 1996, Mr. Freis held the post of general director of Lestorgurs.

Earlier he served in the Combating the Theft of Socialist Property Agency of the Ministry of the Interior of the Russian Federation. Valery Freis was born in 1954. In 1979, Mr. Freis graduated from the Kuybyshev Planning Institute; he underwent training at the Academy of National Economy of the Russian Federation Government.

Mr. Freis was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

STEVE HODGSON, AGED 46 (DIRECTOR FOR SALES AND MARKETING)

Steve Hodgson was appointed Director for International Sales in June 2010, and Director for Sales and Marketing in September 2012. He is responsible for developing RUSAL's positions in the key aluminium markets, building and strengthening the Company's global customer relations.

Before taking up his current role, in 2007 until 2010 Mr Hodgson was CEO and President of the Bauxite and Alumina Division of Rio Tinto Alcan. During this period he also held the post of President of the Australian Aluminium Council. Prior to this, he was the Managing Director of Rio Tinto's Diamond Division.

From 2004 to 2006, he was Managing Director of RUSAL's Alumina Division following a successful two years with RUSAL as its Head of Sales, based in Moscow.

From 1997 to 2002, Mr Hodgson was head of the International Sales and Marketing arm of Comalco (later renamed Rio Tinto Aluminium). Mr Hodgson started his career with Comalco in New Zealand as a process engineer and rose to become the manager of the Metal Products Division and, later, the head of the Metal Products Division of Anglesey Aluminium Metal Ltd. in North Wales.

Steve Hodgson holds an honours degree from the School of Engineering, Auckland University, New Zealand.

Mr. Hodgson was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

EGOR IVANOV, AGED 36 (DIRECTOR FOR CONTROL, INTERNAL AUDIT AND BUSINESS COORDINATION)

Egor Ivanov has been UC RUSAL's Director for Control, Internal Audit and Business Coordination since 2012. He is responsible for the internal control system and raising the efficiency of business processes within the Company. He ensures independent analysis of critical issues of the Company's operations for reporting to CEO and top management. He is also responsible for compliance with the requirements of the regulators and international lenders.

Mr. Ivanov joined CJSC "Armenal" in 2000 as a financial director. From 2000 to 2007 he held different financial positions at "RUSAL Managing Company" LLC and Trading House "Russian Aluminum Rolling". Since October 2010 he headed a department in Control, Internal Audit and Business Coordination Directorate. Between 2005 and 2010, he was Head of the Budget and Planning Department at Moscow Branch of RUSAL Global Management B.V. Until 2001, he worked in ITERA International Group of Companies, one of the largest independent producers and traders of natural gas operating in the CIS and the Baltic states.

Mr. Ivanov was born in 1977 and graduated from the Finance Academy under the Government of the Russian Federation majoring in accounting and audit.

Mr. Ivanov was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

Profiles of Directors and Senior Management

YAKOV ITSKOV, AGED 46 (DIRECTOR OF PROCUREMENT AND LOGISTICS)

Yakov Itskov was appointed RUSAL's Director of Procurement and Logistics in January 2013.

Prior to that, Yakov Itskov worked as a Head of RUSAL's International Alumina Division from February 2010. The International Alumina Division includes the western bauxite mining and alumina production facilities: the Guinea-based Friguia Alumina Refinery and Compagnie des Bauxites de Kindia, the Bauxite Company of Guyana, Aughinish Alumina in Ireland, Eurallumina in Italy, Alpart and Windalco in Jamaica and Queensland Alumina in Australia. Key objective of the International Alumina Division is the mining of bauxite and production of high quality alumina for the Company's smelters and sales in the global market. This requires considerable flexibility and an ability to meet each customer's specific demands.

Yakov Itskov became the first Vice President of RussNeft in 2009 and held that position until 2010. From 2008 to 2009, he was General Director of BazelDorStroy LLC and between 2007 and 2008 he was the General Director of Project and Construction Company Transstroy LLC. He was also the Managing Director of Basic Element LLC from 2006 until 2007 and prior to this he was the General Director of Soyuzmetallresurs CJSC from 2001 to 2006.

From 2000 to 2001 Mr Itskov was the Deputy Commercial Director of OAO Russian Aluminium.

Yakov Itskov holds a degree in Mining Machines and Complexes from Moscow State Mining University. He also holds a PhD in Economics.

Mr. Itskov was independent from and not related to the Directors, any

other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

VALERY MATVIENKO, AGED 57 (DIRECTOR OF ALUMINA DIVISION)

Valery Matvienko was appointed Director of Alumina Division in October 2012.

Prior to that, Valery Matvienko worked as a Head of Alumina Division East from July 2010. In 2008 Mr. Matvienko became the first deputy CEO of Norilsk Nickel OJSC and was also a member of the executive committee of Norilsk Nickel OJSC. From 2007 through 2008, he was the director for the Engineering and Construction business at UC RUSAL. From 2005 through 2007 he was the general director of Russian Engineering Company LLC. In 2005 he was deputy director for the Engineering and Construction business at RUSAL Management Company Ltd. From 2003 through 2005 he held the positions of the Director of the Production Directorate, Deputy CEO for Production, Deputy CEO for the Aluminium Business at RUSAL Management Company Ltd. From 2002 through 2003 he was the production director of Russian Aluminium Management OJSC. From 1998 through 2002 he held management positions at the Krasnoyarsk, Bratsk and Novokuznetsk aluminium smelters.

Mr. Matvienko was born in 1955. In 1977 he graduated from Ordzhonikidze Siberian Metallurgy Institute with a degree in engineering (ferrous metallurgy).

Mr. Matvienko was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

Profiles of Directors and Senior Management

PETR MAXIMOV, AGED 40 (GENERAL COUNSEL)

Petr Maximov has been heading the Legal Directorate of UC RUSAL since July 2012. Before he joined the Company, Mr. Maximov was the Deputy CEO for Legal and Corporate Matters in Novorossiysk Sea Trade Port. From 2005 to 2009, he was a Corporate Assets Director in charge of a Legal Department in EastOne (Interpipe) Investment Group. Mr. Maximov was a member of the Board of Directors of TNK-BP Ukraine and EastOne Group UK.

From 2004 to 2005, he headed a Legal Department of COACLO AG Investment Company and was a member of the Board of Directors of OAO Mikhailovsky GOK. From 1995 to 2004, Mr. Maximov worked in a number of global leading law firms, namely: Milbank, Tweed, Hadley & McCloy; Coudert Brothers; Debevoise & Plimpton; and Squire, Sanders & Dempsey.

In 2001 Mr. Maximov graduated with an LL.M. degree from Columbia University School of Law, New York, USA. In 1999 he graduated from the Moscow State University with a Diploma in Law (magna cum laude). In 1994 he graduated from the Moscow Technical College with a Diploma in engineering (magna cum laude).

Mr. Maximov is an expert in M&A deals, international investments and corporate governance. He managed purchases and disposals of some of the largest assets in Russia and abroad. His corporate law studies have been published by a number of international legal newsletters and magazines.

Mr. Maximov was independent from and not related to the Directors, any other member of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

OLEG MUKHAMEDSHIN, AGED 39 (DIRECTOR FOR STRATEGY AND BUSINESS DEVELOPMENT)

Oleg Mukhamedshin was appointed Deputy CEO, Director for Strategy and Business Development in 2012. Prior to his current position, in 2011 Mr. Mukhamedshin was RUSAL's Head of Equity and Corporate Development, RUSAL's Director for Financial Markets, and Director for Capital Markets from 2007 to 2011.

Oleg Mukhamedshin is responsible for Company's strategy development and implementation, M&A deals and growth projects.

He was also in charge of restructuring RUSAL's USD 16.6 billion debt in 2009–2011 and RUSAL's USD 2.2 billion IPO on the Hong Kong Stock Exchange and Paris' Euronext in 2010. Under his leadership, RUSAL became the first company to launch a Russian Depository Receipts programme.

From 2006 through 2008 Oleg Mukhamedshin took part in preparing and implementing major M&A transactions, including the acquisition of a 25% stake in MMC Norilsk Nickel and merger with SUAL and Glencore's bauxite and alumina assets.

From August 2004 through March 2007, Mr. Mukhamedshin was RUSAL's Deputy CFO, overseeing corporate finance.

From 2000 to August 2004, Oleg Mukhamedshin was Director of RUSAL's Department for Corporate Finance.

Prior to joining RUSAL, Oleg Mukhamedshin occupied various executive positions in corporate finance in leading Russian natural resource companies including TNK (now TNK-BP). Between 1999 and 2000, he was an advisor to the principal shareholder of the Industrial Investors Group. From 1994 to 1995, he worked with the investment

bank PaineWebber to help establish the Russia Partners Fund, one of the first international direct investment funds in Russia.

Oleg Mukhamedshin was born in 1973.

Oleg Mukhamedshin holds a BA in Economics with Honours from Moscow State University.

Mr. Mukhamedshin was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

Profiles of Directors and Senior Management

ALEXANDER OSIPOV, AGED 46 (DIRECTOR FOR HUMAN RESOURCES)

Alexander Osipov was appointed RUSAL's HR Director in February 2013. He is responsible for Company's human resource management and personnel development as well as for implementation of social and incentive programmes for employees.

Prior to joining RUSAL, Alexander Osipov was the Head of HR at Severstal-Russian Steel Division. In 2005-2011 he was HR Director at OJSC Severstal.

In 2004-2005, Alexander was a manager responsible for organizational development of Alcoa in Russia. From 2001 through 2004 he was HR Director of Saransk Brewing Company and the Klin production plant owned by SUN Interbrew.

From 1996 through 2001 Alexander was a recruitment manager and Head of the Saint Petersburg branch of a leading international recruitment company Manpower.

In 1983-1992 Alexander was in the military service, following his graduation from the Leningrad political and military college.

Mr. Osipov was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

VLADIMIR POLIN, AGED 50 (DIRECTOR OF ALUMINIUM DIVISION EAST)

Vladimir Polin was appointed Head of Aluminium Division East in July 2010, which includes the Company's major aluminium production facilities, such as the Sayanogorsk, Khakas, Krasnoyarsk, Irkutsk, Novokuznetsk and Bratsk aluminium smelters. The main task as Head of Aluminium Division East, is to meet the growing demand for UC RUSAL's products from Asia, increase the production of alloys and value added products by achieving maximum efficiency of the production capacities.

Prior to joining UC RUSAL, Mr. Polin was Senior Vice President of Mechel (NYSE: MTL). From June 2006 till December 2008 Mr. Polin was Chief Executive Officer of Mechel Management LLC. From July 2003 to June 2006, he was Senior Vice President-Production and Technology of Mechel JSC.

From July 2002 until June 2003, Mr. Polin served as the chief operating officer of the Beloretsk Metallurgical Plant. From 2001 to 2002 he was Sales Director of the Chelyabinsk Metallurgical Plant.

Mr. Polin was born in 1962. He holds a degree in metallurgy from the Chelyabinsk Polytechnic University.

Mr. Polin was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

OLEG VAYTMAN, AGED 43 (DIRECTOR FOR GOVERNMENT RELATIONS)

Oleg Vaytman was appointed as a director for Government Relations of the Moscow Branch of RUSAL Global Management B.V. in February 2012. He is responsible for the Company's relationships with federal and regional authorities, the Russian Parliament, the government, and public organisations.

Prior to joining UC RUSAL, Mr. Vaytman was Director of Moscow Representative Office of JSC "KazMunayGas" from 2009 till February 2012. In 2007-2008 Mr. Vaytman was Vice-president of RBI-Holdings. Between 2003 and 2007, Mr. Vaytman worked at TNK-BP and held the positions of Vice-President (Regional and Social Policy), Vice-President (Head of the New Projects Division). In 2002-2003 he was Vice-President (Relations with public authorities) of JSC "Sidanco". From 2000 to 2002 Mr. Vaytman was Head of the regional office of the Social Insurance Fund of the Russian Khanty-Mansiysk. Between 1998 and 2000 he held the position of Deputy Director General for Economic Affairs of the territorial fund of obligatory medical insurance of the Khanty-Mansi Autonomous District.

Mr. Vaytman was born in 1969 and graduated from Magnitogorsk Mining and Metallurgical Institute majoring in economics. Moreover, Mr. Vaytman graduated from the Tax Academy of the Russian Federation Ministry and has a diploma of Thunderbird University (Phoenix, USA). He also graduated from the Academy of National Economy under the RF Government.

Mr. Vaytman was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

Profiles of Directors and Senior Management

WONG PO YING, ABY, AGED 47 (HONG KONG COMPANY SECRETARY)

Wong Po Ying Aby was appointed Hong Kong Company Secretary on 29 November 2009. Ms. Wong has over 10 years of experience in corporate secretarial practice working with various law firms and corporate services companies as company secretary and company secretarial manager. Ms. Wong is an associate member of the Hong Kong Institute of Company Secretaries and an associate of The Institute of Chartered Secretaries and Administrators. Ms. Wong was born in 1965. Ms. Wong holds a bachelor degree with First Class Honors in the Bachelor of Arts (Hons) in Business Administration of University of Greenwich which she received in 2011.

Ms. Wong was independent from and not related to the Directors, any other members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

UC RUSAL

ALL eyes on the details

UC RUSAL EMPLOYS OVER 71,000 PEOPLE ACROSS THE GLOBE

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Directors' Report

The Directors are pleased to present their 2012 Annual Report and the audited consolidated financial statements of the UC RUSAL Group for the year ended 31 December 2012.

1 Principal activities

The principal activities of the Group are the production and sale of aluminium (including alloys and value-added products, such as aluminium sheet, ingot, wire rod, foundry aluminium alloy and aluminium billet). Within its business of the upstream segment of the industry, the Group has secured substantial supplies of bauxite and has the capacity to produce alumina in excess of its current requirements. The Company also holds strategic investments, including its investment in Norilsk Nickel and coal business. There has been no significant change in those activities throughout the financial year.

2 Financial summary

The results of the Group for the year ended 31 December 2012 are set out in the consolidated financial statements on pages 121 to 211.

3 Dividends

No dividends were declared and paid by the Company during the year ended 31 December 2012 due to restrictions imposed by the credit facility agreements to which the Company is party as borrower. These restrictions limit the ability of the Company to pay dividends during the covenant holiday period (which applied for the duration of the financial year 2012 and will continue to apply for the duration of 2013) and recovery period (as such terms are defined in the relevant credit agreements). Once these restrictions cease to apply to the Company, it will be permitted to pay dividends up to agreed thresholds on the terms outlined in the applicable credit agreements.

4 Reserves

The Directors propose to transfer the amount of

USD121 million to reserves within the meaning of the Tenth Schedule to the Hong Kong Companies Ordinance. The amount of the reserves available for distribution to shareholders as at 31 December 2012 was USD 6,060 million.

5 Fixed assets

Information relating to significant changes in the fixed assets of the Company or of any of its subsidiaries that have occurred during the financial year is set out in note 15 to the consolidated financial statements.

6 Share capital

SHARE REPURCHASES

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of their securities during the financial year ended 31 December 2012.

SHARE ISSUES

No Shares were issued/allotted by the Company during the financial year ended 31 December 2012.

7 General mandates granted to the Directors in respect of the issuance and repurchase of Shares

There were certain mandates granted to the Directors to issue and repurchase Shares in effect during the financial year.

The details of these general mandates are as follows:

Directors' Report

Type of mandate	Term	Maximum amount	Utilisation during the financial year
Issue of Shares A general unconditional mandate was given to the Company and to the Directors on behalf of the Company on 15 June 2012, the date of the 2012 annual general meeting of the Company, to allot, issue and deal with Shares (and other securities) and such mandate came into effect on that date	From the date of the passing of the resolution granting the mandate to the earlier of the Company's next annual general meeting of shareholders, the expiration of the period within which the Company's next annual general meeting of shareholders is required to be held and the variation or revocation of the mandate by the shareholders in a general meeting	Save in certain specified circumstances, not more than the sum of 20% of the aggregate nominal value of the share capital at the date of the resolution granting the mandate and the aggregate nominal value of share capital repurchased by the Company (if any)	NIL
Repurchase of Shares Subject to compliance with the Jersey Companies Law, a general unconditional mandate was given to the Company, directly or through any intermediary or trustee, and to the Directors on behalf of the Company on 15 June 2012, the date of the 2012 annual general meeting of the Company, to repurchase Shares and such mandate came into effect on that date	From the date of the passing of the resolution granting the mandate to the earlier of the conclusion of the Company's next annual general meeting of shareholders, the expiration of the period within which the Company's next annual general meeting of shareholders is required to be held and the variation or revocation of the mandate by the shareholders in a general meeting	Not more than 10% of the aggregate nominal value of the Company's share capital in issue at the date of the resolution granting the mandate (The maximum price for each Share repurchased is 105% of the average closing market price as derived from the Stock Exchange for the five business days immediately preceding the date of purchase and the minimum price for each Share repurchased is its nominal value)	NIL

8 Shareholders' agreements

(A) SHAREHOLDERS' AGREEMENT WITH THE COMPANY

The principal terms of this agreement are described in Appendix A.

(B) SHAREHOLDERS' AGREEMENT BETWEEN MAJOR SHAREHOLDERS ONLY

The Shareholders' Agreement between Major Shareholders only, which has not been amended since the Listing Date, only sets out certain agreed matters between the Major Shareholders in relation to Board appointments, Board committees, voting, transfers of Shares and certain other matters. The principal terms of the Shareholders' Agreement between Major Shareholders only are described in Appendix B.

9 Management contracts

Other than the appointment letters of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

10 Connected transactions

The transactions and arrangements summarised below were entered into by members of the Group with its connected persons (including their respective associates) prior to and during the financial year ended 31 December 2012, and are required to be disclosed by the Company in compliance with Rule 14A.45 of the Listing Rules and, where applicable, were disclosed by the Company in accordance

Directors' Report

with the requirements of Chapter 14A of the Listing Rules.

Connected continuing transactions disclosed in the Director's report section of the annual report differ from the related parties disclosures included in note 33 of the consolidation financial statements. Differences arise as the definition of connected continuing transactions does not include operations with Glencore or operations with associates of the Group, while these transactions are treated as related party transactions in the consolidated financial statements of the Group. Additionally, transactions that are considered immaterial and meet the definition of de minimis are not included in the disclosure of connected continuing transactions.

The independent non-executive Directors consider that each of the transactions below have been entered into and are conducted:

- (a) in the ordinary and usual course of business of the Group;
 - (b) on normal commercial terms; and
 - (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable in the interests of the Company and its shareholders as a whole.
- (1) The Company's auditors were engaged to report on the Group's continuing connected transactions for the year ended 31 December 2012 in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions as disclosed by the Group in the annual report in accordance with Rule 14A.38 of the Listing Rules.

A ELECTRICITY AND CAPACITY SUPPLY CONTRACTS

En+ is the Controlling Shareholder of the Company. Accordingly, the electricity and capacity supply and transmission contracts between members of the Group and companies controlled by En+ referred to below constituted continuing connected transactions for the Company under the Listing Rules.

Mr. Victor Vekselberg ("Mr. Vekselberg") was the chairman of the Board until his resignation on 12 March 2012 and a non-executive Director of the Company until his resignation with effect from 16 March 2012. Accordingly, the electricity and capacity supply contracts and the provision of power contracts between members of the Group and companies controlled by Mr. Vekselberg referred to below constitute continuing connected transactions of the Company until 15 March 2013 under the Listing Rules.

Long-term electricity and capacity supply contracts

The Group has entered into the following long-term

electricity and capacity supply contracts:

- (a) on 1 December 2009, BrAZ, a subsidiary of the Company, and Irkutsk Joint Stock Power and Electricity Company ("Irkutskenergo"), a power generating company controlled by En+ as to more than 30% of its issued share capital, entered into a long-term electricity and capacity supply contract pursuant to which BrAZ agreed to purchase electricity and capacity from Irkutskenergo for a period of nine years from 2010 to 2018. The consideration is satisfied in cash via wire transfer. The actual monetary value of electricity and capacity purchased for the year ended 31 December 2012 under this contract was USD181.1 million;
- (b) on 15 November 2009, OJSC SUAL, a subsidiary of the Company, and Irkutskenergo entered into a long-term electricity and capacity supply contract pursuant to which OJSC SUAL agreed to purchase electricity and capacity for Irkutsk aluminium smelter, a branch of OJSC SUAL, from Irkutskenergo for a period of nine years from 2010 to 2018. The consideration is satisfied in cash via wire transfer. The actual monetary value of electricity and capacity purchased for the year ended 31 December 2012 under this contract was USD106.5 million; and
- (c) on 4 December 2009, KrAZ, a subsidiary of the Company, and JSC Krasnoyarskaya Hydro-Power Plant ("Krasnoyarskaya HPP"), a hydroelectric power station controlled by En+ as to more than 30% of its issued share capital, entered into a long-term electricity and capacity supply contract pursuant to which KrAZ has agreed to purchase electricity from Krasnoyarskaya HPP for a period of eleven years from 2010 to 2020. The consideration is satisfied in cash via wire transfer. The actual monetary value of electricity and capacity purchased for the year ended 31 December 2012 under this contract was USD71 million.

The prices for long-term electricity and capacity contracts are not regulated strictly by the Non-Commercial Partnership Market Council ("Market Council"), a non-profit partnership that organises efficient system of trading at wholesale and retail electricity and capacity market in Russia, and may be agreed between the parties (subject to the Rules of the Wholesale Electricity and Capacity Market (as approved by the Russian Federation Government Resolution No. 1172 dated 27 December 2010) which contain indirect instruments through which the influence is exerted on the formation of the total cost of a user's consumed electricity and capacity in connection with the existence or non-existence of non-regulated contracts concluded by such a person, and the amount of capacity supplied thereunder). The costs of electricity supplied by Irkutskenergo and Krasnoyarskaya HPP are based on a fixed formula which is tied to the market prices of electricity and the prices of aluminium quoted on the LME to link electricity costs to the Group's revenue.

Directors' Report

Short-term electricity and capacity supply contracts

The Company also entered into short-term electricity and capacity supply contracts from time to time during the year ended 31 December 2012 with power generating plants which are controlled either through equity ownership or management arrangements, by CJSC Integrated Energy Systems, a corporation of which more than 30% of the issued share capital is controlled by Mr. Vekselberg, one of the ultimate beneficial owners of SUAL Partners, which is a substantial shareholder of the Company. All such contracts were entered into at government prescribed prices, on terms determined by the Market Council and JSC "TSA", an entity controlled by the Market Council with no possible negotiation on the price paid by the Group. The consideration was satisfied in cash via wire transfer.

Further, members of the Group, including BrAZ, KrAZ, SAZ, NkAZ and OJSC SUAL entered into, from time to time in the financial year ended 31 December 2012 as part of their ordinary course of business, short-term electricity and capacity supply contracts with duration not exceeding one year with the companies, controlled by En+, including Irkutskenergo, LLC "Avtozavodskaya CHP" and Krasnoyarskaya HPP. The consideration was satisfied in cash via wire transfer.

The electricity and capacity supplied under these short-term electricity and capacity supply contracts are derived from the plants operated by Irkutskenergo and Krasnoyarskaya HPP and also derived from LLC "Avtozavodskaya CHP".

The whole volume of electricity (excluding electricity supplied to residential users) is supplied at open (non-regulated) prices. There are exceptions which require the electricity to be sold at prices or tariffs approved by the government.

In addition, members of the Group, including OJSC "Sevuralboxitruuda", "SUAL-Silicon-Ural" LLC, OJSC RUSAL SAYANAL, OJSC "Ural Foil", UC RUSAL Energoset LLC and OJSC "South Ural Cryolite Plant" enter into, from time to time as part of their ordinary course of business, short-term electricity and capacity supply contracts with CJSC MAREM+, a company controlled by En+, for the supply of electricity and capacity purchased at the wholesale energy and capacity market.

The purchase of electricity and capacity at the wholesale market is effected at a price which is determined daily (for electricity) and monthly (for capacity), based on the trading results at the wholesale market, and subject to unpredictable external fluctuations (including, without limitation, weather factors, river stream flow rates, hydro-power plant output storage, transborder cross-flow planning, provision for reserves by power generation facilities, scheduled equipment repairs, fuel price fluctuations, details of fuel regime for "endpoint" power generation

facilities, economic efficiency of bids submitted by producers, technological processes of power generation facilities' equipment, and effect of state regulation on the market model). The price under these contracts is derived from the wholesale market price. The consideration was satisfied in cash via wire transfer. During 2012, members of the Group has from time to time entered into short-term electricity and capacity supply contracts with LLC "Irkutskaya Energosbytovaya Company", a company controlled by En+ as to more than 30%, for the supply of electricity and capacity purchased at the retail electricity market on normal commercial terms.

The actual monetary value of electricity and capacity purchased for the year ended 31 December 2012 under these contracts was USD46.2 million for companies controlled by CJSC Integrated Energy Systems, and USD288.3 million for Irkutskenergo, LLC "Avtozavodskaya CHP" and Krasnoyarskaya HPP; and USD24.7 million for CJSC MAREM+; and nil for LLC "Irkutskaya Energosbytovaya Company".

Miscellaneous electricity and capacity transmission contracts

The Group has also entered into miscellaneous electricity and capacity transmission contracts with Irkutskaya Electricity Company, OJSC "Irkutskaya Electric Grid Company" and KraMZ, and energy supply contracts with Irkutskenergosbyt LLC to furnish the electricity supply mentioned above, each being a company controlled by En+ as to more than 30% of its issued share capital, from time to time during the year ended 31 December 2012.

The consideration paid or payable under such miscellaneous electricity and capacity transmission contracts is determined by reference to the tariffs which are regulated by the Tariff Service of the Irkutsk region (an executive authority of the Irkutsk region in the sphere of government regulation of tariffs including electricity and capacity transmission tariffs) or the executive authority of the Krasnoyarsk region, and on terms which are uniform for all consumers (tariffs are differentiated depending on voltage levels). The consideration is satisfied in cash via wire transfer.

The actual monetary value of electricity and capacity transmission purchased and sold for the year ended 31 December 2012 under these contracts with companies controlled by En+ was USD183.1 million.

Provision of Power Contracts

On 31 December 2010, OJSC SUAL (a wholly-owned subsidiary of the Company) entered into four standard form provision of power contracts with TGK-5, TGK-6, TGK-7 and TGK-9 (each being controlled by Mr. Vekselberg as to more than 30% of the issued share capital and thus an associate of Mr. Vekselberg) pursuant to which: (a) OJSC SUAL agreed to purchase and TGK-5 agreed to

Directors' Report

- sell up to 694 MWh of electricity and capacity for the total contract sum of up to approximately USD22 million from 1 January 2014 to 31 December 2024;
- (b) OJSC SUAL agreed to purchase and TGK-6 agreed to sell up to 667 MWh of electricity and capacity for the total contract sum of up to approximately USD17 million from 1 January 2011 to 31 December 2024;
- (c) OJSC SUAL agreed to purchase and TGK-7 agreed to sell up to 571 MWh of electricity and capacity for the total contract sum of up to approximately USD16 million from 1 January 2011 to 31 December 2022; and
- (d) OJSC SUAL agreed to purchase and TGK-9 agreed to sell up to 1379 MWh of electricity and capacity for the total contract sum of up to approximately USD37 million from 1 October 2011 to 31 December 2025.

The aggregate consideration payable under these contracts is subject to applicable cross-currency exchange rate adjustments.

The contracts were entered into in accordance with the relevant Russian regulations requiring all participants in the power wholesale market to purchase electricity and capacity by entering into standard form provision of power contracts, the terms of which (including the mechanics of price determination and the supply volumes) are determined by the Supervisory Board of the Market Council, an independent industry body which is responsible for the rules and regulations of the electricity market.

As a participant in the power wholesale market, if OJSC SUAL did not enter into the contracts, the terms of which were not negotiable, it would be considered to be in breach of the relevant Russian regulations and would be prohibited from purchasing electricity and capacity on the wholesale market and would be required to purchase electricity and capacity from the retail market at a higher price, substantially increasing the costs of power supply for the Group. The consideration under the provision of power contracts was satisfied in cash via wire transfer.

The aggregate consideration for the long-term and short-term electricity and capacity supply contracts together with the miscellaneous electricity and capacity transmission contracts between the Group and the associates of En+ for the year ended 31 December 2012 was USD854.7 million, which is within the annual cap of USD1,261 million (net of VAT and using the exchange rate at USD 1 = RUB28.5 subject to possible change due to the fluctuations of the RUB/USD exchange rate) as approved by the independent shareholders of the Company for such type of continuing connected transactions for the year ended 31 December 2012.

The aggregate consideration for the short-term electricity and capacity supply contracts and the provision of power contracts between the Group and the associates of Mr. Vekselberg for the year ended 31 December 2012 was USD46.7 million, which is within the annual cap of USD251 million (net of VAT and using

the exchange rate at USD 1 = RUB28.5 subject to possible change due to the fluctuations of the RUB/USD exchange rate) for such type of continuing connected transactions for the year ended 31 December 2012.

B ALUMINIUM SALE CONTRACTS

Members of the Group have from time to time entered into aluminium sales contracts with associates of Mr. Vekselberg/SUAL Partners and with associates of Mr. Oleg Deripaska ("Mr. Deripaska").

Aluminium Sales Contracts with Mr. Vekselberg's/ SUAL Partners' Associates

(a) OJSC KUMZ

OJSC KUMZ is a company controlled by SUAL Partners as to more than 30%. OJSC KUMZ is therefore an associate of SUAL Partners. Accordingly, transactions between companies of the Group and OJSC KUMZ, discussed below, constitute continuing connected transactions of the Company under the Listing Rules.

On 4 October 2007, the Group through Open Joint Stock Company "United Company RUSAL - Trading House" ("UC RUSAL TH"), being a wholly-owned subsidiary of the Company, entered into a long-term contract to supply aluminium to OJSC KUMZ, for a period until December 2021. The price is set on arm's length terms, which is linked to the price of aluminium on the LME. All consideration is satisfied in cash via wire transfer. As disclosed in the Company's announcement dated 18 March 2011, during 2010, the Group through UC RUSAL TH, entered into a series of contracts with OJSC KUMZ, supplemental to the long-term aluminium sales contract with OJSC KUMZ, under which UC RUSAL TH agreed to supply aluminium produced by the Group's smelters to OJSC KUMZ, the exact products and price of which have been determined on arm's length terms on a monthly basis. Similar contracts between members of the Group and OJSC KUMZ have been concluded from time to time during 2012 and are expected to be concluded in 2013.

The total consideration for the aluminium supplied under these contracts to OJSC KUMZ during the year ended 31 December 2012 amounted to USD158.5 million.

(b) OJSC Khimprom

Khimprom Joint Stock Company ("OJSC Khimprom") is more than 30% controlled by Mr. Vekselberg and thus an associate of Mr. Vekselberg and was a connected person of the Company under the Listing Rules during 2012. Accordingly, the transactions between members of the Group and OJSC Khimprom, discussed below, constituted continuing connected transactions of the Company under the Listing Rules.

On 3 February 2012 and 1 March 2012, the Group through UC RUSAL TH entered into the addendums to the sale contract dated 25 March 2011 with OJSC Khimprom to supply aluminium at arm's length prices which were determined with reference to the price of aluminium on the LME. Under each of these addendums aluminium

Directors' Report

was to be supplied during the same month the addendum was entered into. The consideration for the aluminium supplied under these contracts to OJSC Khimprom during the year ended 31 December 2012 amounted to nil.
(c) OJSC KUZOTSM

OJSC KUZOTSM is indirectly owned by Mr. Vekselberg as to more than 30% and thus is an associate of Mr. Vekselberg and was a connected person of the Company under the Listing Rules during 2012. Accordingly, the transactions between members of the Group and OJSC KUZOTSM, discussed below, constituted continuing connected transactions of the Company under the Listing Rules.

On 18 May 2012, the Group, through UC RUSAL TH entered into a contract with OJSC KUZOTSM pursuant to which UC RUSAL TH agreed to sell and OJSC KUZOTSM agreed to purchase aluminium products. The consideration was to be pre-paid. The scheduled termination date for the contract is on 31 December 2014. During 2012, the Group, through UC RUSAL TH, entered into addendums to this aluminium sale contract with OJSC KUZOTSM from time to time.

The consideration for the aluminium products supplied under this contract and the addendums to OJSC KUZOTSM during the year ended 31 December 2012 amounted to USD1 million. The consideration was satisfied in cash via wire transfer.

(d) OJSC IRKUTSKKABEL

OJSC Irkutskkabel is indirectly owned by Mr. Vekselberg as to more than 30% and thus is an associate of Mr. Vekselberg and was a connected person of the Company under the Listing Rules during 2012. Accordingly, the transactions between members of the Group and OJSC Irkutskkabel, discussed below, constituted continuing connected transactions of the Company under the Listing Rules.

On 20 April 2012, RUSAL Foil Limited Liability Company ("**Rusal Foil LLC**"), being a subsidiary of the Company, entered into a contract with OJSC Irkutskkabel, pursuant to which Rusal Foil LLC agreed to sell and OJSC Irkutskkabel agreed to purchase aluminium products. 50% of the consideration was to be paid within 5 days from the date of the seller's notice that the aluminium products were ready for production, while the balance was to be paid within 5 days from the date of the seller's notice that the aluminium products were ready for shipment. The scheduled termination date for the contract is on 31 March 2013.

The consideration for the aluminium products supplied under this contract to OJSC Irkutskkabel during the year ended 31 December 2012 amounted to USD0.1 million. The consideration was satisfied in cash via wire transfer.

(e) OJSC KIRSKABEL

OJSC Kirskaabel is indirectly owned by Mr. Vekselberg as to more than 30% and thus is an associate of Mr. Vekselberg and was a connected person of the Company under the

Listing Rules during 2012. Accordingly, the transactions between members of the Group and OJSC Kirskaabel, discussed below, constituted continuing connected transactions of the Company under the Listing Rules.

On 11 September 2012, Rusal Foil LLC, being a subsidiary of the Company, entered into a contract with OJSC Kirskaabel, pursuant to which Rusal Foil LLC agreed to sell and OJSC Kirskaabel agreed to purchase aluminium foil. 50% of the consideration was to be paid within 5 days from the date of the seller's notice that the aluminium foil was ready for production, while the balance was to be paid within 5 days from the date of the seller's notice that the aluminium foil was ready for shipment. The scheduled termination date for the contract is on 31 May 2013.

The consideration for the aluminium foil supplied under this contract to OJSC Kirskaabel during the year ended 31 December 2012 amounted to USD0.03 million. The consideration was satisfied in cash via wire transfer.

The aggregate consideration received for the aluminium supplied under the aluminium sale contracts to the associates of Mr. Vekselberg and SUAL Partners amounted to USD159.6 million for the year ended 31 December 2012, which was within the annual cap of USD330.14 million for 2012 as disclosed in the Company's announcement dated 12 September 2012.

Aluminium Sales Contracts with Mr. Deripaska's Associates

Mr. Deripaska, the Chief Executive Officer and an executive Director of the Company, indirectly controls more than 30% of each of (i) LLC Tradecom, (ii) KraMZ, (iii) DOZAKL, (iv) members of the group of Open Joint Stock Company "GAZ" (the "**GAZ Group**") including LLC GAZ and "GAZ Group Autocomponents" LLC, (v) Barnaultransmash, and (vi) OJSC "Plant MOSMEK" (formerly known as Glavstroy-MOSMEK). Each of these companies is therefore an associate of Mr. Deripaska. As such, the transactions between members of the Group and LLC Tradecom, KraMZ, DOZAKL, members of the GAZ Group including LLC GAZ and "GAZ Group Autocomponents" LLC, Barnaultransmash and OJSC "Plant MOSMEK", discussed below, constitute continuing connected transactions of the Company under the Listing Rules.

(a) LLC Tradecom and KraMZ

On 14 December 2006, the Group through UC RUSAL TH, entered into a long-term contract to supply aluminium to LLC Tradecom for a period until December 2021. Pursuant to the contract, the Group would supply aluminium to LLC Tradecom at arm's length prices tied to the price of aluminium on the LME. The consideration under the contract must be prepaid.

As disclosed in the Company's announcement dated 18 March 2011, the substitution agreement was signed by UC RUSAL TH, LLC Tradecom and KraMZ on 17 March 2011 pursuant to which KraMZ substituted LLC Tradecom as

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the buyer to the above long-term supply contract.

The consideration for the aluminium supplied under this contract (as supplemented) to KraMZ during the year ended 31 December 2012 amounted to USD237 million. The consideration was satisfied in cash via wire transfer.

(b) Members of GAZ Group

On 28 February 2009, the Group through UC RUSAL TH, entered into a framework agreement with LLC GAZ pursuant to which the Group agreed to supply aluminium at arm's length prices on a monthly basis until 31 December 2010. The agreement was to be automatically extended for another calendar year unless the parties declared their intention to terminate it. As at 31 December 2012, the agreement was not extended, and new contracts were entered into between members of the Group and members of the group of GAZ Group for the year ending 31 December 2013.

The total consideration for the aluminium supplied under this contract to LLC GAZ during the year ended 31 December 2012 amounted to nil.

On 27 September 2010, RUSAL RESAL entered into a short-term agreement to supply secondary aluminium to LLC GAZ for a period until 31 December 2010 at arm's length prices determined on a monthly basis. The agreement was to be automatically extended for another calendar year unless the parties declared their intention to terminate it.

The total consideration for the aluminium supplied under this contract to LLC GAZ during the year ended 31 December 2012 amounted to USD1.4 million. The consideration was satisfied in cash via wire transfer.

On 15 February 2012, RUSAL RESAL entered into a short-term agreement to supply secondary aluminium to "GAZ Group Autocomponents" LLC for a period until 31 December 2012 at arm's length prices determined on a monthly basis.

The total consideration for the aluminium supplied under this contract to LLC GAZ during the year ended 31 December 2012 amounted to USD 8.38 million. The consideration was satisfied in cash via wire transfer.

As at 31 December 2012, both of the agreements dated 27 September 2010 and 15 February 2012 were not extended, and similar contracts were entered into between RUSAL RESAL and members of GAZ Group for the year ending 31 December 2013.

On 30 December 2011, the Group through UC RUSAL TH, entered into the contract with "GAZ Group Autocomponents" LLC pursuant to which the Group agreed to supply aluminium at arm's length prices on a monthly basis until 31 December 2014. During 2012, the Group, through UC RUSAL TH, entered into addendums to this aluminium sale contract with "GAZ Group Autocomponents" LLC from time to time.

The total consideration for the aluminium supplied under this contract to "GAZ Group Autocomponents" LLC during the year ended 31 December 2012 amounted to USD13.93 million. The consideration was satisfied in cash via wire transfer.

(c) DOZAKL

On 14 December 2006, the Group through UC RUSAL TH, entered into a long-term contract to supply aluminium to DOZAKL for a period until 31 December 2021 at arm's length prices tied to the price of aluminium on the LME.

The consideration for the aluminium supplied under this contract to DOZAKL during the year ended 31 December 2012 amounted to nil.

On 1 January 2012, Rusal Foil LLC, a wholly-owned subsidiary of the Company, entered into a contract to supply aluminium tape to DOZAKL at arm's length prices tied to the price of aluminium on the LME until 31 December 2012.

The consideration for the aluminium tape supplied under this contract to DOZAKL during the year ended 31 December 2012 amounted to USD7.7 million. The consideration was satisfied in cash via wire transfer.

(d) OJSC "Plant-MOSMEK"

On 30 December 2011, the Group through UC RUSAL TH, entered into an agreement to supply aluminium products to OJSC "Plant MOSMEK" for a period until 31 December 2014.

Under this contract UC RUSAL TH supplies aluminium at arm's length prices determined on a monthly basis. The consideration for the aluminium supplied under this contract to OJSC "Plant MOSMEK" during the year ended 31 December 2012 amounted to USD0.8 million. The consideration was satisfied in cash via wire transfer. During 2012, the Group, through UC RUSAL TH, entered into addendums to this aluminium sale contract with OJSC "Plant MOSMEK" from time to time.

The aggregate consideration for the aluminium supplied to each of the companies referred to above, which are associates of Mr. Deripaska, for the year ended 31 December 2012 was approximately USD269.2 million, which was within the annual cap of USD605 million for 2012.

C PURCHASE OF RAW MATERIALS FROM THE ASSOCIATES OF SUAL PARTNERS, MR. VEKSELBERG AND MR. BLAVATNIK FOR PRODUCTION

Mr. Vekselberg (who was a non-executive Director until his resignation with effect from 16 March 2012) and Mr. Len Blavatnik (who is a non-executive Director ("Mr. Blavatnik")), being the ultimate beneficial owners of SUAL Partners, a substantial shareholder of the Company, each indirectly hold more than 30% of the share capital in Energoprom Management. Energoprom Management is therefore an associate of each of Mr. Vekselberg and Mr. Blavatnik and thus a connected person of the Company under the Listing Rules. As discussed above, OJSC Khimprom is an associate of Mr. Vekselberg, and OJSC KUMZ is an associate of SUAL Partners. Accordingly, the transactions between members of the Group on one part and Energoprom Management, OJSC Khimprom or OJSC KUMZ on the other, discussed below, constitute continuing connected transactions for the Company under the Listing Rules. Pursuant to Rule 14A.25 of the Listing Rules, the transactions disclosed below were aggregated as they

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are entered into by the Group with the associates of the same connected persons who are associated with one another and the subject matters of each of the agreements relate to the purchase of raw materials by members of the Group for production.

Certain members of the Group have entered into a number of contracts with Energoprom Management, OJSC Khimprom and OJSC KUMZ to purchase various

raw materials for production purposes. The prices for the purchase of raw materials under each of the contracts are determined on an arm's length basis. The consideration for each of these contracts was satisfied in cash via wire transfer.

Details of these transactions are set out in the table below:

Buyer (member of the Group)	Seller	Date of contract	Term of contract	Type of raw materials	Payment terms	Actual consideration for the year ended 31 December 2012 USD million (excluding VAT)
CJSC "Kremniy"	Energoprom Management	20.08.2012	Up to 31.12.2013, subject to a tacit extension for one year in case of absence of termination notice from either party	Anode paste	100% pre-payment	0.02
UC RUSAL TH	Energoprom Management	27.12.2011	Up to 31.12.2012	Carbon and graphite products (electrodes)	Upon delivery	3.91
UC RUSAL TH	Energoprom Management	27.12.2011	Up to 31.12.2012	Pre-baked anode blocks	Within 15 calendar days from the date of shipment	0.45
UC RUSAL TH	Energoprom Management	27.12.2011	Up to 31.12.2012	Calcined petroleum coke	Within 3 business days upon receiving the pro forma invoices for shipped products	13.24
UC RUSAL TH	OJSC Khimprom	30.12.2011	Up to 31.12.2012	Caustic soda	Within 30 days from date of shipment	7
Ural Foil	OJSC KUMZ	21.02.2012	Up to 31.12.2012	Aluminium semi-finished products	100% pre-payment	0.009
OJSC RUSAL Boxitogorsk	Energoprom Management	20.03.2012	Up to 31.12.2012	Graphitized electrodes	Within 30 days after shipment date	0.63
Ural Foil	OJSC KUMZ	04.06.2012	Up to 31.12.2012	Aluminium semi-finished products	100% pre-payment	n/l
Total:						25.3

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The aggregate consideration for the raw materials supplied for production under these contracts by the associates of SUAL Partners, Mr. Vekselberg and Mr. Blavatnik during the year ended 31 December 2012 amounted to USD25.3 million which was within the maximum aggregate consideration of USD87.57 million for 2012 as disclosed in the announcement dated 5 June 2012.

D PURCHASE OF RAW MATERIALS FROM THE ASSOCIATE OF MR. VEKSELBERG AND MR. BLAVATNIK FOR REPAIRING

As discussed above, Energoprom Management is

the associate of Mr. Vekselberg and Mr. Blavatnik. Accordingly, the purchase of raw materials contracts, discussed below, between members of the Group as buyers and Energoprom Management as seller, for the purposes of the Group's repair programme, constitute continuing connected transactions for the Company under the Listing Rules. The prices for the purchase of raw materials under each of the contracts are determined on an arm's length basis. The consideration for each of the contracts was satisfied in cash via wire transfer.

The details of these raw materials purchase contracts are set out below:

Buyer (member of the Group)	Date of contract	Type of raw materials	Term of contract	Payment terms	Actual consideration for the year ended 31 December 2012 USD million (excluding VAT)
RUS-Engineering LLC	14.02.2012	Carbon pastes	Up to 31.12.2012	Within 20 days after the date of supply	2.9
RUS-Engineering LLC	14.02.2012	Cathode blocks	Up to 31.12.2012	Within 20 days after the date of supply	4.6
BAZ-SUAL-Remont	14.02.2012	Carbon pastes	Up to 31.12.2012	Within 20 days after the date of supply	nil
VgAZ-SUAL Remont	14.02.2012	Carbon pastes	Up to 31.12.2012	Within 20 days after the date of supply	0.13
RUS-Engineering LLC	30.07.2012 (addendum)	Cathode blocks	Up to 31.12.2012	Within 20 days after the date of supply	1.4
RUS-Engineering LLC	18.10.2012 (addendum)	Cathode blocks	Up to 31.12.2012	Within 20 days after the date of supply	1.3
RUS-Engineering LLC	21.11.2012	Cathode blocks	Up to 31.12.2012	Within 20 days after the date of supply	1.4
Total					11.7

The aggregate consideration for the raw materials supplied under these contracts to the Group during the year ended 31 December 2012 amounted to USD11.7 million, which was within the maximum aggregate consideration of USD17.1 million for 2012 as disclosed in the announcement dated 22 November 2012.

E PURCHASE OF RAW MATERIALS FROM BCP

CJSC BaselCement-Pikalevo ("BCP"), for which more than 30% of its issued share capital is indirectly held by En+, is an indirect subsidiary of En+, a Controlling Shareholder of the Company. BCP is therefore an associate of En+ and a connected person of the Company under the Listing Rules.

Accordingly, the transactions entered into between members of the Group as buyers and BCP as seller constitute continuing connected transactions of the Company under the Listing Rules. The prices for the purchase of raw materials under each of these contracts are determined on an arm's length basis. The consideration for each of these contracts was satisfied in cash via wire transfer.

Details of these transactions are set out in the table below:

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Buyer	Date of contract	Term of contract	Type of raw materials	Payment terms	Actual consideration for the year ended 31 December 2012 USD million (excluding VAT)
UC RUSAL TH	23.12.2011	Up to 31.12.2014	Alumina products	Preliminary payment for the supply in the current month to be made during the month of supply in the amount of the monthly volume as stated in the contract, with final settlement based on actual supplied volumes of alumina products and actual price to be paid in the following month	74.1
RUSAL Boksitogorsk	16.01.2012	Up to 31.12.2012	Process lime	30 days after shipment	nil
RUSAL Boksitogorsk	19.03.2008 25.03.2011 (addendum)	Up to 31.12.2018	Limestone	100% prepayment	nil
Total:					74.1

The aggregate consideration for the raw materials supplied under these contracts by BCP during the year ended 31 December 2012 amounted to USD74.1 million which was within the maximum aggregate consideration of USD104.01 million for 2012 as disclosed in the announcement dated 15 December 2011.

F SALE OF RAW MATERIALS TO MR. DERIPASKA'S ASSOCIATES

Mr. Deripaska indirectly controls more than 30% of each of Limited Liability Company "Eniseyskiy CBK" ("Eniseyskiy CBK"), "GAZ Group Autocomponents" LLC, KraMZ, BCP, "Glavstroï Ust-Labinsk" Ltd., KraMZ-Auto Limited Liability Company ("KraMZ-Auto"), Limited

Liability Company Stroyservice ("Stroyservice"), Irkutskenergoremont Closed Joint-Stock Company, Achinsk Cement LLC ("Achinsk Cement") and Open Joint-Stock Company "Khakasskiy Bentonit" ("Khakasskiy Bentonit") and therefore, each of them is an associate of Mr. Deripaska and thus a connected person of the Company according to the Listing Rules. Accordingly, the contracts discussed below constitute continuing connected transactions for the Company under the Listing Rules. The prices for the purchase of raw materials under each of the contracts are determined on an arm's length basis.

The details of these contracts are set out below:

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Buyer (associate of Mr. Deripaska)	Seller (member of the Group)	Date of contract	Type of raw materials	Term of contract	Payment term	Actual consideration for the year ended 31 December 2012 USD million (excluding VAT)
Eniseyskiy CBK	UC RUSAL TH	09.09.2011	Soda ash	Up to 31.12.2012	100% pre-payment	2.431
"GAZ Group Autocomponents"	UC RUSAL TH	22.12.2011	Silicon	Up to 31.12.2012 (Note 1)	100% pre-payment	0.482
KraMZ	UC RUSAL TH	23.12.2011	Silicon	Up to 31.12.2012 (Note 1)	100% pre-payment	0.538
BCP	UC RUSAL TH	02.02.2012	Granules of high purity aluminum	Up to 31.12.2012 (Note 2)	100% pre-payment	0.258
"Glavstroj Ust-Labinsk" Ltd.	UC RUSAL TH	01.06.2012	Aluminium paste	Up to 31.12.2012	100% pre-payment	0.046
KraMZ-Auto	RUSAL Sayanogorsk Aluminium Smelter	01.01.2012	Fuel and lubricants	Up to 31.12.2012	Payment upon delivery within 10 business days from the date of the pro-forma invoice	0.639
KraMZ-Auto	SAZ	01.01.2012	Commodities and materials (petroleum, diesel fuel, oils, lubricants)	Up to 31.12.2012	Upon delivery within 10 business days, or by means of set off, if there are any counter-obligations	0.438
KraMZ-Auto	BrAZ	01.01.2012	Fuel and lubricants	Up to 31.12.2012	Monthly, before the 10th day of the month following the reporting month on the basis of the issued pro-forma invoice	0.279
Stroyservice	KrAZ	01.01.2012	Lumber, construction materials, fuel and lubricants	Up to 31.12.2012	Payment upon delivery within 10 business days from the date of the pro-forma invoice	2.968
Irkutskenergoemont Closed Joint-Stock Company	SAZ	01.01.2012	Commodities and materials (petroleum, diesel fuel, oils, lubricants)	Up to 31.12.2012	Upon delivery within 10 business days, or by means of set off, if there are any counter-obligations	0.027

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Buyer (associate of Mr. Deripaska)	Seller (member of the Group)	Date of contract	Type of raw materials	Term of contract	Payment term	Actual consideration for the year ended 31 December 2012 USD million (excluding VAT)
Achinsk Cement	BrAZ	11.01.2012	Fuel oil	Up to 31.12.2012 (Note 2)	100% pre-payment	0.489
Achinsk Cement	AGK	11.01.2012	Diesel fuel	Up to 31.12.2012 (Note 2)	100% pre-payment	0.003
Achinsk Cement	AGK	11.01.2012	Coal	Up to 31.12.2012 (Note 2)	100% pre-payment	10.845
KraMZ-Auto	AGK	11.01.2012	Diesel fuel	Up to 31.12.2012 (Note 2)	100% pre-payment	0.08
Achinsk Cement	AGK	28.12.2011	Clay from overburden	Up to 31.12.2012 (Note 2)	100% pre-payment	0.091
Achinsk Cement	AGK	28.12.2011	Crushed limestone	Up to 31.12.2012 (Note 2)	100% pre-payment	3.309
Achinsk Cement	AGK	28.12.2011	Nepheline mud	Up to 31.12.2012 (Note 2)	100% pre-payment	2.62
Achinsk Cement	AGK	28.12.2011	Pulverised coal fuel slime	Up to 31.12.2012 (Note 2)	100% pre-payment	0.064
Khakasskiy Bentonit	UC RUSAL TH	12.04.2012	Soda ash	Up to 28.02.2013	Within 15 calendar days from the date of shipment	0.274
Total (Note 3)						25.883

Notes:

- The contract will be extended automatically upon expiry but either party can choose not to renew the contract without prior consent of the other party 20 days before the end of contract.
- Renewable upon the agreement of both parties.
- The contract between OAO Barnaultransmash as buyer and SUAL Kremny Ural as seller for 10 tonnes of silicon at the consideration of USD0.03 million for the year ended 31 December 2012 as disclosed in the announcement of the Company dated 20 December 2011 has not been executed.

The aggregate consideration for the raw materials supplied under these contracts to the associates of Mr. Deripaska during the year ended 31 December 2012 amounted to USD25.833 million, which was within the maximum aggregate consideration of USD62 million for 2012 as disclosed in the announcement dated 13 April 2012.

G SALE OF RAW MATERIALS TO SUAL PARTNERS, MR. VEKSELBERG'S AND MR. BLAVATNIK'S ASSOCIATES

Mr. Vekselberg (who was a non-executive Director until his resignation with effect from 16 March 2012) and Mr. Blavatnik (who is a non-executive Director), being the ultimate beneficial owners of SUAL Partners, a substantial shareholder of the Company, each indirectly hold more than 30% of the share capital in

Doncarb Graphite Limited Liability Company ("**Doncarb Graphite**"). Accordingly, Doncarb Graphite is an associate of each of Mr. Vekselberg and Mr. Blavatnik, and thus is a connected person of the Company under the Listing Rules.

As discussed above, Energoprom Management and OJSC Khimprom are the associates of Mr. Vekselberg and/or Mr. Blavatnik, and OJSC KUMZ is an associate of SUAL Partners. Accordingly, the transactions between members of the Group on one part and Energoprom Management, OJSC Khimprom, OJSC KUMZ or Doncarb Graphite on the other, discussed below, constitute continuing connected transactions for the Company under the Listing Rules. Pursuant to Rule 14A.25 of the Listing Rules, the transactions disclosed below were aggregated as they are entered into by the Group with

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the associates of the same connected persons who are associated with one another and the subject matters of each of the agreements relate to the sale of raw materials by members of the Group.

The prices for the sale of raw materials under each of the contracts are determined on an arm's length basis. The consideration for each of these contracts was satisfied in cash via wire transfer. The details of these contracts are set out below:

Buyer (associate of SUAL Partners, Mr.Vekselberg and/or Mr. Blavatnik)	Seller (member of the Group)	Date of contract	Type of raw materials	Term of contract	Payment term	Actual consideration for the year ended 31 December 2012 USD million (excluding VAT)
Doncarb Graphite	SUAL- Kremniy-Ural	11.12.2011	Silicon	Initially up to 31.12.2012, and renewed for one year up to 31.12.2013, subject to an automatic renewal clause for one year, while both parties can choose not to renew without prior written consent of the other party 20 days before the scheduled termination date.	100% pre-payment	0.069
OJSC Khimprom	UC RUSAL TH	16.11.2011	Silicon	Up to 31.12.2012	100% pre-payment	nil
OJSC KUMZ	UC RUSAL TH	28.12.2011	Silicon	Up to 31.12.2012	100% pre-payment	0.804
OJSC Khimprom	SUAL-PM- Volgograd Branch of SUAL- PM LLC	28.12.2011	Aluminium powder	Up to 31.12.2012.	100% pre-payment	0.068
OJSC KUMZ	SUAL-PM- Volgograd Branch of SUAL- PM LLC (Note 1)	28.12.2011	Aluminium powder	Up to 31.12.2012	100% pre-payment	0.034
Energoprom Management	UC RUSAL TH	27.12.2011	Green petroleum coke	Up to 31.12.2012	Within 25 days after receipt of proforma invoices for dispatched products	10.632
Total						11.61

Notes:

- The Company wishes to clarify that the seller of this contract should be SUAL-PM-Volgograd Branch of SUAL-PM LLC, instead of UC RUSAL TH as disclosed in the Company's announcement dated 8 December 2011.

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The aggregate consideration for the raw materials supplied under these contracts by the Group during the year ended 31 December 2012 amounted to USD11.61 million, which was within the maximum aggregate consideration of USD28.02 million for 2011 as disclosed in the announcement dated 7 March 2012.

H TRANSPORTATION CONTRACTS

En+, a Controlling Shareholder of the Company, holds more than 30% of the issued share capital of each of KraMZ-Auto and OJSC Otdeleniye Vremennoy Eksploatatsii ("OVE"). Mr. Deripaska is indirectly interested in Stroyservice as to more than 30%. Mr. Deripaska is also interested in more than 50% of the issued share capital

of En+. Each of KraMZ-Auto, OVE and Stroyservice is therefore an associate of En+ and/or Mr. Deripaska and a connected person of the Company under the Listing Rules. Accordingly, the contracts between members of the Group on one part and KraMZ-Auto, OVE or Stroyservice on the other, as discussed below, constitute continuing connected transactions for the Company under the Listing Rules. Pursuant to these contracts, KraMZ-Auto, OVE and Stroyservice were to provide various transportation services to members of the Group. All these transportation contracts are on arms-length commercial terms.

Details of these contracts are set out in the table below:

Service provider (associate of En+ and/or Mr. Deripaska)	Date of contract	Term of contract	Payment terms	Actual consideration for the year ended 31 December 2012 USD million (excluding VAT)
KraMZ-Auto	30.12.2011	Up to 31.12.2012	Payment terms include settlement within a specified period (ranging from 10 business days to 60 business days) after receipt of invoice, and settlement on the 15th day of the month following the month of provision of transportation services	13.34
	31.12.2011			
	01.01.2012 (Note 1)			
	16.02.2012	Up to 31.12.2012	Payment terms include settlement within a specified period (ranging from 10 days to 15 days) after the receipt of invoice	
	29.02.2012			
	06.03.2012 (Note 2)			
06.04.2012 (renewal of contract)	Up to 31.12.2012	Within 60 calendar days after receipt of invoice		
04.10.2012			50% be paid by the 15th day of the month following the reporting month and the remaining 50% be paid by the 30th day of the month following the reporting month	
OVE	01.01.2012	Up to 31.12.2012		Within 10 business days after receipt of invoice
Stroyservice	12.03.2012	Up to 31.12.2012	Within 60 calendar days from receipt of invoice	0.09
	06.04.2012 (renewal of contract)			
Total (Note 3):				14.17

Notes:

- A series of contracts were entered into between KraMZ-Auto and members of the Group (namely Teploresurs Limited Liability Company, SAZ, Sayanogorsk Railcar Repair Plant Limited Liability Company, KrAZ, BrAZ, RUSAL Global Management B.V., RUSAL Medical Centre, RUS-Engineering and RUSAL Transport Achinsk OJSC). On 23 April 2012, RUS-Engineering agreed with KraMZ-Auto to increase the transaction amount of transportation services to be provided in 2012 by not more than USD852,000 excluding VAT, and the parties signed an addendum and a series of additional contracts, pursuant to which 50% of the consideration is to be paid by the 15th day of the month following the reporting month and 50% of the consideration is to be paid by the 30th day of the month following the reporting month.
- A series of contracts were entered into between KraMZ-Auto and members of the Group (including 000 "IT-Servis", Closed Joint Stock Company "Boguchany Aluminium Smelter Construction Organizer" and RUSAL SAYANAL OJSC).

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3. The Company clarifies that the Achinsk Transportation Contract (as defined and disclosed in the announcement of the Company dated 27 June 2011) and the Achinsk Cement Transportation Contract (as defined and disclosed in the announcement of the Company dated 28 December 2011) were not executed.

The aggregate consideration for the transportation services provided by the associates of En+ and/or Mr. Deripaska during the year ended 31 December 2012 amounted to USD14.17 million, which was within the maximum aggregate consideration of USD19.883 million for 2012 as disclosed in the announcement dated 5 October 2012.

I HEAT SUPPLY CONTRACTS

Mr. Vekselberg indirectly holds more than 30% of the issued share capital of each of OJSC Irkutskkabel and OJSC TGK-9. Therefore, each of OJSC Irkutskkabel and OJSC TGK-9 is an associate of Mr. Vekselberg and was a connected person of the Company under the Listing Rules during 2012. Accordingly, the contracts below constituted continuing connected transactions of the Company.

Certain subsidiaries of the Company entered into a series of contracts with OJSC Irkutskkabel and OJSC TGK-9, pursuant to which OJSC Irkutskkabel and OJSC TGK-9 supply heat to these subsidiaries. The contracts date from 18 January 2002 and are all for one-year term which are automatically extended every year unless the parties declare an intention to terminate. All contracts were entered into at government prescribed prices determined by regional tariff authority for each calendar year. Payment terms varied, but the total consideration is to be paid not later than the month following the month of delivery and is to be satisfied in cash via wire transfer. The actual transaction amount for the heat supply under these contracts was approximately USD1.1 million for the year ended 31 December 2012.

On 20 December 2011 and 1 January 2012, Timan Bauxite OJSC and SUAL OJSC, each being a subsidiary of the Company, respectively entered into a series of heat supply contracts with OJSC TGK-9, pursuant to which TGK-9 supplied heat (including heat energy and heat power in the form of steam and hot water) to Timan Bauxite OJSC and SUAL OJSC, for the three financial years ending 31 December 2014. For the heat supply contracts between SUAL OJSC and TGK-9, 85% of the purchase price was to be paid during the month of supply, with the remaining 15% to be paid in the month following the month of supply. For the heat supply contract between Timan Bauxite OJSC and TGK-9, preliminary payment for heat supply in the current month was to be made during the month of supply in the amount of the monthly volume as stated in the contract with the final settlement based on actual supplied volumes of heat and actual price to be paid in the following month. The actual transaction amount for the

heat supply under these contracts was approximately USD131.1 million for the year ended 31 December 2012.

The aggregate consideration for the heat supply provided by OJSC Irkutskkabel and OJSC TGK-9 during the year ended 31 December 2012 amounted to USD132.2 million, which was within the maximum aggregate consideration of USD331.77 million for 2012 as disclosed in the announcement dated 15 December 2011.

J CONSTRUCTION CONTRACTS

Mr. Deripaska is indirectly interested in more than 30% of each of "Transstroy North-West" LLC, Stroyervice and Bratskenergoremont Closed Joint Stock Company ("**Bratskenergoremont**"). Each of "Transstroy North-West" LLC, Stroyervice and Bratskenergoremont is therefore an associate of Mr. Deripaska and a connected person of the Company under the Listing Rules. Accordingly, the construction contracts between members of the Group on one part and "Transstroy North-West" LLC, Stroyervice or Bratskenergoremont on the other, discussed below, constitute continuing connected transactions for the Company under the Listing Rules.

The prices under each of the construction contracts are determined on an arm's length basis. The consideration was payable in cash via wire transfer. The details of these contracts are set out below:

Directors' Report

Contractor (associate of Mr. Deripaska)	Customer (member of the Group)	Date of contract	Construction services	Term of contract	Payment terms	Actual consideration for the year ended 31 December 2012 USD million (excluding VAT)
"Transstroy North- West" LLC	Boguchansky Aluminium Smelter Construction Organizer	26.09.2011	Construction and assembly works at the Anode rodding shop and Bath processing area of Boguchansky aluminium smelter	15.08.2011 - 16.10.2012	The consideration was to be satisfied in cash via wire transfer.	1.1
"Transstroy North- West" LLC	Boguchansky Aluminium Smelter Construction Organizer	26.09.2011	Construction and assembly works at the pot relining shop of the Boguchansky aluminium smelter	15.08.2011 - 09.11.2012	The consideration was to be satisfied in cash via wire transfer.	nil
Bratskenergoremont	BrAZ	07.12.2011	Installation and construction operations within OJSC "RUSAL Bratsk" stud shot blasting area	Up to 30.04.2012	Within 30 calendar days of signing the completion certificate	0.24
Stroyservice	SAZ	12.01.2012	Reconditioning of buildings and constructions	Up to 31.12.2012	Within 10 calendar days from receipt of original invoices	5.14
Stroyservice	SAZ	19.04.2012 03.12.2012 (addendum)	Construction and installation works	Up to 31.12.2012	Within 30 days after receipt of invoice upon completion of the works	0.37
Stroyservice	TAZ	22.05.2012	Construction and assembly services	Up to 31.12.2012	Within 60 calendar days after receipt of invoice	0.09

Directors' Report

Contractor (associate of Mr. Deripaska)	Customer (member of the Group)	Date of contract	Construction services	Term of contract	Payment terms	Actual consideration for the year ended 31 December 2012 USD million (excluding VAT)
Stroyservice	TAZ	07.06.2012	Construction and assembly services	Up to 31.12.2012	Within 60 calendar days after receipt of the invoice according to the results of work acceptance	0.27
Stroyservice	RUSAL SAYANAL OJSC	06.08.2012	Construction and roof repairing services	Up to 31.12.2012	After receipt of original VAT invoice and completion of work	0.05
Total						7.3

The aggregate consideration for the construction services provided by "Transstroy North-West" LLC, Stroyservice and Bratskenergoremont to the Group during the year ended 31 December 2012 amounted to USD7.3 million, which was within the maximum aggregate consideration of USD33.71 million for 2012 as disclosed in the announcement dated 4 December 2012.

K INSURANCE CONTRACTS

Mr. Deripaska is directly and indirectly beneficially interested in more than 30% of each of Ingosstrakh Joint Stock Insurance Company Ltd. ("**Ingosstrakh**"), Private Joint-Stock Insurance Company «INGO Ukraine» ("**INGO Ukraine**") and Insurance Closed Joint-Stock Company

«INGO Armenia» ("**INGO Armenia**"). Each of Ingosstrakh, INGO Ukraine and INGO Armenia is therefore an associate of Mr. Deripaska and a connected person of the Company under the Listing Rules. Accordingly, the insurance contracts between members of the Group on one part and Ingosstrakh, INGO Ukraine or INGO Armenia on the other, discussed below, constitute continuing connected transactions for the Company under the Listing Rules.

The premium under each of the insurance contracts are determined on an arm's length basis. The premium was payable in cash via wire transfer. The details of these contracts are set out below:

Type of Insurance	Date of Contract	Counterparty (associate of Mr. Deripaska)	Duration of contract	Payment terms	Actual transaction amount in 2012 (USD million)
Non-life insurance: compulsory liability insurance connected with operating the hazardous objects, compulsory professional liability insurance and general liability insurance program	April to May 2012 (Note 1)	Ingosstrakh, INGO Ukraine and INGO Armenia	One year	Under compulsory insurance – quarterly, before the beginning of the relevant quarter; under other insurance (general liability insurance) – within 30–40 days from the date of inception	0.857

Directors' Report

Type of Insurance	Date of Contract	Counterparty (associate of Mr. Deripaska)	Duration of contract	Payment terms	Actual transaction amount in 2012 (USD million)
Non-life insurance: cargo insurance program	11.05.2011	Ingosstrakh	Up to 31.10.2012	Six equal instalments, the first payment to be made within 45 days from the date of inception, adjustable on the actual sales turnover	1.147
Non-life insurance: directors and officers liability insurance program	06.12. 2011	Ingosstrakh	Up to 30 .10.2012	Within 2 months from the date of inception	nil
Non-life insurance: general liability insurance program	01.06. 2011	Ingosstrakh, INGO Ukraine and INGO Armenia	Up to 24 .04.2012	Within 40 days from the date of inception	nil
Non-life insurance: third party motor liability and motor hull insurance	During 2012 (Note 1)	Ingosstrakh and INGO Armenia	One year	Before the inception	0.112
Non-life insurance: property and business interruption insurance program	01.06. 2011	Ingosstrakh, INGO Ukraine and INGO Armenia	One year	Two equal instalments, the first payment to be made within 2 months from the date of inception, the second payment be made within 9 months from date of inception.	1.662
Non-life insurance: property and business interruption insurance program	01.06.2012	Ingosstrakh, INGO Ukraine and INGO Armenia	One year	Two equal instalments, the first payment to be made within 2 months from the date of inception, the second payment to be made within 9 months from date of inception.	2.883
Non-life insurance: project cargo insurance	16.02.2012	Ingosstrakh	Up to 31.12. 2012	First payment (USD 1,300) - within 15 days from the date of inception, and thereafter quarterly in accordance with the actual amount of shipments within 15 days from the end of the relevant quarter	0.018

Directors' Report

Type of Insurance	Date of Contract	Counterparty (associate of Mr. Deripaska)	Duration of contract	Payment terms	Actual transaction amount in 2012 (USD million)
Non-life insurance: cargo insurance program	09.11. 2012	Ingosstrakh	One year	Four equal instalments, adjustable on the actual sales turnover	0.210
Non-life insurance: directors and officers liability insurance program	09.11. 2012	Ingosstrakh	One year	Within 2 months from the date of inception	nil
Non-life insurance: property in storage insurance	01.12. 2012	Ingosstrakh	One year	Quarterly payments, within 15 days from the beginning of the relevant quarter	0.005
Total amount:					6.895

Note 1: A series of insurance contracts were entered into during the period.

The aggregate transaction amount for the insurance services provided by Ingosstrakh, INGO Ukraine and INGO Armenia to the Group during the year ended 31 December 2012 amounted to USD6.895 million, which was within the maximum aggregate transaction amount of USD9.17 million for 2012 as disclosed in the announcement dated 12 November 2012.

(II) The transactions and arrangements summarised below were entered into by members of the Group on or prior to 31 December 2012 and are in relation to transactions for the year ending 31 December 2013 and subsequent years (and not for the year ended 31 December 2012):

A PURCHASE OF RAW MATERIALS FROM THE ASSOCIATE OF MR. VEKSELBERG AND OF MR. BLAVATNIK FOR PRODUCTION

As discussed above, Energoprom Management is an associate of Mr. Vekselberg and Mr. Blavatnik and thus is a connected person of the Company under the Listing Rules. Accordingly, the transactions entered into between members of the Group as buyers and Energoprom Management as seller constitute continuing connected transactions of the Company under the Listing Rules.

On 25 December 2012, for the purpose of the Group's production, UC RUSAL TH, as buyer, entered into an addendum to the agreement dated 10 September 2010 with Energoprom Management as seller, pursuant to which UC RUSAL TH agreed to purchase and Energoprom Management agreed to supply calcined petroleum

coke in the estimated amount of 90,000 tonnes for the year ending 31 December 2013, for an estimated total consideration of approximately USD23.32 million (the "**Addendum to Calcined Petroleum Coke Supply Agreement**"). Under the Addendum to Calcined Petroleum Coke Supply Agreement, the consideration was to be paid within 3 business days upon receipt of pro forma invoice for shipped products and is to be satisfied in cash via wire transfer. The price for the calcined petroleum coke was determined on an arm's length basis.

Starting from 1 March 2013, UC RUSAL TH ceased to purchase calcined petroleum coke under the Addendum to Calcined Petroleum Coke Supply Agreement. Instead, UC RUSAL TH was to purchase calcined petroleum coke from Closed Joint Stock Company "ENERGOPROM – Novosibirsk Electrode Plant" ("**CJSC "EPM-NovEP"**") starting from 1 March 2013. Accordingly, on 26 February 2013, UC RUSAL TH, as buyer, and CJSC "EPM-NovEP", as seller, entered into an agreement pursuant to which UC RUSAL TH agreed to purchase and CJSC "EPM-NovEP" agreed to supply calcined petroleum coke on the same terms as in the Addendum to Calcined Petroleum Coke Supply Agreement (save for the seller was changed to CJSC "EPM-NovEP") (the "**Calcined Petroleum Coke Purchase Agreement with CJSC "EPM-NovEP"**"). All transactions contemplated under the Calcined Petroleum Coke Purchase Agreement with CJSC "EPM-NovEP" were to take place starting from 1 March 2013. It was expected that no transaction amount will be incurred under the Addendum to Calcined Petroleum Coke Supply Agreement from 1 March 2013 onwards.

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B PURCHASE OF RAW MATERIALS FROM THE ASSOCIATE OF MR. VEKSELBERG AND MR. BLAVATNIK FOR REPAIRING

As discussed above, Energoprom Management is an associate of Mr. Vekselberg and Mr. Blavatnik and thus is a connected person of the Company under the Listing Rules. Accordingly, the transactions entered into between members of the Group as buyers and Energoprom Management as seller constitute continuing connected transactions of the Company under the Listing Rules.

On 27 December 2012, for the purpose of the Group's pot repairing programme, RUS-Engineering, as the buyer, and Energoprom Management, as the supplier, entered into a cathode blocks supply agreement pursuant to which RUS-Engineering agreed to buy and Energoprom Management agreed to sell approximately 26,360 tonnes of cathode blocks for the year ending 31 December 2013, for a total consideration of up to approximately USD40.541 million. Under the agreement,

the consideration was to be satisfied in cash via wire transfer within 20 days after the date of supply. The price for the cathode blocks was determined on an arm's length basis.

C SALE OF RAW MATERIALS TO MR. DERIPASKA'S ASSOCIATES

As discussed above, each of KraMZ and "GAZ Group Autocomponents" LLC is an associate of Mr. Deripaska and thus a connected person of the Company according to the Listing Rules. Accordingly, the contracts discussed below constitute continuing connected transactions for the Company under the Listing Rules.

On 26 December 2012, UC RUSAL TH, as seller, entered into the following raw materials supply contracts with particulars set out below. The prices for the raw materials under each of the contracts are determined on an arm's length basis. The consideration will be satisfied in cash via wire transfer.

Buyer (an associate of Mr. Deripaska)	Raw materials to be supplied	Estimated delivery volume for the year ending 31 December 2013	Duration and extension clause	Payment terms	Estimated consideration payable for the year ending 31 December 2013 excluding VAT (USD, million)
"KraMZ"	Silicon	500 tonnes	Up to 31 January 2013. The contract will be extended by an addendum but either party can choose not to renew the contract without prior consent of the other party 20 days before the end of contract	100% pre-payment	1.2
"GAZ Group Autocomponents" LLC	Silicon	360 tonnes	Up to 31 January 2013. The contract will be extended by an addendum but either party can choose not to renew the contract without prior consent of the other party 20 days before the end of contract	100% pre-payment	0.87

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D SALE OF RAW MATERIALS TO SUAL PARTNERS, MR. VEKSELBERG'S AND MR. BLAVATNIK'S ASSOCIATES

As discussed above, Energoprom Management is an associate of Mr. Vekselberg and Mr. Blavatnik, and OJSC KUMZ is an associate of SUAL Partners. Thus, each of Energoprom Management and OJSC KUMZ is a connected person of the Company. Accordingly, the transactions entered into between members of the Group on one part, and Energoprom Management or OJSC KUMZ on the other, constitute continuing connected transactions of the Company under the Listing Rules.

On 26 December 2012, UC RUSAL TH, as seller, entered into a sale of silicon agreement with OJSC KUMZ, as buyer, pursuant to which UC RUSAL TH agreed to supply and OJSC KUMZ agreed to purchase silicon of approximately 500 tonnes during the year ending 31 December 2013, at a total consideration of up to USD1.2 million. The term of the contract is up to 31 December 2013, and will be extended by an addendum for one year unless any of the parties declares its intention to terminate it. The consideration is to be 100% pre-paid and satisfied in cash via wire transfer.

On 25 December 2012, UC RUSAL TH, as seller, entered into an addendum to the sale of green petroleum coke agreement dated 10 September 2010 with Energoprom Management, as buyer, pursuant to which RUSAL TH agreed to supply and Energoprom Management agreed to purchase green petroleum coke of approximately 120,000 tonnes during the year ending 31 December 2013, at a total consideration of up to USD16.85 million (the "**Addendum to Green Petroleum Coke Sale Agreement**"). The term of the contract is up to 31 December 2013. The consideration is to be paid within 25 calendar days upon receipt of pro forma invoice for shipped products and is to be satisfied in cash via wire transfer.

Starting from 1 March 2013, UC RUSAL TH ceased to supply green petroleum coke under the Addendum to Green Petroleum Coke Sale Agreement. Instead, UC RUSAL TH was to supply green petroleum coke to CJSC "EPM-NovEP" starting from 1 March 2013. Accordingly, on 26 February 2013, UC RUSAL TH, as seller, and CJSC "EPM-NovEP", as buyer, entered into an agreement pursuant to which UC RUSAL TH agreed to supply and CJSC "EPM-NovEP" agreed to purchase green petroleum coke on the same terms as in the Addendum to Green Petroleum Coke Sale Agreement (save for the buyer was changed to CJSC "EPM-NovEP") (the "**Green Petroleum Coke Sale Agreement with CJSC "EPM-NovEP"**"). All transactions contemplated under the Green Petroleum Coke Sale Agreement with CJSC "EPM-NovEP" were to take place starting from 1 March 2013. It was expected that no transaction amount will be incurred under the Addendum to Green Petroleum Coke Sale Agreement from 1 March 2013 onwards.

The prices for the sale of raw materials under each of the above contracts are determined on an arm's length basis.

E TRANSPORTATION CONTRACTS

As discussed above, KraMZ-Auto is an associate of En+ and thus is a connected person of the Company. Accordingly, the transactions entered into between members of the Group on one part, and KraMZ-Auto on the other, constitute continuing connected transactions of the Company under the Listing Rules.

During December 2012, a series of transportation contracts were entered into between members of the Group (namely RUS-Engineering, LLC "IT-Service", and CJSC "Boguchany Aluminium Smelter Construction Organizer") and KraMZ-Auto, pursuant to which KraMZ-Auto agreed to provide transportation services to members of the Group. These transportation contracts are for a term of one year. The estimated transaction amount (excluding VAT) under these transportation contracts for the financial year ending 31 December 2013 is up to USD14.3 million. The consideration under each of the series of contracts between RUS-Engineering and KraMZ-Auto is to be paid in cash via wire transfer and will be settled as to 50% before the 15th day of the month following the reporting month and the remaining 50% before the 30th day of the month following the reporting month. The consideration for the other transportation contracts is to be paid in cash via wire transfer and be settled within a specified period (ranges from 10 business days to 60 calendar days) after the receipt of invoice.

All these transportation contracts are on arms-length commercial terms.

F THE RAILCARS SUPPLY AGREEMENT

Mr. Deripaska is indirectly interested in more than 30% of OJSC Ruzhimmash ("**Ruzhimmash**"). Ruzhimmash is therefore an associate of Mr. Deripaska and a connected person of the Company under the Listing Rules.

Accordingly, the transactions entered into between RUSAL Trans LLC ("**RUSAL Trans**"), being a member of the Group, and Ruzhimmash, as discussed below, constitute continuing connected transactions of the Company under the Listing Rules.

On 27 December 2012, RUSAL Trans, as the buyer, and Ruzhimmash, as the supplier, entered into a railcars supply agreement (the "**Railcars Supply Agreement**") pursuant to which RUSAL Trans agreed to buy and Ruzhimmash agreed to develop, manufacture and sell approximately 100 railcars in 2013 and around 200 railcars in 2014, for a total consideration of up to approximately USD12.7 million for the year ending 31 December 2013 and approximately USD15.2 million for the year ending 31 December 2014. RUSAL Trans has the right to exercise an option to order over 300 additional series-built railcars should the Company have the need therefor, at a discount of RUB 63,559 per 1 series-built railcar and should such purchase be reasonable and

Directors' Report

economically feasible for the Company at that time.

Under the Railcars Supply Agreement, the consideration is determined on arm's length basis and is to be satisfied in cash via wire transfer as follows:

Payment for development and manufacturing:

- 40% To be paid within 15 banking days after effective date of agreement
- 45% To be paid at least 10 days prior to the commencement of preliminary and certification testing of the trial railcar
- Balance To be paid within 10 working days after three months of operation of the railcar under a normal load from the railcar delivery date. If there are deficiencies that would require elimination or additional improvements are identified during that period, the final payment date will be postponed proportionately to the time spent of eliminating deficiencies identified during the operation of the railcar

Payment for supply of railcars:

- 70% (prepayment) of the agreed cost of monthly railcar batch will be effected 15 days prior to the beginning of the month of the approved batch delivery;
- the final settlement will be made against the invoice within 7 banking days from the date of signing the railcar acceptance

The Railcars Supply Agreement is expected to be terminated on 31 December 2014 but can be extended for one year.

11 Agreements subject to change of control provisions

The following agreements with the Company contain change of control provisions allowing the other parties under such agreements to cancel their commitments in full and declare (or which action would result in) all outstanding loans immediately due and payable in the relevant event:

- (a) Up to USD4,750 million aluminium pre-export finance term facility agreement dated 29 September 2011 between, among others, the Company as the borrower and BNP Paribas (Swiss) SA as the facility agent - in the event that any person (or persons acting in concert) other than the core shareholder (as defined in the credit facility agreement) has or gains control of the Company. As of 31 December 2012, the outstanding nominal value of debt was USD3,844 million and the final maturity of the debt is September 2018;

- (b) Up to USD400 million multicurrency aluminium pre-export finance term facility agreement dated 30 January 2013 between, among others, the Company as the borrower and ING Bank N.V. as the facility agent - in the event that any person (or persons acting in concert) other than the core shareholder (as defined in the credit facility agreement) has or gains control of the Company. No amount was outstanding as of 31 December 2012 and the final maturity of the debt is 7 February 2018.

- (c) A series of non-deliverable cross - currency swap transactions entered into between certain banks and RTI Limited under ISDA Master Agreements in 2011 and 2012 and secured by the guarantees of the Company.

12 Major customers and suppliers

Large scale end-customers of the Company include Glencore, Toyota, Mechem SA, LG International, HYDRO. The largest customer and the five largest customers of the Group accounted for 30% and 43%, respectively, of the Group's total sales for the year ended 31 December 2012.

The major suppliers of the Company are Irkutskenergo and ZAO CFR with respect to electricity and capacity and power supply or transmission, Rio Tinto Aluminium Limited with respect to bauxite and alumina supply, Glencore with respect to bauxite, alumina, fuel and gas and ENRC Marketing AG with respect to alumina supply.

The amount of purchases from the largest supplier and the five largest suppliers of the Group accounted for 6% and 23%, respectively, of the Group's total cost of sales for the year ended 31 December 2012.

Save for the fact that Glencore is deemed to be interested in 9.02% (long position) and 8.62% (short position) in the total issued share capital of the Company within the meaning of Part XV of the SFO as at 31 December 2012 and Mr. Ivan Glasenberg, a non-executive Director, is a member of the board of directors and the Chief Executive Officer of Glencore, no Director or their respective associates (as defined in the Listing Rules) or any Shareholders (which to the knowledge of the Directors own more than 5% of the share capital of UC RUSAL) had any disclosable interests in the Group's five largest customers of the primary aluminium or alumina at any time during 2012.

Directors' Report

13 Directors

The following individuals served as Directors during the financial year:

Name	Position at year end (unless specified otherwise)	Notes
Oleg Deripaska	Chief Executive Officer, executive Director	
Vladislav Soloviev	First Deputy Chief Executive Officer, executive Director	
Petr Sinshinov		Re-designated as an executive Director with effect from 17 March 2012; ceased to be a Director with effect from 1 October 2012
Tatiana Soina		Ceased to be a Director on 16 March 2012
Vera Kurochkina	Executive Director	
Alexander Livshits		Ceased to be a Director on 15 June 2012
Maxim Sokov	Executive Director	Appointed as a Director on 16 March 2012
Victor Vekselberg		Ceased to be the Chairman of the Board on 12 March 2012; ceased to be a Director on 16 March 2012
Maksim Goldman	Non-executive Director	Appointed as a Director on 16 March 2012
Dmitry Afanasiev	Non-executive Director	
Len Blavatnik	Non-executive Director	
Ivan Glaserberg	Non-executive Director	
Dmitry Razumov		Ceased to be a Director on 9 November 2012
Anatoly Tikhonov		Ceased to be a Director on 15 June 2012
Artem Volynets	Non-executive Director	
Dmitry Troshenkov		Ceased to be a Director on 11 May 2012
Dmitry Yudin	Non-executive Director	Appointed as a Director on 11 May 2012
Gulzhan Moldazhanova	Non-executive Director	Appointed as a Director on 15 June 2012
Vadim Geraskin	Non-executive Director	Appointed as a Director on 1 October 2012
Christophe Charlier	Non-executive Director	Appointed as a Director on 9 November 2012
Barry Cheung Chun-yuen	Independent non-executive Director	Appointed as the Chairman of the Board on 16 March 2012, and resigned from the same position with effect from 1 October 2012
Peter Nigel Kenny	Independent non-executive Director	
Philip Lader	Independent non-executive Director	
Elsie Leung Oi-sie	Independent non-executive Director	
Matthias Warnig	Chairman of the Board, Independent non-executive Director	Appointed as a Director on 15 June 2012, and as the Chairman of the Board on 1 October 2012

Directors' Report

PARTICULARS OF APPOINTMENTS OF DIRECTORS

A. Executive Directors

Each of the executive Directors has agreed to act as executive Director with effect from their respective dates of appointment, with no fixed term agreed, which may be terminated in accordance with the terms of their respective employment contracts and applicable legislation. The appointment of each executive Director is subject to the provisions of retirement and rotation of Directors under the Articles of Association.

B. Non-executive Directors and independent non-executive Directors

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with the Company with effect from their respective dates of appointment with no fixed term agreed. Appointments of non-executive Directors may be terminated by the non-executive Director by giving one month's notice of termination and/or otherwise in accordance with the Articles of Association. Appointments of independent non-executive Directors may be terminated by the Company or the independent non-executive Director by giving one month's notice of termination and/or otherwise in accordance with the Articles of Association. Each of the non-executive Directors and the independent non-executive Directors is entitled to a fixed director's fee. The appointment of each non-executive Director and independent non-executive Director is subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Paragraph A.4.1 of the CG Code provides that non-executive Directors should be appointed for a specific term, subject to re-election, and paragraph A.4.2 provides that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least every three years. The Company has addressed these requirements by including Article 24.2 of the Articles of Association which provides that if any Director has at the start of the annual general meeting been in office for three years or more since his last appointment or re-appointment, he shall retire at the annual general meeting. As such, it is possible that a Director may be in office for more than three years depending upon the timing of the relevant annual general meeting.

There are no service contracts with any Directors who are proposed for re-election at the general meeting that are not able to be terminated within one year without payment of compensation (other than statutory compensation).

C. Confirmation of Independence

The Company has received from each of the independent non-executive Directors an annual confirmation of

independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent. The Board considers that all independent non-executive Directors are independent by reference to the factors stated in the Listing Rules.

D. Change of particulars of Directors

Mr. Barry Cheung Chun-yuen became an independent non-executive director of AIA Group with effect from 20 September 2012. Mr. Cheung resigned as the alternate chairman of the Pay Trend Survey Committee and a member of the Standing Commission on Civil Services Salaries and Conditions of Service on 31 December 2012, and his service as a member of the Commission on Strategic Development ended on 30 June 2012. He was appointed as the Vice-chairman of the Commission on Strategic Development on 18 January 2013, a member of the Honours Committee, the Long Term Housing Strategy Steering Committee and the Non-official Justices of the Peace Selection Committee of Hong Kong on 1 September 2012, 13 September 2012 and 1 January 2013 respectively.

Mr. Len Blavatnik ceased to be a director and a vice president of SUAL Partners in September 2012 and ceased to serve on the board of TNK-BP in March 2013.

E. Resignation of Directors

Ms. Tatiana Soina resigned as an executive Director of the Company with effect from 16 March 2012 due to other business commitments.

Mr. Victor Vekselberg resigned as the Chairman of the Board with effect from 12 March 2012 and as a non-executive Director of the Company with effect from 16 March 2012 due to various reasons as mentioned in the Company's announcement dated 13 March 2012.

Mr. Dmitry Troshenkov resigned as a non-executive Director and as a member of the Audit Committee of the Company with effect from 11 May 2012 due to other business commitments.

Mr. Anatoly Tikhonov retired and resigned as a non-executive Director with effect from 15 June 2012.

Mr. Alexander Livshits resigned as an executive Director with effect from 15 June 2012.

Mr. Petr Sinshinov resigned as an executive Director with effect from 1 October 2012.

Mr. Dmitry Razumov resigned as a non-executive Director and as a member of any committee of the Board (including the Audit Committee of the Company) with effect from 9 November 2012.

F. Appointment of Directors

Mr. Maxim Sokov was appointed as an executive Director with effect from 16 March 2012.

Mr. Maksim Goldman was appointed as a non-executive Director with effect from 16 March 2012.

Mr. Dmitry Yudin was appointed as a non-executive

Directors' Report

Director and as a member of the Audit Committee of the Company with effect from 11 May 2012.

Mr. Matthias Warnig was appointed as an independent non-executive Director with effect from 15 June 2012.

Ms. Gulzhan Moldazhanova was appointed as a non-executive Director with effect from 15 June 2012.

Mr. Vadim Geraskin was appointed as a non-executive Director with effect from 1 October 2012.

Mr. Christophe Charlier was appointed as a non-executive Director and as a member of the Audit Committee, the Standing Committee and the Norilsk Nickel Investment Supervisory Committee of the Company with effect from 9 November 2012.

14 Directors' and Chief Executive Officer's interests in Shares and in shares of associated corporations of UC RUSAL

As at 31 December 2012, the interests and short positions of the Directors and Chief Executive Officer in the Shares, underlying Shares and debentures of UC RUSAL or as recorded in the register required to be kept pursuant to section 352 of the SFO or otherwise notified by the Directors to UC RUSAL and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (as incorporated by the Company in its "Codes for Securities Transactions", for further information, please refer to the Corporate Governance Report) were as set out below.

INTERESTS IN SHARES

Name of Director / Chief Executive Officer	Capacity	Number of Shares as at 31 December 2012	Percentage of issued share capital as at 31 December 2012
Oleg Deripaska	Beneficiary of a trust (Note 1)	7,312,299,974(L)	48.13%
	Beneficial owner (Note 2)	34,956,798(L)	0.23%
	Total	7,347,256,772(L)	48.36%
Artem Volynets	Beneficial owner	2,807,917(L)	0.02%
Vera Kurochkina	Beneficial owner (Note 2)	357,731(L)	0.002%
Vladislav Soloviev	Beneficial owner (Note 2)	524,652(L)	0.003%
Maxim Sokov	Beneficial owner (Note 2)	333,432(L)	0.002%
Dmitry Yudin	Beneficial owner	172,794(L)	0.0011%
Vadim Geraskin	Beneficial owner	85,917 (L)	0.0006%

(L) Long position

Notes – see notes on pages 102 and 103.

INTERESTS IN THE SHARES OF ASSOCIATED CORPORATIONS OF UC RUSAL

As at 31 December 2012, Mr. Oleg Deripaska, the Chief Executive Officer and an executive Director of UC RUSAL, had disclosed interests in the shares of a number of associated corporations (within the meaning of Part XV of the SFO) of UC RUSAL, the details of which are set out in the "Disclosure of Interests" section on the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

Directors' Report

Interests and short positions in underlying Shares and in the underlying shares of the associated corporations of UC RUSAL

Name of Director / Chief Executive Officer	Capacity	Number of underlying Shares as at 31 December 2012	Percentage of issued share capital as at 31 December 2012
Oleg Deripaska	Beneficiary of a trust (Note 1)	1,539,481,200(L) (Note 7)	10.133%
	Beneficial owner	834,533 (L) (Note 8)	0.005%
	Total	1,540,315,733 (L)	10.138%
Vera Kurochkina	Beneficial owner	212,608(L) (Note 8)	0.001%
Vladislav Soloviev	Beneficial owner	786,977 (L) (Note 8)	0.005%
Maxim Sokov	Beneficial owner	240,958 (L) (Note 8)	0.002%

(L) Long position

(S) Short position

Notes – see notes on pages 102 and 103.

Other than as disclosed, as at 31 December 2012, no Director or the Chief Executive Officer had any interest or short position, whether beneficial or non-beneficial, in the Shares, underlying Shares and debentures of the Company or in any of its associated corporations (within the meaning of Part XV of the SFO).

15 Directors' interests in businesses that may compete with the Company

Mr. Deripaska, Mr. Volynets, Ms. Moldazhanova and Mr. Soloviev are interested in/are directors of En+, Mr. Vekselberg (whose resignation as a non-executive Director took effect on 16 March 2012) and Mr. Blavatnik are interested in SUAL Partners and Mr. Glasenberg is interested in Glencore and is a director and the chief executive officer of Glencore. En+, SUAL Partners and Glencore are businesses which compete or are likely to compete, either directly or indirectly, with the Company. The summary below provides a description of these businesses, as well as facts demonstrating that UC RUSAL is capable of carrying on its own business independently of and at arm's length from these businesses.

Please note, in considering whether the Board and senior management of the Company are independent from the senior management of each of En+, SUAL Partners and Glencore, the Directors have taken into account the following general reasons, as well as

the specific reasons applicable to each of En+, SUAL Partners and Glencore:

- the Board consists of eighteen Directors, comprising four executive Directors, nine non-executive Directors and five independent non-executive Directors;
- the decision-making mechanism of the Board set out in the Articles of Association provides that all Directors with a material conflicting interest shall not vote when the relevant conflicted resolution is to be discussed and voted on;
- the Board has five independent non-executive Directors with extensive corporate governance and financial experience and is able to review, enhance and implement measures to manage any conflict of interests between the businesses in which the Directors have interests and the Group in order to protect minority shareholders' interests and to manage the affairs of the Group independently of the businesses in which the Directors have interests that may compete with the Company. The independent non-executive Directors make recommendations on the entering into of connected transactions by the Company. A committee of the independent non-executive Directors will make recommendations to the independent shareholders on how to vote for any resolution relating to future connected transactions pursuant to the Listing Rules' requirements; and
- all connected transactions which are subject to reporting and announcement requirements under

Directors' Report

the Listing Rules have to be reviewed by the Audit Committee before they are approved by the Board. In respect of each specific relevant business:

A. EN+

En+ is a limited liability company incorporated under the laws of Jersey with its registered office at Ogier House, The Esplanade, St. Helier, Jersey, British Channel Islands, JE4 9WG. En+ is ultimately controlled by one of its beneficial owners Mr. Oleg Deripaska, who indirectly holds 91.45% of the shares in En+.

En+'s strategy is to focus on businesses with mining expertise, including in relation to the extraction of raw materials for energy production, electricity generation and the production of non-ferrous metals. En+ specialises in metals that require high energy consumption and then look for synergies between its energy producing and energy consuming businesses.

En+'s origins lie in its core business of aluminium production. Apart from being the Company's Controlling Shareholder, En+ also owns 29.36% in Kombinat Aluminjuma Podgica (KAP), aluminium smelter and bauxite mine in Montenegro, and KraMZ, plant which produce semi-finished aluminium alloys and extrusion products.

Independence from En+

Having considered all relevant factors, including the following, the Directors are satisfied that the Group can conduct its business independently of En+:

Independence of the Board and the Group's Senior Management from the Senior Management of En+

The Board currently comprises a majority of non-executive Directors due to a historical arrangement between En+, SUAL Partners, Glencore and Onexim, pursuant to which they are each entitled to nominate a certain number of candidates for appointment as Directors. As at the year end, nine of the Directors were nominated by En+, four of which Directors are also directors of En+. The overlapping Directors at year end are Mr. Deripaska and Mr. Soloviev (being the Company's executive Directors) and Mr. Volynets and Ms. Moldazhanova (being the Company's non-executive Directors). Mr. Deripaska is the president and a director of En+ and Mr. Volynets is the chief executive officer and an executive director of En+. Each of Mr. Soloviev and Ms. Moldazhanova holds a non-executive position in En+. All of the overlapping Directors have been elected on the basis of their qualifications and breadth of experience, as set out in more detail in the "Profiles of Directors and Senior Management" section. The Company's non-executive Directors attend Board meetings and provide guidance to and decide on the Company's important matters. Certain of the non-executive Directors also sit on the committees of the

Board and are responsible for the matters related to such committees.

For the general reasons stated above, the Directors are of the view that the Group is able to operate independently from En+, notwithstanding the fact that nine Directors are nominated by En+, and that the CEO and the First Deputy Chief Executive Officer are also directors of En+, because the Group's day-to-day operations are managed by four executive Directors together with our senior management team. All non-Board members of our senior management are independent of and not connected with En+.

Based on the above, the Board is satisfied that the Board as a whole, together with our senior management team, are able to perform their managerial role in the Group independently.

Operational Independence

The Group has full control of its assets and its businesses, and operates as a business group which is separate from and fully independent of En+.

The Group has, as disclosed under the section entitled "Connected Transactions" of this Annual Report, entered into contracts with companies controlled by Mr. Deripaska for the purchase of electricity, and may continue to do so in the future.

As aluminium production is energy intensive, access to relatively inexpensive Siberian hydropower is central to the competitive strategy of the Group. However, notwithstanding the volume of such purchases from companies owned and controlled by Mr. Deripaska and the importance of electricity costs to the production activities of the Group, the Company does not consider that it is, as a consequence, overly reliant on Mr. Deripaska for the following reasons:

- (a) the Group has access to alternative sources of electricity as the Group's Russian smelters are connected to the Russian power grid, meaning that electricity supplies can be obtained from various power plants, all of which are also connected to the grid. These supplies are available to the Group at market prices;
- (b) the Group purchases electricity in accordance with the Wholesale Electricity Market Rules at contract prices in accordance with direct sale-purchase agreements with suppliers (both related or unrelated to the Controlling Shareholder) and/or at market prices for electricity sold on the market irrelative to the particular supplier. In 2012, the overall share of electricity purchased by the Group's aluminum plants from the suppliers related to the Controlling Shareholder did not exceed 69%. The Group has an option of switching to suppliers unrelated to the Controlling Shareholder including by purchasing electricity on the Wholesale Electricity Market, though there would be certain price impact;

Directors' Report

- (c) none of the contracts is in take-or-pay format;
- (d) even with the reduced to zero proportion of each supply contract which is subject to regulated tariffs in accordance with existing regulations in Russia, the Group is currently already a very large volume user with significant negotiating power in the Russian power market. In 2012, the Group has consumed approximately 34% of the power generated in Siberia; and
- (e) the power plants owned or controlled by Mr. Deripaska are located in remote regions where there are a limited number of large volume users located in proximity to such plants. Sales to distant users would involve significant transmission losses and, because Siberia is a surplus energy producer, the result is that these plants are more reliant on the customer than vice versa.

Financial Independence

The Group's financial auditing system is independent from En+ and employs a sufficient number of dedicated financial accounting personnel responsible for financial auditing of the Group's accounts. The Company has independent bank accounts and independent tax registration.

The Group's treasury operations are handled by the Company's treasury department, whose functions include financing, treasury and cash management and which operates independently from En+ and shares no functions or resources with En+.

The Group's choice of financial institutions is mainly based on the credit standing of the institutions and the terms offered by them.

As at the year end, En+ had not provided any security and/or guarantee over the Group's borrowings.

As a result of the above analysis, the Directors believe that the Group is able to maintain financial independence from En+.

Extent of Competition

The only En+ businesses which compete with or are likely to compete with the Group's business, either directly or indirectly, are those excluded businesses described below. However, by reason of the nature of such excluded businesses and the clear delineation between the Group's business and such excluded business, the Group is fully capable of carrying on its business independently of and at arm's length from such excluded business.

There is no real competitive threat to the Group's business from the excluded business and there is no intention for the Company to acquire such excluded business.

Mr. Deripaska indirectly owns CEAC (which is an owner of 29.36% of the aluminium smelter in Montenegro called KAP and a bauxite mine called Rudnic Boxita Niksic

which supplies raw material for external customers). KAP employs more than 1,200 people and has a capacity to produce 120 thousand tonnes of aluminium annually, but currently the volume of production is reduced to 50 thousand tons annually under a temporary restrictions in electricity supplies. KAP's main suppliers are the electricity company of Montenegro, the Port of Bar and Montenegro Railways. KAP's largest customers are aluminium traders (KAP sells most of its aluminium into the market at LME based prices).

Mr. Deripaska also owns the KraMZ group of companies. The KraMZ plant was opened in 1969 and currently employs in excess of 2,700 individuals. In 2012 the KraMZ plant produced approximately 116 thousand tonnes of semi-finished aluminium alloys and extrusion products. Most of the KraMZ plant's raw materials (principally aluminium) are purchased from companies within the Group (primarily KrAZ). KraMZ's main customers are industrial customers located within Russia and abroad that purchase aluminium rods, profiles, tubes and cast aluminium alloys.

In addition, Mr. Deripaska is a beneficial owner of DOZAKL, one of Russia's manufacturers of aluminium composite tape. The DOZAKL plant was established in 1972 and currently employs more than 320 individuals. It manufactures composite aluminium tape (Lamister, Alumopolyethylene), anodised sheet and strip for composite panels, strip for soft food cans and aluminium strips for lamplight reflectors and lath ceilings in Russia and the CIS. DOZAKL purchases most of its raw materials (principally aluminium coil) from the Group's foil mills and on market. DOZAKL's main customers are industrial customers located within Russia and the CIS.

KraMZ and DOZAKL are focused on the downstream market for aluminium products, and not the upstream market on which the Group has taken a strategic decision to focus. As a result, a decision was taken not to include them in the Group at the time of the 2007 merger that formed the Group because they do not fit the Group's strategic profile, which is to focus on more profitable upstream businesses. CEAC is a geographically isolated producer of aluminium and would not be of interest to the Group due to its relatively high cost structure and certain privatisation obligations.

The Company does not consider the above operations to pose any real competitive threat due to their small size, limited geographical reach and focus on the downstream segment, which is not part of the Company's business strategy.

B. SUAL PARTNERS

SUAL Partners is a limited liability company incorporated under the laws of the Bahamas whose registered office is at 2nd Terrace West, Centreville, Nassau, Commonwealth of the Bahamas. SUAL Partners is beneficially owned by a number of individuals, with

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Mr. Victor Vekselberg (whose resignation as a non-executive Director took effect on 16 March 2012) and Mr. Len Blavatnik together being the controlling shareholders of SUAL Partners. SUAL Partners is a holding company that holds interests in UC RUSAL and a separate kitchenware and houseware business.

The Group has, as disclosed under the section entitled "Connected Transactions" of this Annual Report, entered into contracts with companies controlled by SUAL Partners for aluminium sales, and may continue to do so in the future. These aluminium sales contracts have been entered into as part of the ordinary course of business and pursuant to antimonopoly requirements to supply aluminium to Russian producers.

Independence from SUAL Partners

Having considered all relevant factors, including the following, the Group is satisfied that it can conduct its business independently of SUAL Partners:

Independence of the Board and the Group's Senior Management from the Senior Management of SUAL Partners

For the general reasons stated above, the Directors are of the view that the Group is able to operate independently from SUAL Partners because the Group's day-to-day operations are managed by four executive Directors who are independent of and not connected with SUAL Partners and the senior management team, who are all independent of and not connected with SUAL Partners.

Based on the above, the Board is satisfied that the Board as a whole, together with the senior management team, are able to perform their managerial role in the Group independently.

Operational Independence

The Group has full control of its assets and its businesses, and operates as a business group which is separate from and fully independent of SUAL Partners.

Financial Independence

The Group's financial auditing system is independent from SUAL Partners and employs a sufficient number of dedicated financial accounting personnel responsible for financial auditing of the Group's accounts. The Company has independent bank accounts and independent tax registration.

The Group's treasury operations are handled by the Company's treasury department, whose functions include financing, treasury and cash management and which operates independently from SUAL Partners and shares no functions or resources with SUAL Partners.

The Group's choice of financial institutions is mainly based on the credit standing of the institutions and the terms offered by them.

As at the year end, SUAL Partners had not provided

any security and/or guarantee over the Group's borrowings.

As a result of the above analysis, the Directors believe that the Group is financially independent from SUAL Partners.

Extent of Competition

The Board is of the opinion that SUAL Partners is not a competitor of the Company.

C. GLENCORE

Amokenga Holdings is a company incorporated in Bermuda whose registered office is at 22 Victoria Street, Canon's Court, Hamilton, HM12, Bermuda. Amokenga Holdings is ultimately controlled by Glencore, which is a public company listed on the London Stock Exchange, with a secondary listing on the Hong Kong Stock Exchange. No individual shareholder controls more than 20% of the share capital of Glencore. Glencore directly or indirectly employs over 3,000 people worldwide in its marketing operations in some 50 offices in over 40 countries. In its industrial operations it directly or indirectly employs over 58,000 people in 33 countries.

Mr. Glasenberg is a shareholder, director and chief executive officer of Glencore, whose principal business is the production and trading of commodities including aluminium. Mr. Glasenberg is a non-executive Director of the Company and is also a member of the Corporate Governance and Nomination Committee, the Standing Committee and the Norilsk Nickel Investment Supervisory Committee. As he is not an executive Director, he does not participate in the day-to-day management of the Company, and accordingly is not involved in the daily operations of the aluminium trading division and so does not have access to confidential contracts entered into by that division. Notwithstanding that his role on the Board as a non-executive Director does not require his involvement in the day-to-day management of the Company, this does not preclude Mr. Glasenberg from fulfilling his fiduciary duties. In case Mr. Glasenberg has a conflicting interest, pursuant to the Articles of Association, he shall abstain from voting at Board meetings when a conflicted resolution is to be discussed and voted on, subject to certain exceptions.

When the Group acquired certain of the alumina businesses of Glencore in late March 2007, it became subject to a contract for the supply of alumina to Glencore that continued through 2008, in declining amounts. The Group sold to Glencore approximately 27% and 33% of its excess alumina in monetary terms in 2011 and 2012, respectively. The Company also has long term supply contracts with Glencore for alumina and primary aluminium, and Glencore was the Group's largest customer of alumina and primary aluminium in the financial year, accounting for approximately 34% of the Group's sales of primary aluminium.

Directors' Report

Independence from Glencore

Having considered all relevant factors, including the following, the Group is satisfied that it can conduct its business independently of Glencore:

Independence of the Board and the Group's Senior Management from the Senior Management of Glencore

For the general reasons stated above, the Directors are of the view that the Group is able to operate independently from Glencore notwithstanding that one Director is also a director of Glencore because the Group's day-to-day operations are managed by four executive Directors who are independent of and not connected with Glencore and the senior management team, who are all independent of and not connected with Glencore.

Based on the above, the Board is satisfied that the Board as a whole, together with the senior management team, are able to perform their managerial role in the Group independently.

Operational Independence

The Group has full control of its assets and its businesses, and operates as a business group which is separate from and fully independent of Glencore.

Financial Independence

The Group's financial auditing system is independent from Glencore and employs a sufficient number of dedicated financial accounting personnel responsible for financial auditing of the Group's accounts. The Company has independent bank accounts and independent tax registration.

The Group's treasury operations are handled by the Company's treasury department, whose functions include financing, treasury and cash management and which operates independently from Glencore and shares no functions or resources with Glencore.

The Group's choice of financial institutions is mainly based on the credit standing of the institutions and the terms offered by them.

As at the year end, Glencore had not provided any security and/or guarantee over the Group's borrowings.

As a result of the above analysis, the Directors believe that the Group is financially independent from Glencore.

Extent of Competition

Glencore participates in the marketing of both aluminium and alumina from world markets as well as from industrial assets in which it has an interest. Glencore's subsidiaries own 100% of the Columbia Falls aluminium smelter (which is currently idle), 100% of the Sherwin Alumina Refinery and has an economic interest of 46.4%¹ in Century Aluminium Company, a NASDAQ-quoted company whose assets include: the

Ravenswood aluminium smelter (which is currently idle), the Hawesville aluminium smelter and the Nordural aluminium smelter and a 49.67% equity interest in the Mt. Holly aluminium smelter. Glencore, in its business of trading, is also a customer of the Group.

16 Substantial Shareholders' Interests

As at 31 December 2012, so far as the Directors are aware, the following interests or short positions in the Shares or underlying Shares of the Company were notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and were entered in the register required to be kept by the Company under Section 336 of the SFO and of article L.233-7 of the French Commercial Code:

¹ Represents Glencore's economic interest, comprising 41.6 per cent, voting interest and 4.8 per cent. non-voting interest.

Directors' Report

INTERESTS AND SHORT POSITIONS IN SHARES

Name of Shareholder	Capacity	Number of Shares held as at 31 December 2012	Percentage of issued share capital as at 31 December 2012
Oleg Deripaska	Beneficiary of a trust (Note 1)	7,312,299,974 (L)	48.13%
	Beneficial owner (Note 2)	34,956,798 (L)	0.23%
	Total	7,347,256,772 (L)	48.36%
Fidelitas Investments Ltd. (Note 1)	Interest of controlled corporation	7,312,299,974 (L)	48.13%
B-Finance Ltd. (Note 1)	Interest of controlled corporation	7,312,299,974 (L)	48.13%
En+ (Note 1)	Beneficial owner	7,312,299,974 (L)	48.13%
Victor Vekselberg (Note 3)	Beneficiary of a trust	3,710,590,137(L)	24.42%
TCO Holdings Inc. (Note 3)	Interest of controlled corporation	3,710,590,137(L)	24.42%
TZ Columbus Services Limited (Note 3)	Trustee (other than a bare trustee)	3,710,590,137(L)	24.42%
Renova Holding Limited (Note 3)	Interest of controlled corporation	3,710,590,137(L)	24.42%
Renova Metals and Mining Limited (Note 3)	Interest of controlled corporation	3,710,590,137(L)	24.42%
SUAL Partners (Note 3)	Beneficial owner	2,400,970,089(L)	15.80%
	Other	1,309,620,048(L)	8.62%
	Total	3,710,590,137(L)	24.42%
Mikhail Prokhorov (Note 4)	Interest of controlled corporation	2,586,499,596(L)	17.02%
Onexim Group Limited(Note 4)	Interest of controlled corporation	2,586,499,596(L)	17.02%
Onexim (Note 4)	Beneficial owner	2,586,499,596(L)	17.02%
Glencore International plc (Note 5)	Beneficial owner	1,328,988,048(L)	8.75%

(L) Long position

Notes – see notes on pages 102 and 103.

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INTERESTS AND SHORT POSITIONS IN UNDERLYING SHARES

Name of Shareholder	Capacity	Number of underlying Shares as at 31 December 2012	Percentage of issued share capital as at 31 December 2012
Oleg Deripaska (Note 1)	Beneficiary of a trust	1,539,481,200 (L) (Note 7)	10.133%
	Beneficial owner	834,533 (L) (Note 8)	0.005%
	Total	1,540,315,733 (L)	10.138%
Fidelitas Investments Ltd. (Note 1)	Interest of controlled corporation	1,539,481,200(L) (Note 6)	10.133%
B-Finance Ltd. (Note 1)	Interest of controlled corporation	1,539,481,200 (L) (Note 6)	10.133%
En+ (Note 1)	Beneficial owner	1,539,481,200(L) (Note 6)	10.133%
Victor Vekselberg (Note 3)	Beneficiary of a trust	354,230,862(S) (Note 7)	2.33%
TCO Holdings Inc. (Note 3)	Interest of controlled corporation	354,230,862(S) (Note 6)	2.33%
TZ Columbus Services Limited (Note 3)	Trustee (other than a bare trustee)	354,230,862(S) (Note 6)	2.33%
Renova Holding Limited (Note 3)	Interest of controlled corporation	354,230,862(S) (Note 6)	2.33%
Renova Metals and Mining Limited (Note 3)	Interest of controlled corporation	354,230,862(S) (Note 6)	2.33%
SUAL Partners (Note 3)	Beneficial owner	354,230,862(S) (Note 6)	2.33%
Glencore International plc (Note 5)	Beneficial owner	41,807,668(L) (Note 6)	0.28%
		1,309,620,048(S) (Note 6)	8.62%

(L) Long position
(S) Short position

Other than the interests disclosed above, so far as the Directors are aware, as at 31 December 2012, the Company has not been notified of any other notifiable interests or short positions in Shares or underlying Shares.

(Note 1)

These interests were directly or beneficially held by En+. Based on the information provided by Mr. Deripaska, Mr. Deripaska was the founder, trustee and a beneficiary of a discretionary trust which, as at 31 December 2012, held 100% of the share capital of Fidelitas Investments Ltd., which, as at 31 December 2012, held 100% of the share capital of B-Finance Ltd. As at 31 December 2012, B-Finance Ltd. held 70.35% of the share capital of En+. Each of B-Finance Ltd., Fidelitas Investments Ltd. and Mr. Deripaska were deemed to be interested in the Shares and underlying Shares held by En+ by virtue of the SFO as at 31 December 2012.

(Note 2)

All or some of these Shares represent the share awards which were granted under the long-term share incentive plan of the Company and were vested on 21 November 2011 and 21 November 2012. For details, please refer to Note 10 to the consolidated financial statements for the year ended 31 December 2012.

(Note 3)

These interests and short positions were directly held by SUAL Partners. SUAL Partners is controlled as to 35.84% by Renova Metals and Mining Limited, which is in turn wholly-owned by Renova Holding Limited. Renova Holding Limited is controlled by TZ Columbus Services Limited as to 100% under a trust and TZ Columbus Services Limited acts as trustee of the trust and is, in turn wholly-owned by TCO Holdings Inc. Mr. Vekselberg is the sole beneficiary of the relevant trust. Each of Renova Metals and Mining Limited, Renova Holding Limited, TZ Columbus Services Limited, TCO Holdings Inc. and Mr. Vekselberg is deemed to be interested in the Shares held by SUAL Partners by virtue of the SFO.

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(Note 4)

These interests were directly held by Onexim. Onexim is wholly-owned by Onexim Group Limited, which is beneficially owned by Mikhail Prokhorov. Each of Onexim Group Limited and Mikhail Prokhorov is deemed to be interested in the Shares held by Onexim.

(Note 5)

Amokenga Holdings Ltd. directly holds the relevant interests in the Company, and is wholly-owned by Glencore Finance (Bermuda) Ltd. which is, in turn, wholly-owned by Glencore Group Funding Limited. Glencore Group Funding Limited is wholly-owned by Glencore International AG, which is wholly-owned by Glencore International plc. In light of the fact that Glencore International plc, Glencore International AG, Glencore Group Funding Limited and Glencore Finance (Bermuda) Ltd. (together, the "Glencore Entities") directly or indirectly control one-third or more of the voting rights in the shareholders' meetings of Amokenga Holdings Ltd., in accordance with the SF0, the interests of Amokenga Holdings Ltd. are deemed to be, and have therefore been included in the interests of the Glencore Entities.

(Note 6)

These underlying Shares represent physically settled unlisted derivatives.

(Note 7)

These underlying Shares represent unlisted physically settled options.

(Note 8)

These underlying Shares represent the share awards which were granted but not yet vested under the long-term share incentive plan of the Company.

As of the date of this Annual Report, no shareholders notified the Company of their change in ownership of the share capital or voting rights in application of article L.233-7 of the French Commercial Code. None of the Major Shareholders have or will have different voting rights attached to the Shares they hold in the Company.

None of the Major Shareholders have or will have different voting rights attached to the Shares they hold in the Company.

17 Pre-emptive rights

There are no applicable statutory pre-emption rights which apply to the Company and there are no restrictions on the exercise of voting rights or share transfers included in the Articles of Association. There are, however, certain restrictions and preferential terms and conditions relating to sales and acquisitions of certain Shares held by the Major Shareholders (see section 8 of the Directors' Report - Shareholders' agreements).

18 Emolument policy

There are no arrangements under which a Director has waived or agreed to waive any emoluments due by the Group.

The aggregate remuneration that the Directors

have received (including fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind) for the financial year was approximately USD28.9 million. Additional information on the remuneration of the Directors and the individuals with the highest emoluments can be found in notes 10 and 11 to the consolidated financial statements.

The Company does not have any agreements in place providing for indemnities to Directors in case of dismissal without cause or in case of tender offer, other than in relation to an obligation to pay unpaid salaries and expenses at termination of employment. The Company has agreements in place with several of its employees that provide for indemnities in case of dismissal without cause.

BASIS FOR COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration policies of UC RUSAL are considered by the Remuneration Committee on the basis of an employee's qualifications and performance, as well as the complexity of his or her job. Wages for each employee are generally reviewed annually and revised in accordance with a performance assessment and local labour market conditions. The following was approved by the Board, on the recommendation of the Remuneration Committee in relation to the compensation of the non-executive Directors, CEO and certain members of senior management and other employees:

A. Non-Executive Directors

1 Non-executive Chairman

The Chairman was entitled to receive a chairman's fee of USD400,000 per annum during the last financial year.

2 Non-executive Directors

- (a) Commencing on 27 January 2010, all non-executive Directors were entitled to receive a GBP120,000 fee per annum; those non-executive Directors who were employed or retained by En+, SUAL Partners, Glencore and Onexim were expected to consult with those entities as to whether the Directors, as individuals, may retain such fees or whether such fees should be paid to their respective employing entities.
- (b) Each non-executive Director was entitled to receive additional fees for committee assignments at the rate of GBP15,000 per annum for acting as the chairman and GBP10,000 per annum for participating as a member.

B. Chief Executive Officer

From 27 January 2010, the CEO's annual compensation has comprised the following:

- (a) USD2 million per annum base salary, paid monthly;
- (b) STIP: a performance-linked cash payment within

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30 days after the Audit Committee's approval of entire-year audited consolidated financial statements for the previous year, in the potential amount of 200% of base salary, to be decided on the basis of the Remuneration Committee's specific criteria;

- (c) LTIP: all such awards, based strictly on the 12-month share price appreciation, comprising:
- (i) 50% of the LTIP Award for certain Award Period shall vest annually in equal amounts over three years with no performance conditions other than continued employment; and
 - (ii) 50% of the LTIP Award for certain Award Period shall vest in three equal tranches over three years, subject to CEO's continued employment and each of such subsequent year's substantial achievement of that prior year's Business Plan, and such LTIP Award with each tranche to be released after a further two-year holding period from the date of vesting and subject to continued employment throughout such period.

The quantum of the LTIP award will be based strictly on share price appreciation compared with a comparator group of 6 to 15 global, public, complex and (though not exclusively) extractive-industry companies' share price movements.

No emoluments have been paid to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years presented.

C. LTIP

On 11 May 2011, the Board adopted the LTIP, in which eligible participants (being employees of the Group) may be entitled to participate. From the pool of eligible participants, the Board may, in its discretion, select employees for participation in the LTIP. The number of shares to be awarded to a selected employee is determined by the Company on the "Award Date" (as it is determined in the LTIP Rules). Unless otherwise determined by the Board, in its sole discretion, and with the exception of the vesting of the CEO's LTIP Award, the awarded shares and related compensation for the particular award period ("LTIP Award") that are transferable to a selected employee vest in that selected employee in installments (which each comprises 20% of the total LTIP Award), over a five year period (each a "Tranche"), provided that:

- the selected employee remains an employee at all times following the Award Date and on each of the LTIP Award vesting dates; and
- the first Tranche of each LTIP Award will vest on the vesting date during the calendar year immediately following the award period for which such LTIP Award is awarded.

During 2012, the Board did not approve any LTIP

Award for 2011 and, therefore, no Shares were granted under the 2011 LTIP Award.

Out of those Shares conditionally granted under the 2010 LTIP Award, the second Tranche of the Shares vested in November 2012 comprised 2,224,967 Shares. For the year ended 31 December 2012, Ogier Employee Benefit Trustee Limited, as trustee of the United Company RUSAL Plc Employee Benefit Trust and the LTIP ("Trustee") acquired a total of 3,059,914 Shares with a nominal value of USD0.01 per share. The purchased Shares represent approximately 0.0202% of the Company's issued share capital as at 31 December 2012 and the date of this Annual Report.

The average price paid for the Shares was approximately USD 0.601 per share, in addition to trading fees totaling approximately USD 3,210.

19 Pension schemes

Information on the Company's pension schemes is set out in note 27(a) to the consolidated financial statements.

20 Sufficiency of public float

The Hong Kong Stock Exchange has granted the Company a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules to accept a lower public float percentage of the Company of the higher of: (i) 10% of the Shares, and (ii) the percentage of public shareholding that equals HK\$6 billion at the Listing Date, as the minimum percentage of public float of the Company. From the information publicly available to the Company and within the knowledge of the Directors as at the date of this Annual Report, the Company has sufficiently maintained the abovementioned public float.

21 Auditors

The consolidated financial statements have been audited by ZAO KPMG as a sole auditor who, having served for the whole of the financial year, retire and, being eligible, offer themselves for re-appointment as the Company's sole auditor. A resolution for the re-appointment of ZAO KPMG as sole auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company. As disclosed by the Company, in February 2013 the Company obtained consent from the Stock Exchange for ZAO KPMG to act as the sole auditor of the Company under Rule 19.20(2) of the Listing Rules. On 19 February 2013, KPMG (a Hong Kong partnership and a member firm of the KPMG network) resigned from the office of joint auditors of the Company with immediate

Directors' Report

effect. ZAO KPMG has been acting as the sole auditor of the Company with effect from 19 February 2013.

22 Amendments to the constitution

The Articles of Association provide that the Memorandum and the Articles of Association are only capable of being amended by the passing of a special resolution. A special resolution is defined in the Articles of Association as a resolution of the Company passed by a majority of not less than three quarters of members who (being entitled to do so) vote in person, or by proxy, at a general meeting of the Company of which not less than twenty-one clear days' notice, specifying the intention to propose the special resolution, has been given. Provided that, if it is so agreed by a majority in number of the members having the right to attend and vote at such meeting upon the resolution, being a majority together holding not less than ninety-five per cent. of the total voting rights of the members who have that right, a resolution may be proposed and passed as a special resolution at a meeting at which less than twenty-one clear days' notice has been given in accordance with the Jersey Companies Law.

23 Litigation

Details of the litigation in which the Company, its subsidiaries and certain beneficial owners are involved in are set out in notes 27(c) (provisions for legal claims), 32(c) (legal contingencies) and 36 (events subsequent to the reporting date) to the consolidated financial statements.

24 Social investments and charity

Contribution to the development of the company's habitat is a priority for UC RUSAL. UC RUSAL is not only one of the leaders in aluminium production, but also one of the most socially responsible companies in the regions where it operates, with rich experience in the development and realisation of sponsorship and charity projects. When implementing social investment programmes RUSAL actively cooperates with governmental, non-profit and business structures, sharing its business experience with local communities and supporting social initiatives valuable to the communities in which it operates. In 2012, UC RUSAL allocated more than USD 8.6 million to sponsorship and charity projects.

25 Post balance sheet events

The details of the events subsequent to the balance sheet date up to the date of the Group's and the Company's consolidated financial statements presented in this report, being 1 March 2013, are disclosed in note 36 to the consolidated financial statements. The details of the events subsequent to 1 March 2013 are disclosed in the announcements of the Company listed below:

Date	Subject of the announcement
04.03.2013	Annual results announcement for the year ended 31 December 2012
04.03.2013	Continuing connected transactions - transportation contracts
04.03.2013	Reduction of production volumes
28.03.2013	Delay in despatch of circular
15.04.2013	Update on the annual results for the year ended 31 December 2012 and inside information
17.04.2013	Continuing connected transactions - heat supply contracts
22.04.2013	Update on the annual results announcement for the year ended 31 December 2012 and inside information

26 Directors' interests in contracts

Save as disclosed in section 10 (Connected Transactions) and section 15 (Directors' interests in businesses that may compete with the Company) above, there has been no contract of significance to the Group, subsisting during or at the end of 2012 in which a Director is or was materially interested, either directly or indirectly.

On behalf of the Board
Wong Po Ying, Aby
Company Secretary
 30 April 2013

UC RUSAL HAS A 28% INTEREST IN NORILSK NICKEL, THE WORLD'S LARGEST PRODUCER OF NICKEL AND PALLADIUM AND ONE OF THE LARGEST PRODUCERS OF PLATINUM AND COPPER

7



Corporate Governance Report

1. Corporate governance practices

The Company adopts international standards of corporate governance. The Directors believe that high quality corporate governance leads to successful business development and increases the investment potential of the Company, providing more security for shareholders, partners and customers as well as reinforcing the Company's internal control systems.

By working with international institutions such as the European Bank for Reconstruction and Development and the International Finance Corporation, the Company developed and implemented its corporate governance standards, based on the principles of transparent and responsible business operations.

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

The Directors adopted a corporate governance code which is based on the CG Code in a Board meeting on 11 November 2010. The Directors consider that the Company has complied with the code provisions of the CG Code in force at the time during the period from 1 January 2012 to 31 March 2012 and the code provisions in the CG Code (as amended in April 2012) during the period from 1 April 2012 to 31 December 2012, other than as described in paragraphs 3(b) and 3(g) of this Corporate Governance Report.

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the shareholders.

Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company during the Review Period.

2. Directors' securities transactions

The Company has adopted a Code for Securities Transactions by Directors of the Company. The Code for Securities Transactions was based on the Model Code as set out in Appendix 10 to the Listing Rules but it was made more exacting than the required standard set out

in Appendix 10. It was also based on the provisions of articles L.451-2-1, L.465-2 and L.621-18-2 of the French Monetary and Financial Code, Chapters II and III of Title II of Book II of the General Regulation of the AMF and Titles II and III of Book VI of the General Regulation of the AMF with respect to insider dealing and market misconduct. The Code for Securities Transactions was adopted by the Board on 9 April 2010. Having made specific enquiry of all Directors, all Directors confirmed that they had fully complied with the required standard set out in the Model Code and the Code for Securities Transactions throughout the Review Period.

The Company has not been notified of any other transaction by the Directors in application of the aforementioned provisions.

3. Board of Directors

(A) COMPOSITION OF THE BOARD AND ATTENDANCE AT BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

The Board currently comprises a combination of executive, non-executive and independent non-executive Directors. During the year ended 31 December 2012, the Board consists of the Directors listed below and their attendance record for the 16 Board meetings held by the Board, other Board committee meetings and the annual general meeting ("AGM") held during the Review Period is as follows:

Corporate Governance Report

	Board meetings	Attendance and number of meetings			AGM
		Corporate Governance and Nomination Committee meetings	Remuneration Committee meetings	Audit Committee meetings	
Executive Directors					
Oleg Deripaska	15/16 (Note 1)	-	-	-	0/1
Vladislav Soloviev	16/16	-	-	-	1/1
Vera Kurochkina	15/16 (Note 2)	-	-	-	1/1
Maxim Sokov (appointed as a Director on 16 March 2012)	15/15 (15 Board meetings were held during his tenure)	-	-	-	1/1
Tatiana Soina (ceased to be a Director on 16 March 2012)	0/2 (Note 3) (2 Board meetings were held during his tenure)	-	-	-	0/0
Alexander Livshits (ceased to be a Director on 15 June 2012)	0/5 (Note 4) (5 Board meetings were held during his tenure)	-	-	-	0/0
Petr Sinshinov (ceased to be a Director on 1 October 2012)	7/11 (Note 5) (11 Board meetings were held during his tenure)	-	-	-	0/1
Non-executive Directors					
Len Blavatnik	1/16 (Note 6)	-	0/2 (Note 6)	-	0/1
Dmitry Afanasiev	9/16 (Note 7)	-	-	-	0/1
Ivan Glaserberg	16/16 (Note 8)	6/7	-	-	0/1
Artem Volynets	16/16	6/7 (Note 9)	2/2	-	1/1
Maksim Goldman (appointed as a Director on 16 March 2012)	14/15 (15 Board meetings were held during his tenure) (Note 10)	-	-	-	1/1
Dmitry Yudin (appointed as a Director on 11 May 2012)	11/11 (11 Board meetings were held during his tenure)	-	-	7/7 (7 Audit Committee meetings were held during his tenure)	1/1
Gulzhan Moldazhanova (appointed as a Director on 15 June 2012)	9/11 (Note 11) (11 Board meetings were held during her tenure)	-	-	-	0/1
Vadim Geraskin (appointed as a Director on 1 October 2012)	4/5 (Note 12) (5 Board meetings were held during his tenure)	-	-	-	0/0
Christophe Charlier (appointed as a Director on 9 November 2012)	4/4 (4 Board meetings were held during his tenure)	-	-	1/1 (1 Audit Committee meeting was held during his tenure)	0/0
Victor Vekselberg (ceased to be the Chairman of the Board on 12 March 2012; ceased to be a Director on 16 March 2012)	1/2 (Note 13) (2 Board meetings were held during his tenure)	-	-	-	0/0

Corporate Governance Report

	Attendance and number of meetings				AGM
	Board meetings	Corporate Governance and Nomination Committee meetings	Remuneration Committee meetings	Audit Committee meetings	
Dmitry Troshenkov (<i>ceased to be a Director on 11 May 2012</i>)	3/5 (Note 14) (5 Board meetings were held during his tenure)	-	-	3/5 (Note 14) (5 Audit Committee meetings were held during his tenure)	0/0
Anatoly Tikhonov (<i>ceased to be a Director on 15 June 2012</i>)	4/5 (Note 15) (5 Board meetings were held during his tenure)	-	-	-	0/0
Dmitry Razumov (<i>ceased to be a Director on 9 November 2012</i>)	6/13 (Note 16) (13 Board meetings were held during his tenure)	-	-	3/11 (Note 16) (11 Audit Committee meetings were held during his tenure)	0/1
Independent non-executive Directors					
Peter Nigel Kenny	15/16	7/7	2/2	12/12	1/1
Philip Lader	13/16	7/7	2/2	11/12	1/1
Barry Cheung Chun-Yuen (<i>appointed as the Chairman of the Board on 16 March 2012 and resigned from the same position on 1 October 2012</i>)	16/16	7/7	2/2	-	1/1
Elsie Leung Oi-sie	15/16	-	-	11/12	1/1
Matthias Warnig (<i>appointed as a Director on 15 June 2012, appointed as the Chairman of the Board on 1 October 2012</i>)	11/11 (11 Board meetings were held during his tenure)	-	-	-	1/1

Notes:

- During 2012, Mr. Oleg Deripaska attended 15 Board meetings in person, and 1 Board meeting was attended by his alternate.
- During 2012, Ms. Vera Kurochkina attended 15 Board meetings in person, and 1 Board meeting was attended by her alternate.
- During 2012, Ms. Tatiana Soina attended none of the Board meetings in person, and 1 Board meeting was attended by her alternate.
- During 2012, Mr. Alexander Livshits attended none of the Board meetings in person, and 5 Board meetings were attended by his alternate.
- During 2012, Mr. Petr Sinshinov attended 7 Board meetings in person, and 4 Board meetings were attended by his alternate.
- During 2012, Mr. Len Blavatnik (i) attended 1 Board meeting in person, and 16 Board meetings were attended by his alternate. Among such Board meetings, 1 meeting was attended partially by Mr. Len Blavatnik and partially by his alternate; and (ii) attended none of the Remuneration Committee meetings in person, and 2 Remuneration Committee meeting were attended by his alternate.
- During 2012, Mr. Dmitry Afanasiev attended 9 Board meetings in person, and 7 Board meetings were attended by his alternate.
- During 2012, Mr. Ivan Glasenberg (i) attended 16 Board meetings in person, and 2 Board meetings were attended by his alternate. Among such Board meetings, 2 meetings were attended partially by Mr. Ivan Glasenberg and partially by his alternate.
- During 2012, Mr. Artem Volynets (i) attended 6 Corporate Governance and Nomination Committee meetings in person, and 1 Corporate Governance and Nomination Committee meeting was attended by his alternate.
- During 2012, Mr. Maksim Goldman attended 14 Board meetings in person, and 1 Board meeting was attended by his alternate.
- During 2012, Ms. Gulzhan Moldazhanova attended 9 Board meetings in person, and 1 Board meeting was attended by her alternate.
- During 2012, Mr. Vadim Geraskin attended 4 Board meetings in person, and 1 Board meeting was attended by his alternate.
- During 2012, Mr. Victor Vekselberg attended 1 Board meeting in person, and 1 Board meeting was attended by his alternate.
- During 2012, Mr. Dmitry Troshenkov (i) attended 3 Board meetings in person, and 2 Board meetings were attended by his alternate; and (ii) attended 3 Audit Committee meetings in person, and 2 Audit Committee meetings were attended by his alternate.
- During 2012, Mr. Anatoly Tikhonov attended 4 Board meetings in person, and 1 Board meeting was attended by his alternate.
- During 2012, Mr. Dmitry Razumov (i) attended 6 Board meetings in person, and 8 Board meetings were attended by his alternate. Among such Board meetings, 1 meeting was attended partially by Mr. Dmitry Razumov and partially by his alternate; and (ii) attended 3 Audit Committee meetings in person, and 4 Audit Committee meetings were attended by his alternate.

Corporate Governance Report

Biographical details of the above Directors are set out in the section headed Profiles of Directors and Senior Management on pages 51 to 69 of this Annual Report.

(B) TERM OF APPOINTMENT OF DIRECTORS

Paragraph A.4.1 of the CG Code provides that non-executive Directors should be appointed for a specific term, subject to re-election. Paragraph A.4.2 of the CG Code provides that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least every three years. Each of the non-executive Directors signed an appointment letter with the Company with no fixed term agreed. However, the Company has substantially addressed these requirements by enshrining a term in its Articles of Association. Article 24.2 of the Articles of Association provides that if any Director has at the start of the annual general meeting been in office for three years or more since his last appointment or re-appointment, he shall retire at the annual general meeting. As such, it is possible that a director may be in office for more than three years depending upon the timing for calling the annual general meeting.

(C) BOARD MEETINGS

During 2012, 16 Board meetings were held.

At the Board meeting held on 1 March 2013, the Directors approved, among other things, the annual results of the Company for the year ended 31 December 2012.

The schedule for Board meetings is approved on an annual basis. The Directors are then also provided on a timely basis with the relevant documents and copies of the draft resolutions to be approved at that particular meeting. All Directors are given an opportunity to include matters in the agenda for the Board meeting and have access to the secretary of the Company to ensure that all Board procedures and all applicable rules are followed. The Board also enables the Directors to seek independent professional advice at the Company's expense in appropriate circumstances. The Board secretary is responsible for keeping minutes of the Board meetings and the secretary of the Company is responsible for the safe keeping of minutes and resolutions of the Board at the registered office of the Company.

(D) BOARD FUNCTIONS AND DUTIES

The Board is collectively responsible for the management and operations of the Company. The principal functions and duties conferred on the Board include:

- responsibility for the approval and monitoring of the overall development strategies, annual budgets, business plans and material investment plans

- relating to the Company's business;
- monitoring and evaluating the performance of the Company in respect of its strategies, budgets and plans;
- approving and supervising the management;
- giving an account of the Company's activities to the parties to whom an account is properly due; and
- ensuring the maintenance of accounting records in compliance with the legal obligations of the Company.

The Board has delegated the day-to-day operation of the Company to executive Directors and the executive committee to ensure effectiveness and appropriateness of functions. The Board has formally approved the terms of reference for the executive committee.

The primary role of the executive committee is to assist the Chief Executive Officer and senior management with the day-to-day management of the Group and to assist the Board in formulating and implementing the strategy of the Group and monitoring its performance.

Additional duties and responsibilities of the executive committee include, but are not limited to, developing Group strategy for Board approval and implementing such strategy once approved, reviewing and opining on any matter involving expenditure of more than USD75 million before referring such matter to the Board, and overseeing and monitoring the financial performance of the Group. In addition, the executive committee is empowered to establish committees comprising of its members, as well as other managers from time to time.

The executive committee meets as frequently as necessary, but not less than twice per month. The executive committee operates as the management board of the Company's subsidiary, RUSAL Global Management B.V. The Chief Executive Officer, or failing him, the first Deputy Chief Executive Officer, formally reports the decisions and actions of the executive committee to the Board at meetings of the Board.

(E) BOARD POWERS TO ISSUE AND REPURCHASE SHARES

The Board has been given authority by the Company's shareholders to issue and repurchase the Shares. These mandates are described on pages 71 and 72 of this Annual Report.

(F) RELATIONSHIPS AMONG MEMBERS OF THE BOARD

Please refer to the profiles of Directors and Senior Management for more information about the relationships among members of the Board.

Shareholders' Agreements

The Shareholders' Agreement with the Company and the Shareholders' Agreement between Major Shareholders were both entered into on 22 January 2010 and are still in force. For brief details of these shareholders'

Corporate Governance Report

agreements, please see Appendix A and Appendix B.

Shareholder Options

Glencore has granted En+ and SUAL Partners the Glencore Call Option to acquire all Shares held by Glencore on the date of exercise of the Glencore Call Option that were also (i) held by Glencore on 26 March 2007 or (ii) issued to Glencore by the Company after 26 March 2007 but before the exercise of the Glencore Call Option. The Glencore Call Option may only be exercised by En+ but, following exercise, SUAL Partners has the right to participate in proportion to their holding of Shares at that time vis-a-vis En+. The Glencore Call Option is exercisable until 26 March 2017.

The exercise price of the option will be determined by an investment bank as 120% of the higher of (i) the market value of Glencore's option securities, which is determined by reference to the enterprise value of the Group on the relevant option exercise date or after an initial public offering, the volume weighted average price of a Share over the preceding five trading days; and (ii) a valuation calculated by reference to the cumulative aggregate EBITDA of the Group for the preceding 12 quarters and the discounted enterprise value/ EBITDA multiple at which certain of the Group's competitors trade.

(G) BOARD MEETINGS AT WHICH DIRECTORS HAVE MATERIAL INTERESTS

A.1.7 of the CG Code states that "If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at that board meeting."

The Board has generally endeavored throughout the twelve-month period ended 31 December 2012 to ensure that it does not deal with business by way of written resolution where a substantial shareholder or a Director has disclosed an interest in a matter to be considered by the Board which the Board has determined to be material. As a result, there was only one occurrence (out of the 18 written resolutions the Board passed during the period) when urgent business was dealt with by the Board by way of written resolution where a material interest of a Director had been disclosed. In that instance, the Board was asked to resolve on an administrative matter that required an urgent confirmation from the Board rather than in respect of any operational business. The Director involved did not vote nor was he counted in the quorum.

Of the 13 Board meetings held in the twelve-month period ended 31 December 2012 where one or more

Director(s) had disclosed a material interest, there were 5 of those meetings where not all the independent non-executive Directors (who had not disclosed material interests in the transaction) were present. Given the size of the Board and the amount of urgent business transacted by the Company where Directors and substantial shareholders have material interests, it is difficult to rearrange any scheduled Board meeting or postpone the discussion of such business in order to ensure all of the independent non-executive Directors are present. The Board meetings on those occasions were therefore proceeded with despite the fact that certain independent non-executive Directors were not able to attend but on each occasion at least half of the independent non-executive Directors (none of whom had disclosed material interests on any of those occasions) were present.

4. Chairman and Chief Executive Officer

The roles of the Chairman of the Board and the Chief Executive Officer are segregated and are independent to each other. The Chairman (being Mr. Victor Vekselberg until his resignation on 12 March 2012, Mr. Barry Cheung Chun-yuen from 16 March 2012 to 30 September 2012, and Mr. Matthias Warnig from 1 October 2012 up to present) is chiefly responsible for maintaining the effective operation of the Board. The Chairman is also responsible for chairing Board meetings, briefing Board members on issues discussed at Board meetings and ensuring good corporate governance practices and procedures are established. Mr. Oleg Deripaska is the Chief Executive Officer and his role is primarily concerned with the supervision of the execution of the policies determined by the Board.

The Company has approved a policy statement setting out those responsibilities to be undertaken by the Chairman and those to be undertaken by the Chief Executive Officer. The Chairman is responsible for leadership of the Board and for creating the conditions necessary to allow the Board and individual Directors to operate effectively. The Chief Executive Officer is responsible for the day to day management of the Company's business and ensuring that the strategic decisions made by the Board are implemented.

5. Independent non-executive Directors

Rule 3.10A of the Listing Rules requires that an issuer must appoint independent non-executive directors representing at least one-third of the board. In this regard, the Stock Exchange has granted a

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waiver to the Company from strict compliance with the requirements under Rules 3.10A and 3.11 of the Listing Rules. The percentage of the number of our independent non-executive Directors (i.e. 27.8%) is very close to the one-third requirement under Rule 3.10A of the Listing Rules. The current composition of the Board represents an appropriate mix of Directors which offers sufficient independent checks and balances and an appropriate governance structure for the Company. As at the date of this Annual Report, the Company has 5 out of 18 Directors who are independent non-executive Directors, and there is no change in the shareholders' agreement in relation to board nominations/appointments (as described on pages 287 and 288 of the Company's prospectus dated 31 December 2009).

The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of shareholders of the Company. One of the independent non-executive Directors, Dr. Peter Nigel Kenny, started his career at PriceWaterhouse and is a Chartered Accountant.

Each of the independent non-executive Directors has undertaken to inform the Hong Kong Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the independent non-executive Directors in respect of their independence. The Board considers that all independent non-executive Directors are independent by reference to the factors stated in the Listing Rules.

6. Nomination of directors and the work of the Corporate Governance and Nomination Committee

The Company established a corporate governance and nomination committee with written terms of reference in compliance with the CG Code.

The primary functions of the Corporate Governance and Nomination Committee are, among other things, to develop, recommend and annually review corporate governance guidelines, policies and practices for the Company and its consolidated subsidiaries, to oversee corporate governance matters, to review and monitor the training and continuous professional development of Directors and senior management, to develop, review and monitor the Company's code of conduct and compliance manual and applicable to employees and Directors, reviewing the Company's compliance with the CG Code set out in Appendix 14 of the Listing Rules and disclosure in the Corporate Governance Report, and to make recommendations to the Board, including those in

relation to the appointment and removal of Directors. The Corporate Governance and Nomination Committee is provided with sufficient resources to discharge its duties and its terms of reference also permit it to obtain access to a legal adviser.

In recommending a candidate for appointment to the Board, the Corporate Governance and Nomination Committee is required to determine criteria, objectives and procedures for selecting Board members, including factors such as independence (in the case of independent non-executive directors), diversity, age, future succession planning, integrity, skills, expertise, breadth of experience, knowledge about the Company's business and industry, and willingness to devote adequate time and effort to Board responsibilities. In identifying suitable candidates the Corporate Governance and Nomination Committee is required to use open advertising or the services of external advisers to facilitate the search, consider candidates from a wide range of backgrounds and consider candidates on merit against objective criteria, taking care that appointees have enough time to devote to the position.

The Corporate Governance and Nomination Committee consists of a majority of independent non-executive Directors. The members are as follows: three independent non-executive Directors, Mr. Philip Lader (chairman), Dr. Peter Nigel Kenny and Mr. Barry Cheung, and two non-executive Directors, Mr. Ivan Glasenberg and Mr. Artem Volynets. The Corporate Governance and Nomination Committee has held 7 meetings during the Review Period. At these meetings, the Corporate Governance and Nomination Committee considered, amongst other things, (i) the annual general meetings materials, (ii) the recommendation of qualified individuals to the Board, including Mr. Maxim Sokov, Mr. Maksim Goldman, Mr. Dmitry Yudin, Mr. Matthias Warnig, Ms. Gulzhan Moldazhanova, Mr. Vadim Geraskin and Mr. Christophe Charlier, (iii) changes to the composition of the Board committees, (iv) changes to the composition of executive committee of RUSAL Global Management B.V., (v) confidentiality policy, (vi) Shareholders' communication policy, (vii) new requirements of the Listing Rules, (viii) policy for engagement of external (independent) experts, (ix) amendments to the Board committees' terms of reference related to the changes to the Listing Rules.

The members of the Corporate Governance and Nomination Committee have regularly attended and actively participated in meetings. For the attendance record of the meetings held by the Corporate Governance and Nomination Committee during 2012, please refer to paragraph 3(a) of this Corporate Governance Report.

According to the Articles of Association, at every annual general meeting, one-third of the Directors or,

Corporate Governance Report

if their number is not three or a multiple of three, the number nearest to one-third shall retire from office; but if any Director has at the start of the annual general meeting been in office for three years or more since his last appointment or reappointment, he shall retire at the annual general meeting. The Directors to retire by rotation shall be, first, those who wish to retire and not be re-appointed to office and, second, those who have been longest in office since their last appointment or re-appointment. As between persons who became or were last re-appointed directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. The details of the Directors who will retire and offer themselves for re-election at the forthcoming annual general meeting will be set out in the relevant circular to be issued by the Company.

7. Information relating to the remuneration policy and the work of the Remuneration Committee

The Company has established a remuneration committee with written terms of reference in compliance with the CG Code. The primary function of the Remuneration Committee is, on among other things, to make recommendations to the Board on the remuneration package of the Directors and senior management, and to assist the Board in overseeing the administration of the Company's compensation and

benefits plans. Remuneration policies are determined on the basis of an employee's qualifications and performance, as well as the complexity of his or her job. Wages for each employee are generally reviewed annually and revised in accordance with a performance assessment and local labour market conditions. The Remuneration Committee consists of a majority of independent non-executive Directors. The members are as follows: three independent non-executive Directors, Mr. Barry Cheung (chairman, with effect from 9 November 2012), Dr. Peter Nigel Kenny and Mr. Philip Lader (ceased to be chairman with effect from 9 November 2012) and two non-executive Directors, Mr. Len Blavatnik and Mr. Artem Volynets.

The Remuneration Committee has held 2 meetings during the Review Period. At those meetings, the Remuneration Committee discussed and recommended the Board to approve the remuneration of the CEO and certain senior managers and the matters in relation to share awards under the LTIP. For details of the Company's emolument policy, including in respect of the LTIP, please refer to section 18 of the Directors' Report. The members of the Remuneration Committee have regularly attended and actively participated in meetings. For the attendance record of the meetings held by the Remuneration Committee during 2012, please refer to paragraph 3(a) of this Corporate Governance Report.

Pursuant to paragraph B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the financial year ended 31 December 2012 is set out below:

Remuneration band	Number of individuals
Nil to HK\$45,000,000 (Nil to US\$ 5,800,000)	27
HK\$45,000,001-HK\$55,000,000 (US\$ 5,800,001 – US\$ 7,100,000)	3
HK\$55,000,001-HK\$65,000,000 (US\$ 7,100,001 – US\$ 8,400,000)	-
HK\$70,000,001-HK\$75,000,000 (US\$ 9,000,001 – US\$9,700,000)	2

The total remuneration, including the basic salary, performance-linked salary, incentive-linked salary and discretionary bonus of the Directors in 2012 amounted to approximately USD29 million. All other non-executive Directors are entitled to receive Director's fees and additional fees for being a member of a Board committee or chairing a Board committee. Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are detailed in note 10 to the consolidated financial statements for the year ended 31 December 2012 as disclosed in this Annual Report.

8. The work of Audit Committee

The Company established an audit committee with written terms of reference in compliance with the CG Code.

The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process, internal control and risk management systems, to oversee the audit process and to perform other duties and responsibilities as are assigned to the Audit Committee by the Board. The Audit Committee is assisted by the Company's internal audit function which undertakes both regular and ad hoc reviews of risk

Corporate Governance Report

management controls and procedures, the results of which are reported to the Audit Committee.

The Audit Committee consists of a majority of independent non-executive Directors. The members are as follows: three independent non-executive Directors, Dr. Peter Nigel Kenny (chairman), Mr. Philip Lader, Ms. Elsie Leung Oi-sie, and two non-executive Directors, Mr. Dmitry Yudin (who replaced Mr. Dmitry Troshenkov from 11 May 2012 onwards) and Mr. Christophe Charlier (who replaced Mr. Dmitry Razumov from 9 November 2012 onwards). Dr. Peter Nigel Kenny holds relevant professional qualifications and knowledge related to accounting and financial management.

During the Review Period, the Audit Committee has held 12 meetings. The Company's external auditors are regularly invited to attend meetings of the Audit Committee. At the meeting on 16 March 2012, members of the Audit Committee reviewed the consolidated financial statements for the year ended 31 December 2011. At a meeting on 24 August 2012, members of the Audit Committee reviewed the consolidated interim condensed financial information as at and for the three and six months ended 30 June 2012, and at a meeting on 1 March 2013, members of the Audit Committee reviewed the consolidated financial statements for the year

ended 31 December 2012. The Audit Committee is of the opinion that such consolidated financial statements have complied with the applicable accounting standards, the Listing Rules, other legal requirements and that adequate disclosures have been made. Minutes of Audit Committee meetings are taken, recorded and kept.

The Audit Committee reviews the Company's financial and accounting policies and practices, meets the external auditors on a regular basis, and reviews all related party transactions before the Board's consideration. The Audit Committee also reviews the Company's financial controls, internal control and risk management system.

The members of the Audit Committee have regularly attended and actively participated in meetings. For the attendance record of meetings held by the Audit Committee during 2012, please refer to paragraph 3(a) of this Corporate Governance Report.

9. Auditors' remuneration in respect of audit and non-audit services

For the year ended 31 December 2012, the total fees paid or payable in respect of audit and non-audit services provided by the Group's external auditor, ZAO KPMG, are set out below:

	For the year ended 31 December 2012 USD' 000
Audit services	
Annual audit services	7,200
Annual non-audit services	100

The Audit Committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditor, which is subject to the approval by the Board and at annual general meetings of the Company by its shareholders.

10. Directors' Responsibility for the Consolidated Financial Statements

The Directors acknowledge that it is their responsibility to prepare the consolidated financial statements for the year ended 31 December 2012, in accordance with applicable law and IFRS.

The Companies (Jersey) Law 1991 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the

state of affairs of the Company and its subsidiaries and of the profit or loss of the Company and its subsidiaries for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial

Corporate Governance Report

statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Chief Financial Officer of the Group is required to regularly present and explain to the Audit Committee and the Board reports on the Group's financial position and operating results, and report other matters that may have a material impact upon the financial performance and operations in order that the Audit Committee and the Board may make informed decisions.

The consolidated financial statements have been prepared in accordance with IFRS. The reporting responsibility of the external auditors of the Company on the financial statements of the Group are set out in the independent auditors' report on pages 119 and 120 of this Annual Report.

11. Internal Control

The Company's internal control system has been designed to safeguard the assets of the Company, maintain proper accounting records, ensure execution with appropriate authority and compliance with relevant laws and regulations.

The Board is responsible for maintaining and reviewing the effectiveness of the Company's internal control system. The Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established a risk management group within its Directorate for control, internal audit and business coordination (hereinafter referred to as the Directorate for control), which is responsible for developing and monitoring the Company's risk management policies. The Directorate for control reports regularly to the Board on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight

role by the Company's internal audit function, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The internal control capability is regularly improved and enhanced.

The Board has conducted a quarterly review of the effectiveness on the Company's internal control system during 2012. The following activities were implemented in 2012:

Key steps for the optimisation of procurement activities:

- ✓ Control of acquisition of the inventory, equipment, transportation
- ✓ Creation and operation of the Unified Tender Committee of UC RUSAL
- ✓ Initiation of cooperation with the third party electronic trading platform which will help to increase the number of suppliers and possibilities for reduction of price
- ✓ Mitigation of risks of publishing for general access of information about UC RUSAL procurement activity

As a result UC RUSAL was one of the top 5 Russian companies in the 'National rating of procurement transparency 2012' and was named best among Russian metal companies.

Key steps for the Company's risk management:

- ✓ Updating of Risk Management Regulations which is allowed to develop the following issues:
 - o General methodology of risk management;
 - o Approaches to the assessment of efficiency of the risk management system;
 - o Approaches to the assessment of typical risks for the Company
- ✓ Updating of UC RUSAL Risk Management Policy which defines general risk management concept of the Company and responsibilities of personnel when it comes to risk management.

The current control capability was introduced in the form of regular assessment of the operating activities of the Company's functions and their performance against the KPIs.

Pursuant to the international internal audit standards, internal control undergoes independent audits in order to receive an estimate of its functioning efficiency.

In a follow-up to the last audit (2010, E&Y) the following changes were made:

- Internal audit was separated from internal control in terms of the organisational structure.
- A methodology was designed for business process audits focused on risk control.
- Audit planning process is linked to risk charts in operational areas. The priorities include focusing on identification of material risks, assessment of the existing key parameters of the business processes

Corporate Governance Report

and issuing recommendations for improving the internal control system.

- A system was put in place to monitor recommendations issued as follow-up to audits. It is structured as a single register of corrective actions with their statuses.
- A practice was introduced to set individual goals and link them with positive and negative motivation programmes during and after the audits.
- A methodology was created defining roles for each level of management in the risk management process. These measures led to the improvement of risk identification quality and increased responsibility of persons involved in risk management process.

For the year ended 31 December 2012, the Directors consider that the Group's internal control system complied with the CG Code.

12. Relevant Officers' Securities Transactions

The Company has also adopted a code for Securities Transactions by Relevant Officers of the Company (the "**Relevant Officers Code**"). The Relevant Officers Code was based on Appendix 10 to the Listing Rules but it was made more exacting. It was also based on the provisions of articles L.451-2-1, L.465-2, L.621-18-2 of the French Monetary and Financial Code, Chapters II and III of Title II of Book II of the General Regulation of the AMF and Titles II and III of Book VI of the General Regulation of the AMF with respect to insider dealing and market misconduct. It applies to any employee of the Company or a director or employee of a subsidiary of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. The Relevant Officers Code was adopted by the Board on 9 April 2010.

The Company has not been notified of any transaction by any Relevant Officer in application of article L.621-18-2 of the French monetary and financial code and articles 223-22 A to 223-25 of the General Regulations of the AMF.

13. Directors' Continuous Professional Development

Pursuant to Code Provision A.6.5 of the CG Code which took effect on 1 April 2012, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the period from 1 April 2012 to 31 December 2012, all Directors of the Company (namely, Mr. Oleg Deripaska, Ms. Vera Kurochkina, Mr. Maxim Sokov and Mr. Vladislav

Soloviev, Mr. Dmitry Afanasiev, Mr. Len Blavatnik, Mr. Ivan Glaserberg, Mr. Maksim Goldman, Ms. Gulzhan Moldazhanova, Mr. Christophe Charlier, Mr. Artem Volynets, Mr. Dmitry Yudin, Mr. Vadim Geraskin, Mr. Barry Cheung Chun-yuen, Dr. Peter Nigel Kenny, Mr. Philip Lader, Ms. Elsie Leung Oi-sie and Mr. Matthias Warnig), received regular briefings and updates on the Group's business, operations, risk management and corporate governance matters. Materials on new or changes to salient laws and regulations applicable to the Group were provided to the Directors. The Board members received the presentation and have reviewed in details the amendments to the Listing Rules in February and October 2012. The Company has maintained the training records of each Director pursuant to the CG Code.

14. Going Concern

As of 31 December 2012, there are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

15. Investor Relations

The Company has established a designated department for investor relations, which is responsible for matters concerning investor relations and has developed its own systems and process for communications with investors. The Company's management also maintains close communication with investors, analysts and the media.

There has been no change to the Memorandum and Articles of Association of the Company during 2012.

16. Shareholders' Right

RIGHT TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Shareholder(s) holding, at the date of deposit of a written requisition to the Directors or the secretary of the Company, 5 per cent or more of the Company's voting share capital may require an extraordinary general meeting to be called for the transaction of any business specified in such requisition.

If the Directors do not within 21 days from the date of the deposit of the requisition call a meeting to be held within 2 months of the date of the deposit of the requisition, the requisitionists or any of them holding more than half of the total voting rights of all of them may call a meeting which may not be held after 3 months from that date. All reasonable expenses incurred by the requisitionists as a result of the failure of the board shall be reimbursed to the requisitionists by the

Corporate Governance Report

Company.

No business other than that stated in the requisition as the objects of the meeting shall be transacted at the meeting.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

Shareholder(s) holding 2.5 per cent or more of the total voting rights of all shareholders or 50 or more of them holding shares on which there has been paid up an average sum, per shareholder, equivalent of 2,000 Hong Kong dollars or more have the right at their own expense (unless the Company otherwise resolves) to require the Company to (a) give to shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting and (b) circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The Company does not have to give notice of any resolution or circulate any statement unless (a) a copy of the requisition signed by the requisitionists is deposited at the Company's registered office (i) at least 6 weeks before the meeting in the case of a requisition requiring notice of a resolution (although this requirement does not apply if an annual general meeting is called for a date 6 weeks or less after the copy has been deposited) or (ii) at least 1 week before the meeting in the case of any other requisition and (b) there is deposited with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect to the requisition.

The Company shall also not be bound to circulate any statement if, on the application either of the Company or of any other person who claims to be aggrieved, a court is satisfied that the rights are being abused to secure needless publicity for defamatory matter; and the court may order the Company's costs on an application to be paid in whole or in part by the requisitionists, notwithstanding that they are not parties to the application.

COMPANY'S CONTACT DETAILS

Any proposal to convene an extraordinary general meeting, to put forward a proposal at a general meeting and any general enquiries of the Board should be sent to "The Board of Directors c/o the Company Secretary, United Company RUSAL Plc, Ogier House, The Esplanade, St Helier JE4 9WG, Jersey".

Services (Asia) Limited as its company secretary. Ms. Wong's primary contact person in the Company is Mr. Eugene Choi, Authorised Representative of the Company.

17. Company Secretary

The Company engages Ms. Aby Wong Po Ying of Ogier

**TOGETHER WITH KAZAKHSTAN'S NATIONAL WELFARE FUND
"SAMRUK-KAZYNA" UC RUSAL DEVELOPS THE EKIBASTUZ
COALFIELD IN CENTRAL ASIA**

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Independent Auditors' Report

Independent auditor's report to the members of United Company RUSAL Plc

(Incorporated in Jersey with limited liability)

We have audited the accompanying consolidated financial statements of United Company RUSAL Plc ("the Company") and its subsidiaries (the "Group"), which comprise the Consolidated and Company Statements of Financial Position as at 31 December 2012, the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report or for the opinions we have formed.

Directors' Responsibility for the Consolidated Financial Statements

As explained more fully in the Statement of Directors' Responsibilities set out on pages 114 and 115, the directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with applicable law, International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for being satisfied that the consolidated financial statements give a true and fair view.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with the relevant legal and regulatory requirements, Russian Federal Auditing Standards and International Standards on Auditing issued by the International Auditing and Assurance Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and of the Group's net loss and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991 and the disclosure requirements of the Hong Kong Companies Ordinance.

Other matter

In our report dated 1 March 2013, we expressed an opinion on the Group's consolidated financial statements as at and for the year ended 31 December 2012 that was qualified for the effect of such adjustments, if any, that might have been determined to be necessary had we been able to obtain sufficient appropriate audit evidence in relation to the Group's estimate of the share of profit and other comprehensive income of the Group's equity investee, OJSC MMC Norilsk Nickel ("Norilsk Nickel"). Since that date, the directors have obtained the required information and have adjusted the Group's and Company's accounting for the Norilsk Nickel investment. We have audited the adjustments described in Note 1 (d) to the consolidated financial statements and, in our opinion, such adjustments are appropriate and have been properly applied. Accordingly, our present report on the Group's consolidated financial statements as at and for the year ended 31 December 2012, as presented herein and approved by the Board of Directors on 19 April 2013, is different from our previous report dated 1 March 2013.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company; or
- the financial statements of the Company are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Andrei Shvetsov

For and on behalf of ZAO KPMG

(power of attorney dated 1 October 2010 No. 55/10)

Member of Chamber of Auditors of Russia
and Recognized Auditor

19 April 2013

Consolidated Statement of Income

For the year ended 31 December 2012

	Note	Year ended 31 December	
		2012 USD million	2011 USD million
Revenue	5	10,891	12,291
Cost of sales		(9,232)	(8,786)
Gross profit		1,659	3,505
Distribution expenses		(527)	(610)
Administrative expenses		(718)	(759)
Loss on disposal of property, plant and equipment		(8)	–
Impairment of non-current assets		(304)	(245)
Other operating expenses	6	(42)	(142)
Results from operating activities		60	1,749
Finance income	7	25	521
Finance expenses	7	(920)	(1,336)
Share of profits/(losses) of associates	17	469	(349)
Share of profits of jointly controlled entities	18	55	25
(Loss) /profit before taxation		(311)	610
Income tax	8	(26)	(373)
Net (loss)/profit for the year		(337)	237
Attributable to:			
Shareholders of the Company		(337)	237
Net (loss)/profit for the year		(337)	237
Earnings per share			
Basic and diluted earnings per share (USD)	14	(0.022)	0.016

The consolidated statement of income is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 129 to 211.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	Year ended 31 December	
		2012 USD million	2011 USD million
Net (loss)/profit for the year		(337)	237
Other comprehensive income			
Actuarial losses on post retirement benefit plans	27(a)	(41)	(4)
Share of other comprehensive income of associates	17	(5)	(193)
Change in fair value of cash flow hedges	28	(63)	(42)
Foreign currency translation differences for foreign operations		832	(921)
		723	(1,160)
Total comprehensive income for the year		386	(923)
Attributable to:			
Shareholders of the Company		386	(923)
Total comprehensive income for the year		386	(923)

There was no tax effect relating to each component of other comprehensive income.

The consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 129 to 211.

Consolidated Statement of Financial Position

As at 31 December 2012

	Note	31 December 2012 USD million	31 December 2011 USD million
ASSETS			
Non-current assets			
Property, plant and equipment	15	5,453	5,746
Intangible assets	16	4,051	3,905
Interests in associates	17	10,484	9,714
Interests in jointly controlled entities	18	1,156	1,102
Deferred tax assets	20	99	66
Derivative financial assets	28	12	21
Other non-current assets		89	98
Total non-current assets		21,344	20,652
Current assets			
Inventories	21	2,624	3,002
Trade and other receivables	22	925	1,032
Derivative financial assets	28	3	13
Cash and cash equivalents	23	505	646
Total current assets		4,057	4,693
Total assets		25,401	25,345
EQUITY AND LIABILITIES			
Equity			
Share capital	24	152	152
Shares held for vesting		(1)	–
Share premium		15,787	15,788
Other reserves		2,747	2,856
Currency translation reserve		(3,666)	(4,498)
Accumulated losses		(4,096)	(3,759)
Total equity		10,923	10,539

Consolidated Statement of Financial Position

As at 31 December 2012

	Note	31 December 2012 USD million	31 December 2011 USD million
Non-current liabilities			
Loans and borrowings	25	9,415	10,134
Bonds	26	988	932
Provisions	27	621	484
Deferred tax liabilities	20	520	595
Derivative financial liabilities	28	179	159
Other non-current liabilities		43	46
Total non-current liabilities		11,766	12,350
Current liabilities			
Loans and borrowings	25	931	629
Current taxation	20(e)	18	16
Trade and other payables	29	1,656	1,667
Derivative financial liabilities	28	47	39
Provisions	27	60	105
Total current liabilities		2,712	2,456
Total liabilities		14,478	14,806
Total equity and liabilities		25,401	25,345
Net current assets		1,345	2,237
Total assets less current liabilities		22,689	22,889

Approved and authorised for issue by the board of directors on 19 April 2013.

Oleg V. Deripaska
Chief Executive Officer

Evgeny D. Kornilov
Chief Financial Officer

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 129 to 211.

Statement of Financial Position Of The Company

As at 31 December 2012

	Note	31 December 2012 USD million	31 December 2011 USD million
ASSETS			
Non-current assets			
Investments in subsidiaries	19	18,578	17,813
Total non-current assets		18,578	17,813
Current assets			
Loans to group companies		9	510
Other receivables	22	16	29
Cash and cash equivalents	23	13	13
Total current assets		38	552
Total assets		18,616	18,365
EQUITY AND LIABILITIES			
Equity			
Share capital	24	152	152
Reserves		6,060	5,949
Total equity		6,212	6,101
Non-current liabilities			
Loans and borrowings	25	9,236	9,523
Other non-current liabilities	33(c)	–	1,383
Total non-current liabilities		9,236	10,906
Current liabilities			
Loans and borrowings	25	894	555
Trade and other payables	29	822	803
Other current liabilities	33(c)	1,452	–
Total current liabilities		3,168	1,358
Total liabilities		12,404	12,264
Total equity and liabilities		18,616	18,365
Net current liabilities		(3,130)	(806)
Total assets less current liabilities		15,448	17,007

Approved and authorised for issue by the board of directors on 19 April 2013.

Oleg V. Deripaska
Chief Executive Officer

Evgeny D. Kornilov
Chief Financial Officer

The statement of financial position of the Company is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 129 to 211.

Consolidated Statement of Changes in Equity

As at 31 December 2012

	Note	Share capital USD million	Shares held for vesting USD million	Share premium USD million	Other reserves USD million	Currency translation reserve USD million	Accumulated losses USD million	Total equity USD million
Balance at 1 January 2011		152	–	15,782	3,095	(3,577)	(3,996)	11,456
Profit for the year		–	–	–	–	–	237	237
Other comprehensive income for the year		–	–	–	(239)	(921)	–	(1,160)
Total comprehensive income for the year		–	–	–	(239)	(921)	237	(923)
Share-based compensation	24(b)	–	–	6	–	–	–	6
Balance at 31 December 2011		152	–	15,788	2,856	(4,498)	(3,759)	10,539
Balance at 1 January 2012		152	–	15,788	2,856	(4,498)	(3,759)	10,539
Loss for the year		–	–	–	–	–	(337)	(337)
Other comprehensive income for the year		–	–	–	(109)	832	–	723
Total comprehensive income for the year		–	–	–	(109)	832	(337)	386
Share-based compensation	24(b)	–	(1)	(1)	–	–	–	(2)
Balance at 31 December 2012		152	(1)	15,787	2,747	(3,666)	(4,096)	10,923

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 129 to 211.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	Year ended 31 December	
		2012 USD million	2011 USD million
OPERATING ACTIVITIES			
Net (loss)/profit for the year		(337)	237
<i>Adjustments for:</i>			
Depreciation	9(b)	528	501
Amortisation	9(b)	15	17
Impairment of non-current assets		304	245
Share-based compensation	24(b)	4	6
Impairment of trade and other receivables	6	20	18
Debtors write-off		12	–
Impairment of inventories		36	33
(Reversal)/provision for legal claims	6	(3)	10
(Reversal of tax provision)/tax provision	6	(44)	17
(Reversal of site restoration provision)/site restoration provision		(1)	8
Pension provision/(reversal of pension provision)		7	(23)
Change in fair value of derivative financial instruments	7	107	(416)
Foreign exchange losses/(gains)		1	(65)
Loss on disposal of property, plant and equipment		8	–
Loss on disposal of intangible assets		2	–
Interest expense		747	1,336
Interest income		(25)	(47)
Income tax expense	8	26	373
Share of (profits)/losses of associates	17	(469)	349
Share of profits of jointly controlled entities	18	(55)	(25)
Cash from operating activities before changes in working capital and provisions		883	2,574
Decrease/(increase) in inventories		331	(579)
Decrease/(increase) in trade and other receivables		87	(20)
Decrease in prepaid expenses and other assets		5	11
Decrease in trade and other payables		(104)	(22)
Decrease in provisions		(32)	(34)
Cash generated from operations before income tax paid		1,170	1,930
Income taxes paid		(78)	(149)
Net cash generated from operating activities		1,092	1,781

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	Year ended 31 December	
		2012 USD million	2011 USD million
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		63	20
Interest received		19	7
Acquisition of property, plant and equipment		(486)	(608)
Dividends from associates	17	267	279
Dividends from jointly controlled entities	18	68	48
Acquisition of intangible assets	16	(15)	(14)
Acquisition of jointly controlled operations	18	(14)	(46)
Acquisition of subsidiaries, net of cash acquired		(9)	–
Effect on cash from disposal of subsidiaries		–	45
Contributions to jointly controlled entities	18	(4)	(2)
Changes in restricted cash	23	18	(28)
Net cash used in investing activities		(93)	(299)
FINANCING ACTIVITIES			
Proceeds from borrowings		1,285	5,867
Repayment of borrowings		(1,726)	(7,548)
Restructuring fees and other expenses		(78)	(177)
Interest paid		(610)	(551)
Purchases of shares for vesting		(2)	–
Proceeds from issuance of Rouble bonds		–	1,063
Net cash used in financing activities		(1,131)	(1,346)
Net (decrease)/increase in cash and cash equivalents		(132)	136
Cash and cash equivalents at beginning of the year	23	613	486
Effect of exchange rate fluctuations on cash and cash equivalents		9	(9)
Cash and cash equivalents at the end of the year	23	490	613

Restricted cash amounted to USD15 million and USD33 million at 31 December 2012 and 31 December 2011, respectively.

The consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 129 to 211.

Notes To The Consolidated Financial Statements

For the year ended 31 December 2012

1 Background

(A) ORGANISATION

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

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

The Company directly or through its wholly owned subsidiaries controls a number of production and trading entities (refer to note 34) engaged in the aluminium business and other entities, which together with the Company are referred to as the "Group".

Upon successful completion of the Global Offering, the Company issued 1,636,363,646 new shares in the form of shares listed on the Stock Exchange, and in the form of global depository shares ("GDS") listed on Euronext Paris representing 10.81% of the Company's issued and outstanding shares, immediately prior to the Global Offering.

The shareholding structure of the Company as at 31 December 2012 and 31 December 2011 was as follows:

	31 December 2012	31 December 2011
En+ Group Limited ("En+")	48.13%	47.41%
Onexim Holdings Limited ("Onexim")	17.02%	17.02%
SUAL Partners Limited ("SUAL Partners")	15.80%	15.80%
Amokenga Holdings Limited ("Amokenga Holdings")	8.75%	8.75%
Held by Directors	0.26%	0.26%
Shares held for vesting	0.01%	–
Publicly held	10.03%	10.76%
Total	100%	100%

En+ is controlled by Mr. Oleg Deripaska. Onexim is controlled by Mr. Mikhail Prokhorov. SUAL Partners is controlled by Mr. Victor Vekselberg and Mr. Len Blavatnik together. Amokenga Holdings is a wholly owned subsidiary of Glencore International Plc ("Glencore").

Related party transactions and controlling parties are disclosed in notes 33 and 35 respectively.

(B) OPERATIONS

The Group operates in the aluminium industry primarily in the Russian Federation, Ukraine, Guinea, Jamaica, Ireland, Italy, Nigeria and Sweden and is principally engaged in the mining and refining of bauxite and nepheline ore into alumina, the smelting of primary aluminium from alumina and the fabrication of aluminium and aluminium alloys into semi-fabricated and finished products. The Group sells its products primarily in Europe, Russia, other countries of the Commonwealth of Independent States ("CIS"), Asia and North America.

(C) BUSINESS ENVIRONMENT IN EMERGING ECONOMIES

The Russian Federation, Ukraine, Jamaica, Nigeria and Guinea have been experiencing political and economic changes that have affected, and may continue to affect, the activities of enterprises operating in these environments. Consequently, operations in these countries involve risks that typically do not exist in other markets, including reconsideration of privatisation terms in certain countries where the Group operates following changes in governing political powers.

(D) PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

The Group has previously issued consolidated financial statements as at and for the year ended 31 December

Notes To The Consolidated Financial Statements

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2012 dated 1 March 2013. At that date the Group was unable to obtain consolidated IFRS financial statements of the Group's significant equity investee, OJSC MMC Norilsk Nickel, as at and for year ended 31 December 2012. Consequently the Group estimated its share in the profits and other comprehensive income of OJSC MMC Norilsk Nickel for the year ended 31 December 2012 based on publicly available information at that time. On 12 April 2013 OJSC MMC Norilsk Nickel published its IFRS consolidated financial statements and management reassessed its share in the profits and other comprehensive income of OJSC MMC Norilsk Nickel based on this information. As a result, management concluded that share of profits of associates, foreign currency translation differences for foreign operations, share of other comprehensive income of associates and interests in associates were overstated by USD282 million, USD43 million, USD140 million and USD185 million, respectively, in the Group's previously issued consolidated financial statements as at and for the year ended 31 December 2012 dated 1 March 2013. Additionally, management concluded that investments in subsidiaries were overstated by USD185 million in the statement of financial position of the Company as at 31 December 2012 as a consequence of a reduction in the carrying value of a subsidiary's investment in Norilsk Nickel.

Further, as a result of publishing the IFRS consolidated financial statements, new financial information came to the attention of management which required certain underlying assumptions in the discounted cash flow model used to determine the recoverable amount of the Group's interest in Norilsk Nickel to be reassessed. This resulted in a reduction in the recoverable amount of the investment and increased its sensitivity to impairment which is disclosed in note 17.

These consolidated financial statements as at and for the year ended 31 December 2012 have been adjusted accordingly.

2 Basis of preparation

(A) STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board ("IASB").

The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing these consolidated financial statements, the Group has adopted all these new and revised IFRSs, except for any new standards or interpretations that are not yet effective as at 31 December 2012. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on 1 January 2012 are set out in note 38.

(B) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared in accordance with the historical cost basis except as set out in the significant accounting policy in note 3(c) below.

(C) FUNCTIONAL AND PRESENTATION CURRENCY

The Company's functional currency is the United States Dollar ("USD") because it reflects the economic substance of the underlying events and circumstances of the Company. The functional currencies of the Group's significant subsidiaries are the currencies of the primary economic environment and key business processes of these subsidiaries and include USD, Russian Roubles ("RUB"), Ukrainian Hryvna and Euros ("EUR"). The consolidated financial statements are presented in USD, rounded to the nearest million, except as otherwise stated herein.

(D) USE OF JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported revenue and costs during the relevant period.

Notes To The Consolidated Financial Statements

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Management bases its judgements and estimates on historical experience and various other factors that are believed to be appropriate and reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 37.

(E) CHANGES IN ACCOUNTING POLICIES AND PRESENTATION

The accounting policies and judgements applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2011.

3 Significant accounting policies

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. These accounting policies have been consistently applied to all periods presented in these consolidated financial statements.

(A) BASIS OF CONSOLIDATION

(i) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of income and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling-interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in the statement of income. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (refer to note 3(c)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (refer to note 3(a)(iv)).

Notes To The Consolidated Financial Statements

For the year ended 31 December 2012

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

(ii) Acquisitions of non-controlling interests

The acquisition of an additional non-controlling interest in an existing subsidiary after control has been obtained is accounted for as an equity transaction with any difference between the cost of the additional investment and the carrying amount of the net assets acquired at the date of exchange recognised directly in equity.

(iii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the common control of the shareholder that controls the Company are accounted for as if the acquisition had occurred at the beginning of the earliest period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of the equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of additional paid-in capital.

(iv) Associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and which require unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group's investment also includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to, or has made payments on behalf of, the investee.

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the statement of income. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (refer to note 3(c)), or, when appropriate for jointly controlled entities, the cost on initial recognition of an investment in an associate.

When an associate sells equity interests in its subsidiaries to its non-controlling shareholders in an equity transaction, this represents a dilution of the Group's indirect interest in the subsidiary of the associate and therefore gives rise to the recognition of a gain or loss in the Group's consolidated financial statements.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes To The Consolidated Financial Statements

For the year ended 31 December 2012

(B) FOREIGN CURRENCIES

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary items in a foreign currency are measured based on historical cost and are translated using the exchange rate at the date of transaction. Foreign currency differences arising on retranslation are recognised in the statement of income, except for differences arising on the retranslation of qualifying cash flow hedges to the extent the hedge is effective, which is recognised in the statement of comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated from their functional currencies to USD at the exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to USD at exchange rates approximating exchange rates at the dates of the transactions.

Foreign currency differences arising on translation are recognised in the statement of comprehensive income and presented in the currency translation reserve in equity. For the purposes of foreign currency translation, the net investment in a foreign operation includes foreign currency intra-group balances for which settlement is neither planned nor likely in the foreseeable future and foreign currency differences arising from such a monetary item are recognised in the statement of comprehensive income.

When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount of the currency translation reserve is transferred to the statement of income as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the statement of income.

(C) FINANCIAL INSTRUMENTS

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in securities, trade and other receivables (excluding prepayments and tax assets), cash and cash equivalents, loans and borrowings and trade and other payables (excluding advances received and tax liabilities).

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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Held-to-maturity investments

If the Group has the positive intent and ability to hold securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses (refer to note 3(h)(i)).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities at initial recognition of three months or less that are subject to insignificant risk of changes in their fair values, and are used by the Group in the management of its short-term commitments.

Others

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses (refer to note 3(h)(i)). Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be estimated on a reasonable basis by other means are stated at cost less impairment losses (refer to note 3(h)(i)).

Non-derivative financial liabilities

The Group's non-derivative financial liabilities, subsequent to initial recognition, are measured at amortised cost using the effective interest method.

(ii) Derivative financial instruments, including hedge accounting

The Group enters, from time to time, into various derivative financial instruments to manage its exposure to commodity price risk, foreign currency risk and interest rate risk.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80%-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variation in cash flows that ultimately could affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the statement of income when incurred. Subsequent to initial recognition, derivatives are measured at fair value.

The measurement of fair value of derivative financial instruments, including embedded derivatives, is based on quoted market prices. Where no price information is available from a quoted market source, alternative market mechanisms or recent comparable transactions, fair value is estimated based on the Group's views on relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates. Changes in the fair value therein are accounted for as described below.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in the statement of comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of a derivative is recognised in the statement of income.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying

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amount of the asset when the asset is recognised. In other cases, the amount accumulated in equity is reclassified to the statement of income in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to the statement of income.

Changes in the fair value of separated embedded derivatives and derivative financial instruments not designated for hedge accounting are recognised immediately in the statement of income.

(D) PROPERTY, PLANT AND EQUIPMENT

(i) Recognition and measurement

Items of property, plant and equipment, are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2004, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs (refer to note 3(n)). Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of periodic relining of electrolyzers is capitalised and depreciated over the expected production period.

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within gain/(loss) on disposal of property, plant and equipment in the statement of income.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of income as incurred.

(iii) Exploration and evaluation assets

Exploration and evaluation activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activities include:

- researching and analysing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- conducting market and finance studies.

Administration costs that are not directly attributable to a specific exploration area are charged to the statement of income.

License costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Exploration and evaluation expenditure is capitalised as exploration and evaluation assets when it is expected that expenditure related to an area of interest will be recouped by future exploitation, sale, or, at the reporting date, the exploration and evaluation activities have not reached a stage that permits a reasonable assessment

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of the existence of commercially recoverable ore reserves. Capitalised exploration and evaluation expenditure is recorded as a component of property, plant and equipment at cost less impairment losses. As the asset is not available for use, it is not depreciated. All capitalised exploration and evaluation expenditure is monitored for indications of impairment. Where there are indicators of potential impairment, an assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash-generating unit) to which the exploration is attributed. Exploration areas at which reserves have been discovered but which require major capital expenditure before production can begin are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway or planned. To the extent that capitalised expenditure is not expected to be recovered it is charged to the statement of income.

Exploration and evaluation assets are transferred to mining property, plant and equipment or intangible assets when development is sanctioned.

(iv) Stripping costs

Expenditure relating to the stripping of overburden layers of ore, including estimated site restoration costs, is included in the cost of production in the period in which it is incurred.

(v) Mining assets

Mining assets are recorded as construction in progress and transferred to mining property, plant and equipment when a new mine reaches commercial production.

Mining assets include expenditure incurred for:

- Acquiring mineral and development rights;
- Developing new mining operations.

Mining assets include interest capitalised during the construction period, when financed by borrowings.

(vi) Depreciation

The carrying amounts of property, plant and equipment (including initial and any subsequent capital expenditure) are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned, or the estimated life of the associated mine or mineral lease, if shorter. Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated.

The property, plant and equipment is depreciated on a straight-line or units of production basis over the respective estimated useful lives as follows:

· Buildings	30 to 50 years
· Plant, machinery and equipment	5 to 40 years
· Electrolysers	4 to 15 years
· Mining assets	units of production on proven and probable reserves
· Other (except for exploration and evaluation assets)	1 to 20 years

(E) INTANGIBLE ASSETS

(i) Goodwill

On the acquisition of a subsidiary, an interest in a jointly controlled entity or an associate or an interest in a joint arrangement that comprises a business, the identifiable assets, liabilities and contingent liabilities of the acquired business (or interest in a business) are recognised at their fair values unless the fair values cannot be measured reliably. Where the fair values of assumed contingent liabilities cannot be measured reliably, no liability is recognised but the contingent liability is disclosed in the same manner as for other contingent liabilities.

Goodwill arises when the cost of acquisition exceeds the fair value of the Group's interest in the net fair value of

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identifiable net assets acquired. Goodwill is not amortised but is tested for impairment annually. For this purpose, goodwill arising on a business combination is allocated to the cash-generating units expected to benefit from the acquisition and any impairment loss recognised is not reversed even where circumstances indicate a recovery in value.

In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate and jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment. Any impairment loss is allocated to the carrying amount of the interest in the associate and jointly controlled entity.

When the fair value of the Group's share of identifiable net assets acquired exceeds the cost of acquisition, the difference is recognised immediately in the statement of income.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of income when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use and capitalised borrowing costs. Other development expenditure is recognised in the statement of income when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses (refer to note 3(h)(ii)).

(iii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses (refer to note 3(h)(ii)).

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of income when incurred.

(v) Amortisation

Amortisation is recognised in the statement of income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives are as follows:

- software 5 years;
- contracts, acquired in business combinations 2–8 years.

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

(F) LEASED ASSETS

Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

The corresponding finance lease obligation is included within interest bearing liabilities. The interest element is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining

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balance of the obligation for each accounting period.

Assets held under other leases (operating leases) are not recognised in the statement of financial position. Payments made under the lease are charged to the statement of income in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the statement of income as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the statement of income in the accounting period in which they are incurred.

(G) INVENTORIES

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is determined under the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

The production costs include mining and concentrating costs, smelting, treatment and refining costs, other cash costs and depreciation and amortisation of operating assets.

(H) IMPAIRMENT

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset occurred after the initial recognition of that asset and the impact can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy and the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

An impairment loss in respect of an investment in an associate or jointly controlled entity is calculated as the difference between its carrying amount after application of the equity method of accounting (refer to note 3(a) (iv)) and its recoverable amount. For the purposes of impairment testing an investment in an associate is treated as a single unit of account. The recoverable amount of such investment is the greater of its value in use and its fair value less cost to sell. In determining the value in use of the investment the Group estimates: (a) its share of the present value of the estimated future cash flows expected to be generated by the investee, including the cash flows from the operations of the investee and the proceeds on the ultimate disposal of the investment; or (b) the present value of the estimated future cash flows expected to arise from the dividends to be received from the investee and from its ultimate disposal depending on which available information with respect to each investee is more reliable. An impairment loss is reversed to the extent that the recoverable amount of the investment subsequently increases and the resulting carrying amount does not exceed the carrying amount that would have been determined, after application of the equity method, had no impairment loss previously been recognised.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the

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impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the statement of income.

Impairment losses for trade receivables included within trade and other receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the statement of income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other asset groups. Impairment losses are recognised in the statement of income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate or a jointly controlled entity is not recognised separately and, therefore, is not tested for impairment separately. Instead, the entire amount of the investment is tested for impairment as a single asset when there is objective evidence that the investment in an associate or a jointly controlled entity may be impaired.

(I) INSURANCE CONTRACTS

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies, controlled by the beneficial shareholder of the Group, the Group considers these to be insurance arrangements and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

(J) EMPLOYEE BENEFITS

(i) Salaries, annual bonuses, paid annual leave and cost of non-monetary benefits

Salaries, annual bonuses, paid annual leave and cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

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(ii) Defined benefit pension and other post-retirement plans

The Group's net obligation in respect of defined benefit pension and other post-retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Where there is a change in actuarial assumptions, the resulting actuarial gains and losses are recognised directly in the statement of comprehensive income.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the statement of income on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately.

(iii) State pension fund

The Group makes contributions for the benefit of employees to Russia's and the Ukrainian State's pension funds. The contributions are expensed as incurred.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and past service costs that had not previously been recognised.

(K) PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

(i) Site restoration

The mining, refining and smelting activities of the Group can give rise to obligations for site restoration and rehabilitation. Restoration and rehabilitation works can include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation, and site restoration. The extent of work required and the associated costs are dependent on the requirements of law and the interpretations of the relevant authorities.

Provisions for the cost of each restoration and rehabilitation program are recognised at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass obligated and reasonably estimable restoration and rehabilitation activities expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances at the reporting date. Routine operating costs that may impact the ultimate restoration and rehabilitation activities, such as waste material handling conducted as an integral part of a mining or production process, are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognised as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation.

Restoration and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. Discount rates used are specific to the country in which the operation is located. Significant judgements and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements.

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When provisions for restoration and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of restoration and rehabilitation activities is amortised over the estimated economic life of the operation on a units of production or straight-line basis. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognised as part of finance expenses.

Restoration and rehabilitation provisions are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the unamortised capitalised cost, in which case the capitalised cost is reduced to nil and the remaining adjustment is recognised in the statement of income. Changes to the capitalised cost result in an adjustment to future amortisation charges. Adjustments to the estimated amount and timing of future restoration and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved. Factors influencing those changes include revisions to estimated reserves, resources and lives of operations; developments in technology; regulatory requirements and environmental management strategies; changes in the estimated costs of anticipated activities, including the effects of inflation and movements in foreign exchange rates; and movements in general interest rates affecting the discount rate applied.

(ii) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(L) REVENUE

Goods sold

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the good and the amount of revenue can be measured reliably. This is generally when title passes. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

For the majority of sales transactions agreements specify that title passes on the bill of lading date, which is the date the commodity is delivered to the shipping agent. Revenue is recognised on the bill of lading date.

Revenue is not reduced for royalties or other taxes payable from production.

(M) OTHER EXPENSES

Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in the statement of income as incurred.

(N) FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses and changes in the fair value of financial assets at fair value through profit or loss. All borrowing costs are recognised in the statement of income using the effective interest method, except for borrowing costs related to the acquisition, construction and production of qualifying assets which are recognised as part of the cost of such assets.

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Foreign currency gains and losses are reported on a net basis.

(O) INCOME TAX EXPENSE

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liability. Such changes to tax liabilities will impact tax expenses in the period that such a determination is made. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group has both the right and the intention to settle its current tax assets and liabilities on a net or simultaneous basis.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividends is recognised.

(P) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups comprising assets and liabilities), that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRSs. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Group's accounting policies.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that has been abandoned may also qualify.

(Q) SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance and for which discrete consolidated financial statements are available.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or

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provide the services and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(R) RELATED PARTIES

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4 Segment reporting

(A) REPORTABLE SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic business units. These business units are managed separately and the results of their operations are reviewed by the CEO on a regular basis.

Aluminium. The Aluminium segment is involved in the production and sale of primary aluminium and related products.

Alumina. The Alumina segment is involved in the mining and refining of bauxite into alumina and the sale of alumina.

Energy. The Energy segment includes the Group companies and projects engaged in the mining and sale of coal and the generation and transmission of electricity produced from various sources. Where the generating facility is solely a part of an alumina or aluminium production facility it is included in the respective reportable segment.

Mining and Metals. The Mining and Metals segment includes the equity investment in OJSC MMC Norilsk Nickel ("Norilsk Nickel").

Other operations include manufacturing of semi-finished products from primary aluminium for the transportation, packaging, building and construction, consumer goods and technology industries; and the activities of the Group's administrative centres. None of these segments meet any of the quantitative thresholds for determining reportable segments in 2012 and 2011.

The Aluminium and Alumina segments are vertically integrated whereby the Alumina segment supplies alumina to the Aluminium segment for further refining and smelting with limited sales of alumina outside the Group. Integration between the Aluminium, Alumina and Energy segments also includes shared servicing and distribution.

(B) SEGMENT RESULTS, ASSETS AND LIABILITIES

For the purposes of assessing segment performance and allocating resources between segments, the Group's

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senior executive management monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of income tax assets and corporate assets. Segment liabilities include trade and other payables attributable to the production and sales activities of the individual segments. Loans and borrowings are not allocated to individual segments as they are centrally managed by the head office.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments excluding impairment.

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

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

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

The Group's customer base includes only one customer with whom transactions have exceeded 10% of the Group's revenues. In 2012 revenues from sales of primary aluminium and alloys to this customer amounted to USD3,138 million (2011: USD3,547 million) and reduced in all geographical regions in which the division is active. Details of concentrations of credit risk arising from this customer are set out in note 30(e).

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For the year ended 31 December 2012

(i) Reportable segments
Year ended 31 December 2012

	Aluminium USD million	Alumina USD million	Energy USD million	Mining and Metals USD million	Total segment result USD million
Revenue from external customers	9,323	552	5	–	9,880
Inter-segment revenue	192	1,491	–	–	1,683
Total segment revenue	9,515	2,043	5	–	11,563
Segment profit/(loss)	722	(190)	1	490	1,023
Impairment of non-current assets	(18)	(266)	–	–	(284)
Share of losses of associates	–	(15)	–	–	(15)
Share of profits of jointly controlled entities	–	–	55	–	55
Depreciation/amortisation	(428)	(104)	–	–	(532)
Non-cash income/(expense) other than depreciation	8	(45)	–	–	(37)
Additions to non-current segment assets during the year	327	155	6	–	488
Non-cash additions to non-current segment assets related to site restoration	–	20	–	–	20
Segment assets	11,651	1,833	43	10,028	23,555
Interests in associates	–	453	–	–	453
Interests in jointly controlled entities	16	–	1,140	–	1,156
Total segment assets					25,164
Segment liabilities	(2,002)	(724)	(33)	–	(2,759)
Total segment liabilities					(2,759)

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Year ended 31 December 2011

	Aluminium USD million	Alumina USD million	Energy USD million	Mining and Metals USD million	Total segment result USD million
Revenue from external customers	10,414	676	159	–	11,249
Inter-segment revenue	186	1,768	–	–	1,954
Total segment revenue	10,600	2,444	159	–	13,203
Segment profit/(loss)	2,072	(24)	87	(336)	1,799
Impairment of non-current assets	(37)	(208)	–	–	(245)
Share of losses of associates	–	(13)	–	–	(13)
Share of profit of jointly controlled entities	–	–	25	–	25
Depreciation/amortisation	(400)	(100)	(5)	–	(505)
Non-cash expenses other than depreciation	(35)	(44)	–	–	(79)
Additions to non-current segment assets during the year	416	223	3	–	642
Non-cash additions to non-current segment assets related to site restoration	18	112	–	–	130
Segment assets	11,945	2,157	35	9,247	23,384
Interests in associates	–	458	–	–	458
Interests in jointly controlled entities	–	–	1,102	–	1,102
Total segment assets					24,944
Segment liabilities	(2,040)	(777)	(36)	–	(2,853)
Total segment liabilities					(2,853)

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

	Year ended 31 December	
	2012 USD million	2011 USD million
Revenue		
Reportable segment revenue	11,563	13,203
Elimination of inter-segment revenue	(1,683)	(1,954)
Unallocated revenue	1,011	1,042
Consolidated revenue	10,891	12,291

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	Year ended 31 December	
	2012 USD million	2011 USD million
Profit		
Reportable segment profit	1,023	1,799
Impairment of non-current assets	(304)	(245)
Share of losses of associates	(21)	(13)
Share of profits of jointly controlled entities	55	25
Finance income	25	521
Finance expenses	(920)	(1,336)
Unallocated expenses	(169)	(141)
Consolidated (loss)/profit before taxation	(311)	610
Assets		
Reportable segment assets	25,164	24,944
Elimination of inter-segment receivables	(338)	(516)
Unallocated assets	575	917
Consolidated total assets	25,401	25,345
Liabilities		
Reportable segment liabilities	(2,759)	(2,853)
Elimination of inter-segment payables	338	516
Unallocated liabilities	(12,057)	(12,469)
Consolidated total liabilities	(14,478)	(14,806)

(iii) Geographic information

The Group's operating segments are managed on a worldwide basis, but operate in four principal geographical areas: the CIS, Europe, Africa and the Americas. In the CIS, production facilities operate in Russia and Ukraine. In Europe, production facilities are located in Italy, Ireland and Sweden. African production facilities are represented by bauxite mines and an alumina refinery in Guinea and an aluminium plant in Nigeria. In the Americas the Group operates two production facilities in Jamaica, one in Guyana and a trading subsidiary in the United States of America.

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets and interests in associates and jointly controlled entities ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset. Unallocated specified non-current assets comprise mainly goodwill and interests in associates and jointly controlled entities.

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	Revenue from external customers	
	2012 USD million	2011 USD million
Netherlands	2,498	2,839
Russia	2,133	2,585
Turkey	946	1,171
Japan	859	782
South Korea	608	710
USA	475	739
Germany	397	218
Sweden	249	269
Norway	177	431
Greece	145	241
Italy	100	326
United Kingdom	60	179
Other countries	2,244	1,801
	10,891	12,291

	Specified non-current assets	
	31 December 2012 USD million	31 December 2011 USD million
Russia	4,593	4,682
Ireland	328	320
Ukraine	239	274
Sweden	137	138
Armenia	57	61
Guinea	54	199
Guyana	48	49
Unallocated	16,073	14,929
	21,529	20,652

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5 Revenue

	Year ended 31 December	
	2012 USD million	2011 USD million
Sales of primary aluminium and alloys	9,323	10,414
<i>Third parties</i>	<i>5,789</i>	<i>6,359</i>
<i>Related parties – companies capable of exerting significant influence</i>	<i>3,299</i>	<i>3,745</i>
<i>Related parties – companies under common control</i>	<i>178</i>	<i>310</i>
<i>Related parties – associates</i>	<i>57</i>	<i>–</i>
Sales of alumina and bauxite	552	676
<i>Third parties</i>	<i>378</i>	<i>495</i>
<i>Related parties – companies capable of exerting significant influence</i>	<i>174</i>	<i>177</i>
<i>Related parties – companies under common control</i>	<i>–</i>	<i>4</i>
Sales of foil	302	309
<i>Third parties</i>	<i>294</i>	<i>300</i>
<i>Related parties – companies under common control</i>	<i>8</i>	<i>9</i>
Other revenue including energy and transportation services	714	892
<i>Third parties</i>	<i>613</i>	<i>642</i>
<i>Related parties – companies capable of exerting significant influence</i>	<i>22</i>	<i>16</i>
<i>Related parties – companies under common control</i>	<i>34</i>	<i>34</i>
<i>Related parties – associates</i>	<i>45</i>	<i>200</i>
	10,891	12,291

The Group's customer base is diversified and includes only one major customer - Glencore - with whom transactions have exceeded 10% of the Group's revenue. In 2012 revenues from sales of primary aluminiums and alloys to this customer amounted to USD3,138 million (2011: USD3,547 million).

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6 Other operating expenses

	Year ended 31 December	
	2012 USD million	2011 USD million
Impairment loss on trade and other receivables	(20)	(18)
Reversal of/(provision for) legal claims	3	(10)
Reversal of tax provision /(tax provision)	44	(17)
Charitable donations	(10)	(15)
Other operating expenses	(59)	(82)
	(42)	(142)

7 Finance income and expenses

	Year ended 31 December	
	2012 USD million	2011 USD million
Finance income		
Interest income on third party loans and deposits	16	3
Interest income on loans to related parties – <i>companies under common control</i>	3	4
Foreign exchange gain	–	58
Change in fair value of derivative financial instruments (refer to notes 28, 30(c)(i))	–	416
Interest income on provisions	6	40
	25	521
Finance expenses		
Interest expense on bank loans wholly repayable within 5 years, bonds and other bank charges	(682)	(735)
Excess of effective interest rate charges over nominal interest rate charges on restructured debt	–	(560)
Change in fair value of derivative financial instruments (refer to notes 28, 30(c)(i))	(107)	–
Interest expense on company loans from related parties – <i>companies capable of exerting significant influence</i>	–	(24)
Foreign exchange loss	(66)	–
Interest expense on provisions	(65)	(17)
	(920)	(1,336)

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8 Income tax

	Year ended 31 December	
	2012 USD million	2011 USD million
<i>Current tax – overseas</i>		
Current tax for the year	131	179
Over-provision in respect of prior years	–	(13)
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(105)	207
Actual tax expense	26	373

The Company is a tax resident of Cyprus with applicable corporate tax rate of 10%. 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 21% (year ended 31 December 2011 – 23%); Guinea of 0%; China of 25%; Kazakhstan of 20%; Australia of 30.0%; Jamaica of 33.3%; Ireland of 12.5%; Sweden of 26.3% and Italy of 31.4%. 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 a 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 2012 are 9.39% and 15.11% for different subsidiaries (31 December 2011: 9.4% and 15.4%). For the Group's significant trading companies, the applicable tax rate is 0%. The applicable tax rates for the period ended 31 December 2012 were the same as for the period ended 31 December 2011 except as noted above.

	Year ended 31 December			
	2012		2011	
	USD million	%	USD million	%
(Loss)/profit before taxation	(311)	100%	610	100%
Income tax at tax rate applicable to the tax residence of the Company	(31)	10.0%	61	10.0%
Financial expenses non-deductible for tax purposes	64	(20.6%)	127	20.8%
Other non-deductible taxable items	(4)	1.3%	3	0.5%
Effect of changes in investment in Norilsk Nickel	(75)	24.1%	131	21.5%
Change in unrecognised deferred tax assets	117	(37.6%)	32	5.2%
Over-provision in prior years	–	–	(13)	(2.1%)
Effect of different income tax rates	(45)	14.5%	32	5.2%
Actual tax expense	26	(8.3%)	373	61.1%

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9 Loss for the year

Loss for the year is arrived at after charging/(crediting):

(A) PERSONNEL COSTS

	Year ended 31 December	
	2012 USD million	2011 USD million
Contributions to defined contribution retirement plans	209	205
Contributions to defined benefit retirement plans	7	12
Total retirement costs	216	217
Wages and salaries	1,057	980
Share-based compensation (refer to note 24(b))	4	9
	1,277	1,206

The employees of the Group are members of retirement schemes operated by local authorities. The Group is required to contribute a certain percentage of their payroll to these schemes to fund the benefits.

The Group's total contribution to those schemes charged to the statement of income during the years presented is shown above.

(B) OTHER ITEMS

	Year ended 31 December	
	2012 USD million	2011 USD million
Amortisation of intangible assets	15	17
Depreciation (net of amount included in inventories)	528	501
Impairment losses in respect of:		
– property, plant and equipment	295	250
– intangible assets	13	–
Mineral restoration tax	34	27
Increase in provisions (including provisions for legal claims)	65	120
Auditors' remuneration	7	10
Operating lease charges in respect of property	14	11
Cost of inventories (refer to note 21)	8,742	8,279

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10 Directors' remuneration

Directors' remuneration disclosed pursuant to the disclosure requirements of section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended 31 December 2012		
	Directors' fees USD thousand	Salaries, allowances, benefits in kind and discretionary bonuses USD thousand	Total USD thousand
Executive Directors (i)			
Oleg Deripaska	–	5,536	5,536
Vladislav Soloviev	–	6,377	6,377
Petr Sinshinov (a)	–	1,444	1,444
Tatiana Soina (b)	–	2,383	2,383
Vera Kurochkina	–	1,146	1,146
Alexander Livshits (b)	–	360	360
Maksim Sokov (c)	–	8,330	8,330
Non-executive Directors			
Victor Vekselberg (d)	90	–	90
Maksim Goldman (f)	189	–	189
Dmitry Afanasiev	207	–	207
Len Blavatnik	207	–	207
Ivan Glasenberg	240	–	240
Dmitry Yudin (f)	121	–	121
Dmitry Troshenkov (e)	86	–	86
Dmitry Razumov (e)	198	–	198
Christophe Charlier (f)	40	–	40
Anatoly Tikhonov (e)	87	–	87
Artem Volynets	268	–	268
Gulzhan Moldazhanova (f)	114	–	114
Vadim Geraskin (f)	49	–	49
Petr Sinshinov (a)	48	–	48
Independent Non-executive Directors			
Matthias Warnig (Chairman) (g)	156	–	156
Nigel Kenny	268	–	268
Philip Lader	307	–	307
Elsie Leung Oi-Sie	208	–	208
Barry Cheung Chun-Yuen (h)	414	–	414
	3,297	25,576	28,873

- a. Petr Sinshinov was re-designated from a Non-executive Director to an Executive Director of the Company in March 2012 and resigned from his position as a member of the Board of Directors in October 2012.
- b. Tatiana Soina and Alexander Livshits resigned from their positions as the members of the Board of Directors in March 2012 and in June 2012, respectively.
- c. Maksim Sokov, Director for Strategic Investments management, was appointed as a member of the Board of Directors in March 2012.

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- d. Victor Vekselberg resigned from his positions as the Chairman and the member of the Board of Directors in March 2012.
- e. Dmitry Troshenkov, Anatoly Tikhonov and Dmitry Razumov resigned from their positions as the members of the Board of Directors in May, June and November 2012, respectively.
- f. The following Non-executive Directors were appointed during 2012: Maksim Goldman (in March 2012), Dmitry Yudin (in May 2012), Gulzhan Moldazhanova (in June 2012), Vadim Geraskin (in October 2012) and Christophe Charlier (in November 2012).
- g. Matthias Warnig was appointed as an Independent Non-executive Director in June 2012 and as the Chairman of the Board of Directors with effect from 1 October 2012.
- h. From 16 March until 1 October 2012 Barry Cheung Chun-Yuen was the Chairman of the Board of Directors.
- i. Compensation of Executive Directors in the form of shares of the Company relates to a share-based long-term incentive plan (hereinafter "LTIP") (refer to note 24(b)). The fair value of the share-based compensation was recognised as an employee expense during the vesting period. On 21 November 2012 one-third of LTIP in relation to the CEO and one-fifth of LTIP in relation to other eligible employees were vested as follows:

	Number of shares awarded	Number of shares vested on 21 November 2012	Value of share- based compensation vested USD thousand
Oleg Deripaska	2,086,331	417,266	274
Vladislav Soloviev	1,311,629	262,326	172
Vera Kurochkina	354,346	70,869	47
Maksim Sokov	401,596	80,319	53

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	Year ended 31 December 2011		Total USD thousand
	Directors' fees USD thousand	Salaries, allowances, benefits in kind and discretionary bonuses USD thousand	
Executive Directors (d)			
Oleg Deripaska	–	8,091	8,091
Vladislav Soloviev	–	6,921	6,921
Petr Sinshinov (a)	–	3,231	3,231
Tatiana Soina	–	2,937	2,937
Vera Kurochkina	–	1,342	1,342
Alexander Livshits	–	1,001	1,001
Non-executive Directors			
Victor Vekselberg (Chairman)	432	–	432
Dmitry Afanasiev	209	–	209
Len Blavatnik	209	–	209
Ivan Glasenberg	242	–	242
Alexander Popov (b)	191	–	191
Dmitry Troshenkov (c)	17	–	17
Dmitry Razumov	241	–	241
Anatoly Tikhonov	193	–	193
Artem Volynets	261	–	261
Petr Sinshinov (a)	47	–	47
Independent Non-executive Directors			
Nigel Kenny	271	–	271
Philip Lader	354	–	354
Elsie Leung Oi-Sie	209	–	209
Barry Cheung Chun-Yuen	287	–	287
	3,163	23,523	26,686

- a. Petr Sinshinov resigned from the Company's Deputy CEO's position in September 2011 which resulted in him becoming a Non-executive Director of the Company from that date.
- b. Alexander Popov resigned from his position as a member of the Board of Directors in November 2011.
- c. Dmitry Troshenkov was appointed as a member of the Board of Directors in November 2011.
- d. Compensation of Executive Directors in the form of shares of the Company relates to a share-based long-term incentive plan (refer to note 24(b)). The fair value of the share-based compensation was recognised as an employee expense during the vesting period. The fair value is determined at the grant date by reference to the quoted share price on that date.

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	Number of shares awarded	Number of shares vested on 21 November 2011	Value of share- based compensation vested USD thousand
Oleg Deripaska	2,503,597	834,532	727
Vladislav Soloviev	1,311,629	262,326	228
Petr Sinshinov	815,474	163,095	142
Tatiana Soina	703,274	140,655	122
Vera Kurochkina	354,346	70,869	62
Alexander Livshits	340,506	68,101	59

The remuneration of the executive directors disclosed above includes compensation received starting from the date of the appointment and/or for the period until their termination as a member of the Board of Directors.

Retirement scheme contributions for the directors, who are members of management, are not disclosed as the amount is considered not significant for either year presented. There are no retirement scheme contributions for non-executive directors.

11 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two were directors in both the years ended 31 December 2012 and 2011, whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the other individuals are as follows:

	Year ended 31 December	
	2012 USD thousand	2011 USD thousand
Salaries and bonuses(*)	23,244	20,976

(*) Included in salaries and bonuses is remuneration in the form of shares of the Company for the years ended 31 December 2012 and 2011 in relation to a share-based long-term incentive plan (refer to note 24(b)).

The emoluments of the other individuals with the highest emoluments are within the following bands:

	Year ended 31 December	
	2012 Number of individuals	2011 Number of individuals
HK\$40,000,001-HK\$45,000,000 (US\$5,150,001 – US\$5,800,000)	–	–
HK\$45,000,001-HK\$55,000,000 (US\$5,800,001 – US\$7,100,000)	2	1
HK\$55,000,001-HK\$65,000,000 (US\$7,100,001 – US\$8,400,000)	–	2
HK\$70,000,001-HK\$75,000,000 (US\$9,000,001 – US\$9,700,000)	1	–

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No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years presented.

Retirement scheme contributions to individuals with highest emoluments are not disclosed as the amount is considered not significant for either year presented.

12 Dividends

No dividends were declared and paid by the Company during the years ended 31 December 2012 and 2011. The Company is subject to external capital requirements.

13 Profit attributable to equity shareholders of the Company

The profit attributable to equity shareholders of the Company includes a profit of USD121 million for the year ended 31 December 2012 (2011: a loss of USD2,680 million) which relates to the financial statements of the Company.

14 Earnings per share

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of shares in issue during the years ended 31 December 2012 and 31 December 2011.

Weighted average number of shares:

	Year ended 31 December	
	2012	2011
Issued ordinary shares at beginning of the period	15,193,014,862	15,193,014,862
Purchase of shares for vesting	(1,524,768)	–
Weighted average number of shares at end of the period	15,191,490,094	15,193,014,862
Net (loss)/profit for the period, USD million	(337)	237
Basic and diluted earnings per share, USD	(0.022)	0.016

There were no outstanding dilutive instruments during the years ended 31 December 2012 and 2011.

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15 Property, plant and equipment

USD million	Land and buildings	Machinery and equipment	Electro- lyzers	Other	Mining assets	Construc- tion in progress	Total
<i>Cost/Deemed cost</i>							
Balance at 1 January 2011	3,607	5,728	1,677	121	668	1,240	13,041
Additions	131	47	181	1	–	424	784
Disposals	(20)	(89)	–	(2)	–	(5)	(116)
Transfers	34	216	7	(11)	3	(249)	–
Foreign currency translation	(69)	(56)	(26)	(3)	(29)	(25)	(208)
Balance at 31 December 2011	3,683	5,846	1,839	106	642	1,385	13,501
Balance at 1 January 2012	3,683	5,846	1,839	106	642	1,385	13,501
Additions	21	3	134	31	–	348	537
Acquired through business combination	8	14	–	–	–	1	23
Disposals	(4)	(38)	–	(1)	–	(55)	(98)
Transfers	45	152	4	6	15	(222)	–
Transfers to intangible assets	–	–	–	–	–	(10)	(10)
Foreign currency translation	61	63	21	2	32	22	201
Balance at 31 December 2012	3,814	6,040	1,998	144	689	1,469	14,154
<i>Accumulated depreciation and impairment losses</i>							
Balance at 1 January 2011	1,502	3,444	1,172	59	642	347	7,166
Depreciation charge	97	258	166	11	1	–	533
Impairment loss	125	62	–	–	4	59	250
Disposals	(6)	(44)	–	(1)	–	–	(51)
Foreign currency translation	(43)	(36)	(18)	–	(28)	(18)	(143)
Balance at 31 December 2011	1,675	3,684	1,320	69	619	388	7,755
Balance at 1 January 2012	1,675	3,684	1,320	69	619	388	7,755
Depreciation charge	92	262	167	11	2	–	534
Impairment loss	66	88	–	35	20	86	295
Disposals	(1)	(25)	–	(1)	–	–	(27)
Foreign currency translation	37	43	14	1	31	18	144
Balance at 31 December 2012	1,869	4,052	1,501	115	672	492	8,701
Net book value							
At 31 December 2011	2,008	2,162	519	37	23	997	5,746
At 31 December 2012	1,945	1,988	497	29	17	977	5,453

Depreciation expense of USD500 million (2011: USD475 million) has been charged to cost of goods sold, USD7 million (2011: USD5 million) to distribution expenses and USD21 million (2011: USD21 million) to administrative expenses.

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During the years ended 31 December 2012 and 2011, no interest cost was capitalised due to postponement of construction projects as a result of the economic environment.

Included into construction in progress at 31 December 2012 and 2011 are advances to suppliers of property, plant and equipment of USD44 million and USD105 million, respectively.

(A) IMPAIRMENT

At 31 December 2012, management analysed changes in the economic environment and developments in the aluminium industry and the Group's operations since 31 December 2011 and considered it necessary to carry out impairment tests for a number of cash-generating units of the Group, which were partially impaired in the previous years.

Based on results of impairment testing, management has concluded that an impairment loss of USD167 million relating to property, plant and equipment should be recognised in these financial statements in respect of Friguia cash generating unit. Additionally, management identified specific assets that are no longer in use and therefore are not considered to be recoverable amounting to USD128 million and USD250 million at 31 December 2012 and 31 December 2011, respectively. These have been impaired in full. No further impairment or reversal of previously recorded impairment was identified by management.

(B) SECURITY

The carrying value of property, plant and equipment subject to lien under loan agreements was USD327 million as at 31 December 2012 (31 December 2011: USD316 million), refer to note 25.

(C) NET BOOK VALUE OF PROPERTIES

	31 December 2012 USD million	31 December 2011 USD million
Owned and leased properties		
In the Russian Federation		
Freehold	1,752	1,770
short-term leases	22	22
medium-term leases	7	7
Outside the Russian Federation		
Freehold	164	209
	1,945	2,008
Representing		
Land and buildings	1,945	2,008

Included in the above mentioned amounts is the land held on long lease in the Russian Federation that comprised USD29 million and USD29 million at 31 December 2012 and 31 December 2011, respectively. The Group does not hold land in Hong Kong.

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16 Intangible assets

	Goodwill USD million	Other intangible assets USD million	Total USD million
Cost			
Balance at 1 January 2011	3,993	522	4,515
Additions	–	14	14
Disposals	(3)	(49)	(52)
Foreign currency translation	(125)	–	(125)
Balance at 31 December 2011	3,865	487	4,352
Balance at 1 January 2012	3,865	487	4,352
Additions	18	15	33
Transfer from PPE	–	10	10
Disposals	–	(2)	(2)
Foreign currency translation	133	–	133
Balance at 31 December 2012	4,016	510	4,526
Amortisation and impairment losses			
Balance at 1 January 2011	(67)	(363)	(430)
Amortisation charge	–	(17)	(17)
Balance at 31 December 2011	(67)	(380)	(447)
Balance at 1 January 2012	(67)	(380)	(447)
Impairment	–	(13)	(13)
Amortisation charge	–	(15)	(15)
Balance at 31 December 2012	(67)	(408)	(475)
Net book value			
At 31 December 2011	3,798	107	3,905
At 31 December 2012	3,949	102	4,051

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(A) AMORTISATION CHARGE

The amortisation charge is included in cost of sales in the consolidated statement of income.

(B) GOODWILL

Goodwill recognised in these consolidated financial statements initially arose on the formation of the Group in 2000 and the acquisition of a 25% additional interest in the Group by its controlling shareholder in 2003. The amount of goodwill was principally increased in 2007 as a result of the acquisition of certain businesses of SUAL Partners and Glencore.

(C) IMPAIRMENT TESTING OF GOODWILL AND OTHER INTANGIBLE ASSETS

For the purposes of impairment testing, the entire amount of goodwill is allocated to the aluminium segment of the Group's operations. The aluminium segment represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The recoverable amount represents value in use as determined by discounting the future cash flows generated from the continuing use of the plants within the Group's aluminium segment.

At 31 December 2012, management analysed changes in the economic environment and developments in the aluminium industry and the Group's operations since 31 December 2011 and performed an impairment test for goodwill at 31 December 2012 using the following assumptions to determine the recoverable amount of the segment:

- Total production was estimated based on average sustainable production levels of 4.3 million metric tonnes of primary aluminium, of 7.5 million metric tonnes of alumina and of 10.4 million metric tonnes of bauxite. Bauxite and alumina will be used primarily internally for production of primary aluminium;
- Sales prices were based on the long-term aluminium price outlook derived from available industry and market sources at USD2,144 per tonne for primary aluminium in 2013, USD2,309 in 2014, USD2,412 in 2015, USD2,466 in 2016, USD2,564 in 2017, USD2,671 in 2018, USD2,761 in 2019 and USD2,824 in 2020 and thereafter. Operating costs were projected based on the historical performance of each cash generating unit;
- Nominal foreign currency exchange rates applied to convert operating costs of the Group denominated in RUB into USD were RUB31.2 for one USD in 2013, RUB32.0 in 2014, RUB32.4 in 2015, RUB32.2 in 2016, RUB32.0 in 2017, RUB32.8 in 2018, RUB33.7 in 2019 and USD34.6 in 2020 and thereafter. Inflation of 5.0%-6.6% in RUB and 2.2% - 2.5% in USD was assumed in determining recoverable amounts;
- The pre-tax discount rate was estimated in nominal terms based on the weighted average cost of capital basis and was 11.6% ;
- A terminal value was derived following the forecast period assuming a 2.3% annual growth rate.

Values assigned to key assumptions and estimates used to measure the units' recoverable amounts were consistent with external sources of information and historic data for each cash-generating unit. Management believes that the values assigned to the key assumptions and estimates represented the most realistic assessment of future trends. The results were particularly sensitive to the following key assumptions:

- A 5% reduction in the projected aluminium price level would have resulted in a decrease in the recoverable amount by 40% and would lead to an impairment of USD1,876 million;
- A 5% increase in the projected level of electricity and alumina costs in the aluminium production would have resulted in a 27% decrease in the recoverable amount and would lead to an impairment of USD245 million;
- A 1% increase in the discount rate would have resulted in a 13% change in the recoverable amount and would not lead to impairment.

Based on results of impairment testing, management concluded that no impairment should be recorded in the consolidated financial statements as at 31 December 2012.

At 31 December 2011, management analysed changes in the economic environment and developments in the aluminium industry and the Group's operations since 31 December 2010 and performed an impairment test for goodwill at 31 December 2011 using the following assumptions to determine the recoverable amount of the segment:

- Total production was estimated based on average sustainable production levels of 4.2 million metric tonnes of

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primary aluminium, of 7.7 million metric tonnes of alumina and of 13.3 million metric tonnes of bauxite. Bauxite and alumina will be used primarily internally for production of primary aluminium;

- Sales prices were based on the long-term aluminium price outlook derived from available industry and market sources at USD2,240 per tonne for primary aluminium in 2012, USD2,483 in 2013, USD2,540 in 2014, USD2,576 in 2015, USD2,600 in 2016, USD2,662 in 2017, USD2,748 in 2018 and USD2,809 in 2019 and thereafter. Operating costs were projected based on the historical performance of each cash generating unit;
- Nominal foreign currency exchange rates applied to convert operating costs of the Group denominated in RUB into USD were RUB30.0 for one USD in 2012, RUB30.1 in 2013 and 2014, RUB29.6 in 2015, RUB28.8 in 2016, RUB29.5 in 2017, RUB30.3 in 2018 and RUB 31.1 in 2019 and thereafter. Inflation of 4.8%–5.9% in RUB and 2.1–2.3% in USD was assumed in determining recoverable amounts;
- The pre-tax discount rate was estimated in nominal terms based on the weighted average cost of capital basis and was 13.4%;
- A terminal value was derived following the forecast period assuming a 2.2% annual growth rate.

Values assigned to key assumptions and estimates used to measure the units' recoverable amounts were consistent with external sources of information and historic data for each cash-generating unit. Management believes that the values assigned to the key assumptions and estimates represented the most realistic assessment of future trends. The results were particularly sensitive to the following key assumptions:

- A 5% reduction in the projected aluminium price level would have resulted in a decrease in the recoverable amount by 33% and would lead to an impairment of USD3,423 million;
- A 5% increase in the projected level of electricity and alumina costs in the aluminium production would have resulted in a 15% decrease in the recoverable amount and would lead to an impairment of USD1,506 million;
- A 1% increase in the discount rate would have resulted in a 11% change in the recoverable amount and would not lead to impairment.

Based on results of impairment testing, management concluded that no impairment should be recorded in the consolidated financial statements as at 31 December 2011.

17 Interests in associates

	31 December	
	2012 USD million	2011 USD million
Balance at the beginning of the year	9,714	11,151
Group's share of profits/(losses) and other gains and losses attributable to associates	469	(349)
Dividends	(285)	(306)
Group's share of other comprehensive income	(5)	(193)
Foreign currency translation	591	(589)
Balance at the end of the year	10,484	9,714
Goodwill included in interests in associates	5,626	5,315

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The following list contains only the particulars of associates, all of which are corporate entities, which principally affected the results or assets of the Group.

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
				Group's effective interest	Group's nominal interest	
OJSC MMC Norilsk Nickel	Incorporated	Russian Federation	190,627,747 shares, RUB1 par value	30.2%	25.13%	Nickel and other metals production
Queensland Alumina Limited	Incorporated	Australia	2,212,000 shares, AUD2 par value	20%	20%	Production of alumina under a tolling agreement

On 10 December 2012, the Company, Interros, Millhouse, and the beneficial owners of Interros and Millhouse entered into a shareholders agreement establishing the corporate governance requirements, dividend policy, and voting rights in respect to managing the operations of Norilsk Nickel. The shareholders agreement requires the Company to dispose 3,873,537 shares to Millhouse at USD160 per share in cash upon the satisfaction of a number of conditions specified in the agreement including partial redemption of quasi-treasury shares of Norilsk Nickel. Following the redemption of all quasi-treasury shares held by Norilsk Nickel and disposal of shares to Millhouse, it is expected that the Company will hold a 27.8% interest in Norilsk Nickel. As at 31 December 2012, satisfaction of the conditions subsequent was still in process and the sale of shares to Millhouse had not been executed.

The summary of the consolidated financial statements of associates is presented below:

	Assets USD million	Liabilities USD million	Revenues USD million	Profit USD million
31 December 2012				
100 per cent	22,094	8,955	13,009	2,180
Group's effective interest including post acquisition adjustments	13,764	2,966	3,841	469
31 December 2011				
100 per cent	19,988	8,573	15,193	3,628
Group's effective interest including post acquisition adjustments	12,905	2,874	4,067	(349)

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(A) OJSC MMC NORILSK NICKEL

The carrying value and market value of the Group's investment in Norilsk Nickel as at 31 December 2012 and 31 December 2011 were as follows:

	31 December 2012 USD million	31 December 2011 USD million
Carrying value	10,028	9,247
Market value (a)	8,859	7,365

a. Market value is determined by multiplying the quoted bid price per share on the Moscow Interbank Currency Exchange on the year-end date by the number of shares held by the Group.

As at 31 December 2011 the carrying value of the investment in Norilsk Nickel was affected by the entity's sales and purchases of its own shares. The impact of changes in the net assets of Norilsk Nickel, following a series of transactions with treasury shares, as well as the estimation of the recoverable amount of the investment is that the Group has recognised a loss of USD1,279 million.

The recoverable amount of the investment at 31 December 2012 was determined based on the underlying value in use of its businesses based on the following significant assumptions.

- The long term commodity price forecasts for nickel, copper and other by-products, are management's estimates based on their experience of the specific commodities markets as at the date of the impairment test, and are within the range of external market forecasts. The prices used were as follows:

Metal	Units	2013	2014	2015	2016	2017
Nickel	USD/tonne	18,363	20,556	21,929	23,040	23,152
Copper	USD/tonne	8,122	8,055	7,696	7,396	7,170
Platinum	USD/oz	1,692	1,768	1,840	1,869	1,906
Palladium	USD/oz	722	799	836	850	877

- Total production volume was based on existing production levels for 2011 adjusted for a growth rate of 1.5-3.0% per year.
- The nominal foreign currency exchange rates applied to convert operating costs denominated in RUB into USD were RUB31.2 in 2013, RUB32.0 in 2014, RUB32.4 in 2015, RUB32.2 in 2016, RUB32.0 in 2017 and thereafter. Inflation of 5.0%-6.6% in RUB and 2.2%-2.5% in USD was assumed in determining recoverable amounts.

The pre-tax discount rate was estimated in nominal terms based on the weighted average cost of capital and was 13.06%.

Management concluded that no impairment is required to be recognised as a result of impairment testing. Values assigned to key assumptions and estimates used to measure the units' recoverable amounts were consistent with external sources of information and historic data. Management believes that the values assigned to the key assumptions and estimates represented the most realistic assessment of future trends. The results were particularly sensitive to the following key assumptions:

- A 5% reduction in the projected sales price level of main metals for a five-year period would have resulted in a decrease in the recoverable amount by 16% and would result in impairment of USD766 million;
- A 1% increase in the discount rate would have resulted in a 14% decrease in the recoverable amount and would result in impairment USD512 million.

The recoverable amount of the investment at 31 December 2011 was determined based on the underlying value in use of its businesses based on the following significant assumptions.

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- The long term commodity price forecasts for nickel, copper and other by-products, are management's estimates based on their experience of the specific commodities markets as at the date of the impairment test, and are within the range of external market forecasts. The prices used were as follows:

Metal	Units	2012	2013	2014	2015	2016	2017
Nickel	USD/tonne	19,543	19,613	19,535	19,385	19,811	20,247
Copper	USD/tonne	8,190	8,191	8,113	8,022	8,198	8,379
Platinum	USD/oz	1,530	1,540	1,574	1,609	1,644	1,680
Palladium	USD/oz	657	670	685	700	716	731

- Total production volume was based on existing production levels for 2010 adjusted for a growth rate of 1.5–3.0% per year.
- The nominal foreign currency exchange rates applied to convert operating costs denominated in RUB into USD were RUB30.0 for one USD in 2012, RUB30.1 in 2013 and 2014, RUB29.6 in 2015, RUB28.8 in 2016, RUB29.5 in 2017, RUB30.3 in 2018 and RUB31.1 in 2019 and thereafter. Inflation of 4.8%–5.9% in RUB and 2.1%–2.3% in USD was assumed in determining recoverable amounts.

The pre-tax discount rate was estimated in nominal terms based on the weighted average cost of capital and was 14.09%.

Management concluded that no further impairment is required to be recognised as a result of impairment testing. Values assigned to key assumptions and estimates used to measure the units' recoverable amounts were consistent with external sources of information and historic data. Management believes that the values assigned to the key assumptions and estimates represented the most realistic assessment of future trends. The results were particularly sensitive to the following key assumptions:

- A 5% reduction in the projected sales price level of main metals for a five-year period would have resulted in a decrease in the recoverable amount by 4% and would result in impairment of USD256 million;
- A 1% increase in the discount rate would have resulted in a 12% change in the recoverable amount and would result in impairment of USD1,002 million.

18 Interests in jointly controlled entities

The Group has the following movements in investments in jointly controlled entities:

	31 December	
	2012 USD million	2011 USD million
Balance at the beginning of the year	1,102	1,136
Acquisitions	16	32
Contributions to jointly controlled entities	4	2
Group's share of profits	55	25
Dividends	(72)	(48)
Foreign currency translation	51	(45)
Balance at the end of the year	1,156	1,102

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Details of the Group's interest in the jointly controlled entities are as follows:

Name of jointly controlled entity	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
				Group's effective interest	Group's nominal interest	
LLP Bogatyr Komir and its trading companies	Incorporated	Russian Federation/ Kazakhstan	18,150 shares, EUR1	50%	50%	Coal mining
BEMO project	Incorporated	Russian Federation	BOGES Limited – 10,000 shares EUR1.71 BALP Limited – 10,000 shares EUR1.71	50%	50%	Energy/Aluminium production – construction in progress
Mega Business & Alliances B.V. and its companies	Incorporated	Netherlands/ Russian Federation/ Kazakhstan	18,000 shares, EUR1	50%	50%	Transportation business
North United Aluminium	Incorporated	China	170,375,940 RMB	33%	33%	Aluminium alloys trading

Summary of the consolidated financial statements of jointly controlled entities – Group's effective interest is presented below:

	31 December 2012 USD million	31 December 2011 USD million
Non-current assets	1,798	1,413
Current assets	301	101
Non-current liabilities	(673)	(323)
Current liabilities	(270)	(89)
Net assets	1,156	1,102
Income	811	436
Expenses	(756)	(411)
Profit for the year	55	25
Foreign currency translation differences for foreign operations	51	(45)

On 28 September 2011 the Group sold a 50% interest in several wholly owned subsidiaries engaged in the transportation business in Kazakhstan and Russia to an unrelated party for USD47 million. The transaction resulted in a gain of USD15 million and the recognition of an investment in a jointly controlled entity of USD32 million. The consideration related to the sale agreement was received on 4 October 2011 in full.

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NORTH UNITED ALUMINIUM

In April 2012 the Group acquired a 33% interest in North United Aluminium for USD16 million. North United Aluminium is a Chinese trader specialising in the trade of aluminium, alloys and other non-ferrous metals.

19 Investments in subsidiaries

THE COMPANY

	31 December	
	2012 USD million	2011 USD million
Unlisted shares, at cost	26,248	26,248
Less: impairment	(7,670)	(8,435)
	18,578	17,813

Details of the principal subsidiaries are set out in note 34 to the consolidated financial statements. The decrease in the amount of impairment loss relates to partial reversal of previously recorded impairment of the Company's investments in subsidiaries.

20 Deferred tax assets and liabilities

(A) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following temporary differences:

USD million	Assets		Liabilities		Net	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Property, plant and equipment	43	61	(556)	(597)	(513)	(536)
Inventories	19	20	(1)	(5)	18	15
Trade and other receivables	8	6	(4)	(2)	4	4
Derivative financial liabilities	9	4	(3)	(5)	6	(1)
Losses carried forward	109	100	–	–	109	100
Others	65	26	(110)	(137)	(45)	(111)
Deferred tax assets/(liabilities)	253	217	(674)	(746)	(421)	(529)
Set off of deferred taxation	(154)	(151)	154	151	–	–
Net deferred tax assets/(liabilities)	99	66	(520)	(595)	(421)	(529)

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(B) MOVEMENT IN DEFERRED TAX ASSETS/(LIABILITIES) DURING THE YEAR

USD million	1 January 2011	Recognised in the statement of income	Foreign currency translation	31 December 2011
Property, plant and equipment	(549)	13	–	(536)
Inventories	22	(7)	–	15
Trade and other receivables	3	1	–	4
Derivative financial liabilities	147	(148)	–	(1)
Losses carried forward	57	43	–	100
Other items	(10)	(109)	8	(111)
Total	(330)	(207)	8	(529)

USD million	1 January 2012	Recognised in the statement of income	Foreign currency translation	31 December 2012
Property, plant and equipment	(536)	20	3	(513)
Inventories	15	6	(3)	18
Trade and other receivables	4	–	–	4
Derivative financial liabilities	(1)	7	–	6
Losses carried forward	100	9	–	109
Other items	(111)	63	3	(45)
Total	(529)	105	3	(421)

Recognised tax losses expire in the following years:

Year of expiry	31 December 2012 USD million	31 December 2011 USD million
Without expiry	–	27
From 6 to 10 years	91	44
From 2 to 5 years	15	18
Up to 1 year	3	11
	109	100

(C) UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of the following items:

	31 December 2012 USD million	31 December 2011 USD million
Deductible temporary differences	347	332
Tax loss carry-forwards	524	422
	871	754

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Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom. Tax losses expire in the following years:

Year of expiry	31 December 2012 USD million	31 December 2011 USD million
Without expiry	441	351
From 6 to 10 years	82	68
From 2 to 5 years	1	3
	524	422

(D) UNRECOGNISED DEFERRED TAX LIABILITIES

Retained earnings of the Group's subsidiaries where dividend distributions are subject to taxation included USD4,130 million and USD4,975 million as at 31 December 2012 and 31 December 2011, respectively, for which deferred taxation has not been provided because remittance of the earnings has been indefinitely postponed through reinvestment and, as a result, such amounts are considered to be permanently invested. It was not practicable to determine the amount of temporary differences relating to investments in subsidiaries where the Group is able to control the timing of reversal of the difference. Reversal is not expected in the foreseeable future. For other subsidiaries in the Group, including the significant trading companies, the distribution of dividends does not give rise to taxes.

(E) CURRENT TAXATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION REPRESENTS:

	31 December 2012 USD million	31 December 2011 USD million
Net income tax (receivable)/payable at the beginning of the year	(21)	20
Income tax for the year	131	166
Income tax paid	(104)	(176)
Translation difference	(8)	(31)
	(2)	(21)
Represented by:		
Income tax payable	18	16
Prepaid income tax (note 22)	(20)	(37)
Net income tax recoverable	(2)	(21)

Notes To The Consolidated Financial Statements

For the year ended 31 December 2012

21 Inventories

	31 December 2012 USD million	31 December 2011 USD million
Raw materials and consumables	1,173	1,333
Work in progress	854	797
Finished goods and goods held for resale	782	1,033
	2,809	3,163
Provision for inventory obsolescence	(185)	(161)
	2,624	3,002

Inventories at 31 December 2012 and 31 December 2011 are stated at cost.
The analysis of the amount of inventories recognised as an expense is as follows:

	Year ended 31 December 2012 USD million	2011 USD million
Carrying amount of inventories sold	8,718	8,246
Write-down of inventories	24	33
	8,742	8,279

Notes To The Consolidated Financial Statements

For the year ended 31 December 2012

22 Trade and other receivables

THE GROUP

	31 December 2012 USD million	31 December 2011 USD million
Trade receivables from third parties	203	200
Impairment loss on trade receivables	(34)	(41)
Net trade receivables from third parties	169	159
Trade receivables from related parties, including:	28	40
<i>Companies capable of exerting significant influence</i>	29	32
<i>Impairment loss</i>	(8)	(8)
<i>Net trade receivables from companies capable of exerting significant influence</i>	21	24
<i>Companies under common control</i>	4	8
<i>Related parties – associates</i>	3	8
VAT recoverable	449	529
Impairment loss on VAT recoverable	(60)	(56)
Net VAT recoverable	389	473
Advances paid to third parties	107	102
Impairment loss on advances paid	(3)	(4)
Net advances paid to third parties	104	98
Advances paid to related parties, including:	79	68
<i>Related parties – companies capable of exerting significant influence</i>	1	–
<i>Related parties – companies under common control</i>	2	–
<i>Related parties – associates</i>	76	68
Prepaid expenses	20	42
Prepaid income tax	20	37
Prepaid other taxes	20	14
Other receivables from third parties	98	100
Impairment loss on other receivables	(26)	(24)
Net other receivables from third parties	72	76
Other receivables from related parties, including:	24	25
<i>Related parties – companies capable of exerting significant influence</i>	–	1
<i>Related parties – companies under common control</i>	12	11
<i>Related parties – associates</i>	12	13
	925	1,032

All of the trade and other receivables are expected to be settled or recognised as an expense within one year or are repayable on demand.

The specific allowance for doubtful trade and other receivables and the uncollectible amount of trade and other receivables written off during the year ended 31 December 2012 amounted USD20 million and USD22 million, respectively (31 December 2011: USD18 million and USD32 million, respectively).

Notes To The Consolidated Financial Statements

For the year ended 31 December 2012

(a) Ageing analysis

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) with the following ageing analysis as of the reporting dates:

	31 December 2012 USD million	31 December 2011 USD million
Current	161	137
Past due 0-90 days	23	52
Past due 91-365 days	10	8
Past due over 365 days	3	2
Amounts past due	36	62
	197	199

Trade receivables are on average due within 60 days from the date of billing. The receivables that are neither past due nor impaired (i.e. current) relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. Further details of the Group's credit policy are set out in note 30(e).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	Year ended 31 December	
	2012 USD million	2011 USD million
Balance at the beginning of the year	(49)	(73)
Impairment loss recognised	5	(2)
Uncollectible amounts written off	2	26
Balance at the end of the year	(42)	(49)

Notes To The Consolidated Financial Statements

For the year ended 31 December 2012

As at 31 December 2012 and 31 December 2011, the Group's trade receivables of USD42 million and USD49 million, respectively, were individually determined to be impaired. Management assessed that the receivables were not expected to be recovered. Consequently, specific allowances for doubtful debts were recognised.

The Group does not hold any collateral over these balances.

THE COMPANY

	31 December 2012 USD million	31 December 2011 USD million
Other receivables	16	29

23 Cash and cash equivalents

THE GROUP

	31 December 2012 USD million	31 December 2011 USD million
Bank balances, USD	211	292
Bank balances, RUB	52	39
Bank balances, other currencies	46	49
Cash in transit	5	3
Short-term bank deposits	176	230
Cash and cash equivalents in the consolidated statement of cash flows	490	613
Restricted cash	15	33
	505	646

As at 31 December 2012 and 31 December 2011 included in cash and cash equivalents was restricted cash of USD15 million and USD33 million, respectively, mainly pledged under a Swiss Law Pledged Agreement with BNP Paribas (Suisse) SA and Banca Nazionale Del Lavoro S.p.A.

THE COMPANY

	31 December 2012 USD million	31 December 2011 USD million
Restricted cash	13	13
	13	13

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For the year ended 31 December 2012

24 Equity

(A) SHARE CAPITAL

	31 December 2012		31 December 2011	
	USD	Number of shares	USD	Number of shares
Ordinary shares at the end of the year, authorised	200 million	20 billion	200 million	20 billion
Ordinary shares at 1 January	151,930,148	15,193,014,862	151,930,148	15,193,014,862
Ordinary shares at the end of the year of USD0.01 each, issued and paid	151,930,148	15,193,014,862	151,930,148	15,193,014,862

(B) SHARE-BASED COMPENSATION

On 11 May 2011 the Board of Directors of the Company approved a share-based long-term incentive plan that regulates share-based compensation for eligible employees of the Group. On an annual basis, the Board of Directors considers and approves eligible employees for participation in the LTIP. The number of awarded shares is determined by the Company and approved by the Board of Directors on the grant date. The vesting period for the currently approved eligible employees is as follows:

- CEO: awarded shares vest over a 3-year period in equal instalments, subject to the terms of the LTIP Rules
- Other eligible employees: awarded shares vest over a 5-year period in equal instalments.

The vesting period started in November 2010.

During 2011, some 14,603,764 shares were granted under the plan. The fair value of shares as at 31 December 2012 totalled USD14 million (USD11 million as at 31 December 2011).

The Company recognised additional employee expense in relation to share-based LTIP in the amount of USD4 million for the year ended 31 December 2012 (USD12 million in 2011), with a corresponding increase in equity.

In November 2012 2,224,967 previously granted shares were vested with a corresponding value of USD3 million (in November 2011-3,254,566 shares with a corresponding value of USD5 million).

During 2012 the trustee acquired 3,059,914 shares on the open market for USD2 million. As at 31 December 2012 the trustee held the remaining balance of USD1 million comprised 834,947 shares under the LTIP ("Shares held for vesting").

(C) OTHER RESERVES

The acquisition of RUSAL Limited by the Company has been accounted for as a non-substantive acquisition. The consolidated share capital and share premium represent only the share capital and share premium of the Company and the share capital and other paid in capital of RUSAL Limited prior to the acquisition has been included in other reserves.

In addition, other reserves include the cumulative unrealised actuarial gains and losses on the Group's defined post retirement benefit plans, the effective portion of the accumulative net change in fair value of cash flow hedges and the Group's share of other comprehensive income.

(D) DISTRIBUTIONS

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

Notes To The Consolidated Financial Statements

For the year ended 31 December 2012

(E) CURRENCY TRANSLATION RESERVE

The currency translation reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(b).

(F) MOVEMENT IN COMPONENTS OF EQUITY WITHIN THE COMPANY

USD million	Share capital	Reserves	Total
Balance at 1 January 2011	152	8,760	8,912
Loss and total comprehensive income for the year	–	(2,680)	(2,680)
Other changes resulting from transactions under common control	–	(131)	(131)
Balance at 31 December 2011	152	5,949	6,101
Balance at 1 January 2012	152	5,949	6,101
Profit and total comprehensive income for the year	–	121	121
Other changes resulting from transactions under common control	–	(10)	(10)
Balance at 31 December 2012	152	6,060	6,212

25 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk refer to notes 30(c)(ii) and 30(c)(iii), respectively.

	31 December 2012 USD million	31 December 2011 USD million
Non-current liabilities		
Secured bank loans	8,907	9,505
Unsecured bank loans	508	629
	9,415	10,134
Current liabilities		
Secured bank loans	769	574
Unsecured bank loans	127	–
Accrued interest	35	55
	931	629

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TERMS AND DEBT REPAYMENT SCHEDULE AS AT 31 DECEMBER 2012

	TOTAL USD million	2013 USD million	2014 USD million	2015 USD million	2016 USD million	2017 USD million	Later years USD million
Secured bank loans							
Variable							
USD – 3M Libor + 4.25%	2,751	371	789	793	798	–	–
USD – 3M Libor + 5.25%	973	–	–	–	–	496	477
USD – 1Y Libor + 4.5%	4,963	–	–	–	4,963	–	–
RUB – refinancing rate of RCB + 1.5%	398	398	–	–	–	–	–
Fixed							
RUB – 9.7%	591	–	–	–	591	–	–
	9,676	769	789	793	6,352	496	477
Unsecured bank loans							
Variable							
USD – 3M Libor + 6.5%	451	90	120	120	121	–	–
EURO – 3M Libor + 6.5%	184	37	49	49	49	–	–
Total	635	127	169	169	170	–	–
Accrued interest	35	35	–	–	–	–	–
Total	10,346	931	958	962	6,522	496	477

The secured bank loans are secured by pledges of shares of the following Group companies:

- 25% + 1 share of Rusal Novokuznetsk
- 36% + 1 share of SUAL
- 25% + 1 share of Rusal Sayanogorsk
- 25% + 1 share of Rusal Bratsk
- 25% + 1 share of Rusal Krasnoyarsk

The secured bank loans are also secured by pledges of shares of associate:

- 25% + 1 share of Norilsk Nickel

The secured bank loans are also secured by properties, plant and equipment with a carrying amount of USD327 million.

As at 31 December 2012 rights, including all monies and claims, arising out of certain sales contracts between the Group's trading subsidiaries and its ultimate customers, were assigned to secure the USD4.75 billion syndicated facility.

The nominal value of the Group's loans and borrowings was USD10,522 million at 31 December 2012 (31 December 2011: USD10,928 million).

On 26 January 2012 the Group successfully completed negotiations with its international and Russian lenders to obtain an option to exercise a covenant holiday for a 12-month period during which certain financial covenants are not applied commencing from any quarter in 2012. On 30 March 2012 the Group decided to exercise this option with effect from the first quarter of 2012. In November 2012 the Group agreed with the lenders to extend the period of the covenant holiday till 31 December 2013 (inclusive).

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Under the covenant holiday option the extended margin grid will be applied as follows:

Leverage Ratio	Supplemental Margin
Greater than 5:1	1.4 per cent. per annum
Greater than 4.5:1 but less than or equal to 5:1	0.95 per cent. per annum
Greater than 4:1 but less than or equal to 4.5:1	0.55 per cent. per annum
Less than or equal to 4:1	0 per cent. per annum

During the year 2012 the Group made the following repayments:

- On 30 January 2012 the Group made an early repayment of Tranche A loans under the USD4.75 billion syndicated facility in the amount of USD500 million using proceeds of a Sberbank facility obtained in January 2012 with a credit limit of RUB18.3 billion and a maturity of five years;
- On 16 March 2012 the Group made a principal repayment of RUB2 billion against its VTB loan;
- On 30 March 2012 the Group repaid in full its loan with Natixis in the amount of USD66 million;
- On 14 November 2012 the Group made an early repayment of Tranche A loans under the USD4.75 billion syndicated facility in the amount of USD406 million (scheduled for the first and second quarters of 2013) out of the remaining proceeds of the Sberbank facility and the Group's own funds.

On 28 December 2012 the Group entered into a new credit facility of USD300 million with Gazprombank with a maturity of 5 years and an interest rate of 3-months Libor plus 6.5% p.a.

In 2012 the Group has entered into several cross-currency swaps, for details refer to note 28.

TERMS AND DEBT REPAYMENT SCHEDULE AS AT 31 DECEMBER 2011

	TOTAL USD million	2012 USD million	2013 USD million	2014 USD million	2015 USD million	2016 USD million	Later years USD million
Secured bank loans							
Variable							
USD – Libor + 1.6%	66	33	33	–	–	–	–
USD – 3M Libor + 2.6%	3,658	481	793	793	793	798	–
USD – 3M Libor + 3.85%	975	–	–	–	–	–	975
USD – 1Y Libor + 4.5%	4,944	–	–	–	–	4,944	–
RUB – refinancing rate of RCB + 2.5%	436	60	376	–	–	–	–
	10,079	574	1,202	793	793	5,742	975
Unsecured bank loans							
Variable							
USD – 3M Libor + 4.5%	450	–	90	120	120	120	–
EURO – 3M Libor + 4.5%	179	–	36	48	48	47	–
Total	629	–	126	168	168	167	–
Accrued interest	55	55	–	–	–	–	–
Total	10,763	629	1,328	961	961	5,909	975

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The secured bank loans are secured by pledges of shares of the following Group companies:

- 25% + 1 share of Rusal Novokuznetsk
- 36% + 1 share of SUAL
- 25% + 1 share of Rusal Sayanogorsk
- 25% + 1 share of Rusal Bratsk
- 25% + 1 share of Rusal Krasnoyarsk
- 100% of Albaco

The secured bank loans are also secured by pledges of shares of associate:

- 25% + 1 share of Norilsk Nickel

The secured bank loans are also secured by the following:

- Properties, plant and equipment with a carrying amount of USD316 million.

As at 31 December 2011 rights, including all monies and claims, arising out of certain sales contracts between the Group's trading subsidiaries and ultimate customers, were assigned to secure the new facility agreement.

In 2011 the Group has entered into several interest rate swaps, for details refer to note 28.

Debt refinancing during the year ended 31 December 2011

On 23 September 2011, the Group and Sberbank of Russia signed an amendment to the USD4.58 billion loan agreement effective immediately. This amendment includes extension of the maturity of the loan until September 2016, change of the interest rate to one year LIBOR + 4.5% and the cancellation of the Vnesheconombank (VEB) guarantee and the relevant release from pledge of 5% of the Company's shares.

On 29 September 2011, the Group entered into a new facility agreement with Russian and international lenders up to USD4.75 billion. The facility proceeds were used to refinance the outstanding debt under the International Override Agreement and Onexim liabilities on 5 October 2011.

The facility was provided in two tranches:

- Tranche A amounting to USD3.75 billion is being repaid in equal quarterly instalments starting from the 15th month after the first drawdown and with a final maturity falling 60 months after the first drawdown with USD500 million repaid during the first 12 months from the date of the first drawdown. Loans under tranche A bear interest at the rate of 3-month LIBOR plus margin based on Total Net Debt/EBITDA ratio which is revised quarterly.

Total Net Debt/EBITDA

Greater than 4:1

Greater than 3.5:1 but less than or equal to 4:1

Greater than 3:1 but less than or equal to 3.5:1

Greater than 2.5:1 but less than or equal to 3:1

Less than or equal to 2.5:1

Tranche A Margin

2.85 per cent. per annum

2.60 per cent. per annum

2.35 per cent. per annum

2.10 per cent. per annum

1.75 per cent. per annum

- Tranche B amounting to USD1 billion to be repaid in equal quarterly instalments starting from the 63rd month after the first drawdown with a final maturity date falling 84 months after the date of the facility documentation. Loans under tranche B bear interest at the rate of 3-month LIBOR plus 3.85% per annum.

In addition, the Group completed the refinancing of Sberbank of Russia loans of USD453 million with a five year maturity and 1-year LIBOR plus 4.5% interest rate and signed an agreement with Gazprombank on a new loan facility up to USD455 million and EUR0140 million with a five year maturity and a 3-month LIBOR plus 4.5% interest rate.

On 1 December 2011 the Group signed an agreement with Sberbank of Russia on a new loan facility up to RUB18.3 billion with a five year maturity and 9.7% interest rate.

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The refinancing agreements have imposed certain obligations on the Group, including standard financial covenants and restrictions on dividend distributions.

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	31 December	
	2012 USD million	2011 USD million
Non-current liabilities		
Secured bank loans	8,907	9,096
Unsecured loans from related parties	329	427
	9,236	9,523
Current liabilities		
Secured bank loans	371	481
Unsecured loans from related parties	462	15
Accrued interest	61	59
	894	555

TERMS AND DEBT REPAYMENT SCHEDULE AS AT 31 DECEMBER 2012

	TOTAL	2013	2014	2015	2016	2017	Later years
	USD million	USD million	USD million	USD million	USD million	USD million	USD million
Secured bank loans							
Variable							
USD – 1Y Libor + 4.5%	4,963	–	–	–	4,963	–	–
USD – 3M Libor + 4.25%	2,751	371	789	793	798	–	–
USD – 3M Libor + 5.25%	973	–	–	–	–	496	477
Fixed							
RUB – 9.7%	591	–	–	–	591	–	–
	9,278	371	789	793	6,352	496	477
Unsecured loans from related parties							
Interest free	301	301	–	–	–	–	–
USD – fixed 4.6%	161	161	–	–	–	–	–
RUB – fixed 8.31%-8.51%	329	–	329	–	–	–	–
	791	462	329	–	–	–	–
Accrued interest	61	61	–	–	–	–	–
Total	10,130	894	1,118	793	6,352	496	477

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For the year ended 31 December 2012

The secured bank loans are secured by pledges of shares of the following Group companies:

- 25% + 1 share of Rusal Bratsk
- 25% + 1 share of Rusal Krasnoyarsk
- 25% + 1 share of Rusal Sayanogorsk
- 25% + 1 share of Novokuznetsk
- 25% + 1 share of SUAL.

The secured bank loans are also secured by pledges of shares of associate:

- 25% + 1 share of Norilsk Nickel.

TERMS AND DEBT REPAYMENT SCHEDULE AS AT 31 DECEMBER 2011

	TOTAL USD million	2012 USD million	2013 USD million	2014 USD million	2015 USD million	2016 USD million	Later years USD million
Secured bank loans							
Variable							
USD – 1Y Libor + 4.5%	4,944	–	–	–	–	4,944	–
USD – 3M Libor + 2.6%	3,658	481	793	793	793	798	–
USD – 3M Libor + 3.85%	975	–	–	–	–	–	975
	9,577	481	793	793	793	5,742	975
Unsecured loans from related parties							
Interest free	15	15	–	–	–	–	–
RUB – fixed 8.31%–8.51%	427	–	–	427	–	–	–
	442	15	–	427	–	–	–
Accrued interest	59	59	–	–	–	–	–
Total	10,078	555	793	1,220	793	5,742	975

The secured bank loans are secured by pledges of shares of the following Group companies:

- 25% + 1 share of Rusal Bratsk
- 25% + 1 share of Rusal Krasnoyarsk
- 25% + 1 share of Rusal Sayanogorsk
- 25% + 1 share of Novokuznetsk
- 25% + 1 share of SUAL.

The secured bank loans are also secured by pledges of shares of associate:

- 25% + 1 share of Norilsk Nickel.

26 Bonds

On 3 March and 18 April 2011, one of the Group's subsidiaries issued two tranches of rouble denominated bonds, each including 15 million bonds, with a par value of 1,000 roubles each on MICEX. Maturity of the first tranche is seven years subject to a put option exercisable in three years. Maturity of the second tranche is ten years subject to a put option exercisable in four years.

Simultaneously, the Group entered into cross-currency swaps with an unrelated financial institution in relation to each tranche whereby the first tranche with semi-annual coupon payments of 8.3% p.a. was transformed into a

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USD obligation with a matching maturity of USD530 million bearing interest at 5.13% p. a. and the second tranche with semi-annual coupon payments of 8.5% p.a. was transformed into a USD obligation with a matching maturity of USD533 million bearing interest at 5.09% p. a. The proceeds of the bond issues were used for repayment of part of the Group's outstanding debts. The closing market price at 31 December 2012 was 956.0 roubles and 929.9 roubles per bond for the first and second tranches respectively.

27 Provisions

USD million	Pension liabilities	Site restoration	Provisions for legal claims	Tax provisions	Total
Balance at 1 January 2011	134	322	40	30	526
Provisions made during the year	17	138	12	44	211
Provisions reversed during the year	(30)	(32)	(2)	(27)	(91)
Actuarial loss	4	–	–	–	4
Provisions utilised during the year	(15)	(5)	(14)	–	(34)
Foreign currency translation	(5)	(22)	–	–	(27)
Balance at 31 December 2011	105	401	36	47	589
Balance at 1 January 2012	105	401	36	47	589
Provisions made during the year	16	123	4	10	153
Provisions reversed during the year	–	(37)	(7)	(44)	(88)
Actuarial loss	41	–	–	–	41
Provisions utilised during the year	(15)	(7)	(10)	–	(32)
Foreign currency translation	4	14	–	–	18
Balance at 31 December 2012	151	494	23	13	681
Non-current	135	486	–	–	621
Current	16	8	23	13	60
	151	494	23	13	681

(A) PENSION LIABILITIES

Group subsidiaries in the Russian Federation and Ukraine

The Group voluntarily offers a number of pension and employee benefit programs to employees at its Russian production facilities, including:

- Occupational pension programs under which retirees are entitled to a whole-life regular (old age or disability) pension from the Group. Future pension levels for some of the programs are independent of salary levels and are either fixed monetary amounts or are dependent on past service of an employee;
- Regular whole-life pensions to its veterans of World War II;
- Long-term and post-employment benefits to its employees including death-in-service, lump sum upon retirement, material support for pensioners and death-in-pension benefits.

Due to legal requirements, the Ukrainian subsidiaries are responsible for partial financing of the State hardship pensions for those of its employees who worked, or still work, under severe and hazardous labour conditions (hardship

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early retirement pensions). These pensions are paid until the recipient reaches the age of entitlement to the State old age pension (55 years for female and 60 years for male employees). In Ukraine, the Group also voluntarily provides long-term and post-employment benefits to its employees including death-in-service, lump sum benefits upon retirement and death-in-pension benefits.

All the above pension and employee benefit programs are of a defined benefit nature. The Group finances these programs on an unfunded pay-as-you-go basis.

The number of employees eligible for the plans as at 31 December 2012 and 2011 was 65,149 and 64,861, respectively. The number of pensioners as at 31 December 2012 and 2011 was 35,575 and 34,933, respectively.

Group subsidiaries outside the Russian Federation and Ukraine

In Ireland, the Group offers employees a final pay pension plan, with a pension equal to 1/60th of pensionable salary, adjusted for social security and shift earnings, for each year of service. Apart from that the Group offers long-term and post-employment benefits to its employees including death-in-service, lump sum upon retirement and death-in-pension benefits. The plans in Ireland and Jamaica are funded plans.

In Sweden, the Group provides defined benefit lifelong and temporary pension benefits. The lifelong benefits are dependent on the past service and average salary level of the employee, with an accrual rate that depends on the salary bracket the employee is in. The liability relates only to benefits accrued before 1 January 2004. These plans are unfunded.

In several other subsidiaries, the Group provides lump sum benefits upon retirement which are financed on an unfunded pay-as-you-go basis.

The following tables summarise the components of the benefit expense recognised in the consolidated statement of income and the amounts recognised in the consolidated statement of financial position and in the consolidated statement of comprehensive income in relation to the plans. The amounts recognised in the consolidated statement of income are as follows:

	31 December 2012 USD million	31 December 2011 USD million
Current service cost	8	8
Past service costs recognised during the year	(1)	4
Interest cost	15	17
Actuarial expected return on plan assets	(6)	(8)
Curtailment/settlement	–	(33)
Net income/(expense) recognised in the statement of income	16	(12)

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The reconciliation of the present value of the defined benefit obligation to the liabilities recognised in the consolidated statement of financial position is as follows:

	31 December 2012 USD million	31 December 2011 USD million
Present value of defined benefit obligations	314	243
Fair value of plan assets	(161)	(136)
Present value of obligations	153	107
Unrecognised past service cost	(2)	(2)
Net liability in the statement of financial position	151	105

Changes in the present value of the net liability are as follows:

	31 December 2012 USD million	31 December 2011 USD million
Net liability at beginning of the year	105	134
Net expense recognised in the statement of income	16	(12)
Contributions paid into the plan by the employers	(15)	(15)
Actuarial losses charged directly to equity	41	4
Foreign currency translation	4	(6)
Net liability at end of the year	151	105

The change of the present value of the defined benefit obligations ("DBO") is as follows:

	31 December 2012 USD million	31 December 2011 USD million
Present value of defined benefit obligations at beginning of the year	243	272
Service cost	8	8
Interest cost	15	17
Actuarial losses/(gains)	52	(4)
Currency exchange losses/(gains)	7	(9)
Contributions by employees	3	3
Benefits paid	(14)	(12)
Translation difference	-	1
Settlement and curtailment gain	-	(33)
Present value of defined benefit obligations at the end of the year	314	243

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Movement in fair value of plan assets:

	31 December 2012 USD million	31 December 2011 USD million
Fair value of plan assets at the beginning of the year	136	132
Actuarial expected return on plan assets	6	8
Contributions paid into the plans by the employers	15	15
Contributions paid into the plans by the employees	3	3
Benefits paid by the plan	(13)	(12)
Investment gains/(losses)	12	(6)
Currency exchange gain/(losses)	2	(4)
Fair value of plan assets at the end of the year	161	136

Actuarial gains and losses recognised in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2012 USD million	2011 USD million
Cumulative amount at beginning of the year	15	19
Recognised during the year	(41)	(4)
Cumulative amount at the end of the year	(26)	15

At 31 December 2012 the fair value of plan assets comprised investments in different asset categories as follows:

Asset class	USD million	€
Equity	52	32
Fixed income	106	66
Real estate	–	–
Cash equivalents	3	2
Total plan assets	161	100

The Group expects to pay the defined benefit retirement plans an amount of USD16 million during the 12 month period beginning on 1 January 2013.

Actuarial valuation of pension liabilities

The actuarial valuation of the Group and the portion of the Group funds specifically designated for the Group's employees were completed by a qualified actuary, Robert van Leeuwen AAG, as at 31 December 2012, using the projected unit credit method as stipulated by IAS 19.

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The key actuarial assumptions (weighted average, weighted by DBO) are as follows:

	31 December 2012 % per annum	31 December 2011 % per annum
Discount rate	5.2	6.3
Expected return on plan assets	4.3	4.9
Future salary increases	5.1	5.1
Future pension increases	0.7	0.6
Staff turnover	4.0	4.0
Mortality	USSR population table for 1985, Ukrainian population table for 2000	USSR population table for 1985, Ukrainian population table for 2000
Disability	70% Munich Re for Russia; 40% of death probability for Ukraine	70% Munich Re for Russia; 40% of death probability for Ukraine

The market value of plan assets as at the date of their valuation is as follows:

	31 December 2012 USD million	31 December 2011 USD million
Present value of defined benefit obligations	314	243
Fair value of plan assets	(161)	(136)
Deficit in plan	153	107

The actuarial valuation shows that the Group's obligations are 51% covered by the plan assets held as at 31 December 2012 (31 December 2011: 56%).

The analysis of amounts arising from schemes that are wholly unfunded and schemes that are partly funded are as follows:

	31 December 2012 USD million		31 December 2011 USD million	
	Present value of the DBO	Net liability	Present value of the DBO	Net liability
Wholly unfunded	128	126	93	91
Partially funded	186	25	150	14
Total	314	151	243	105

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(B) SITE RESTORATION

The Group provides for site restoration obligations when there is a specific legal or constructive obligation for mine reclamation, landfill closure (primarily comprising red mud basin disposal sites) or specific lease restoration requirements. The Group does not record any obligations with respect to decommissioning of its refining or smelting facilities and restoration and rehabilitation of the surrounding areas unless there is a specific plan to discontinue operations at a facility. This is because any significant costs in connection with decommissioning of refining or smelting facilities and restoration and rehabilitation of the surrounding areas would be incurred no earlier than when the facility is closed and the facilities are currently expected to operate over a term in excess of 50–100 years due to the perpetual nature of the refineries and smelters and continuous maintenance and upgrade programs resulting in the fair values of any such liabilities being negligible.

The site restoration provision recorded in these consolidated financial statements relates primarily to mine reclamation and red mud basin disposal sites at alumina refineries and is estimated by discounting the risk-adjusted expected expenditure to its present value based on the following key assumptions:

	31 December 2012	31 December 2011
Timing of cash outflows	2013: USD8 million 2014 -2018: USD137 million 2019-2029: USD366 million after 2029: USD151 million	2012: USD8 million 2013 -2017: USD150 million 2018-2028: USD280 million after 2028: USD170 million
Risk free discount rate before adjusting for inflation (a)	1.96%	2.95%

(a) the risk free rate for the year 2012 represents an effective rate, which comprises rates differentiated by years of obligation settlement and by currencies in which the provisions was calculated

At each reporting date the Directors have assessed the provisions for site restoration and environmental matters and concluded that the provisions and disclosures are adequate.

As at 31 March 2012, management reassessed the timing of site restoration activities at OJSC SUBR and recalculated the related asset retirement obligation. The resulting increase in provisions and impairment of non-current assets of USD20 million was recorded in these consolidated financial statements. The amount of provision is estimated by discounting the expected expenditures to their present value based on risk free discount rates ranging from 0.33% to 3.32% at 31 December 2012.

(C) PROVISIONS FOR LEGAL CLAIMS

The Group's subsidiaries are subject to a variety of lawsuits and claims in the ordinary course of its business. As at 31 December 2012, there were several claims filed against the Group's subsidiaries contesting breaches of contract terms and non-payment of existing obligations. Management has reviewed the circumstances and estimated that the amount of probable outflow related to these claims should not exceed USD23 million (31 December 2011: USD36 million). The amount of claims, where management assesses outflow as possible approximates USD213 million (31 December 2011: USD164 million).

At each reporting date the Directors have assessed the provisions for litigation and claims and concluded that the provisions and disclosures are adequate.

(D) TAX PROVISIONS

As at 31 December 2012, management of the Group reassessed certain tax claims with high probability of outflow and decreased the provision by USD44 million relating to excise tax obligation at Eurallumina.

At each reporting date the Directors have assessed the provisions for taxation and concluded that the provisions and disclosures are adequate.

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28 Derivative financial assets/liabilities

	31 December 2012		31 December 2011	
	USD million		USD million	
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
Cross-currency swaps	–	103	–	164
Petroleum coke supply contracts and other raw materials	15	40	25	16
Interest rate swaps	–	76	–	9
Structured investment	–	–	9	–
Electricity contracts	–	7	–	9
Total	15	226	34	198

The following significant assumptions were used in estimating derivative instruments:

	2013	2014	2015	2016
LME Al Forward, USD per tonne	2,103	2,195	2,290	2,380
Platt's FOB Brent, USD per barrel	107	102	98	95
Forward exchange rate, RUB to USD	31.43	33.07	34.79	36.57
Forward 1Y LIBOR, %	0.93	0.96	1.20	1.50

Cross-currency swaps

During the year ended 31 December 2011, the Group entered into cross-currency swaps to transform the two tranches of its rouble bonds into USD obligations of USD530 million and USD533 million respectively (refer to note 26). The terms of the swaps are 3 and 4 years respectively.

In February 2012 – May 2012 the Group entered into additional cross-currency swaps to convert RUB15.2 billion of 5 year rouble denominated credit facility into a USD denominated liability of USD504 million.

Petroleum coke supply contracts and other raw materials

In May and September 2011, the Group entered into long-term petroleum coke supply contracts where the price of coke is determined with reference to the LME aluminium price and the Brent oil price. The strike price for aluminium is set at USD2,403.45 per tonne and USD2,497.72 per tonne respectively, while the strike price for oil is set at USD61.10 per barrel and USD111.89 per barrel respectively.

Interest rate swap

During the year ended 31 December 2011, the Group entered into an interest rate swap to convert the floating 1Y Libor rate into a fixed rate of 2.4795% on a portion of USD4.58 billion facility with Sberbank of Russia. The notional amount of facility subject to this swap is USD3.3 billion and the swap is effective from 30 September 2012 until the maturity of the underlying loans.

Structured investment

The structured investment is a derivative financial instrument linked to the share price of Norilsk Nickel which expired in 2012.

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Electricity contracts

In November 2009, the Group entered into long-term electricity contracts for 9 to 11 years for electricity and power supply with related parties controlled by the immediate parent company of the Group. The companies have to submit and register notifications for purchase and sale of electricity and capacity under the long-term electricity and capacity supply contracts with the administrator of trading system ("ATS") on a monthly or quarterly basis. The Company believes that at this time these long-term contracts represent an intention to purchase electricity and capacity of up to a stated volume at a pre-agreed price.

At 31 December 2012 the Company revalued the embedded derivatives based on the contractually committed volumes of electricity and capacity stated in the notices submitted to the ATS and recognised a loss of USD71 million.

29 Trade and other payables

	31 December 2012 USD million	31 December 2011 USD million
Accounts payable to third parties	640	537
Accounts payable to related parties, including:	153	87
Related parties – companies capable of exerting significant influence	73	53
Related parties – companies under common control	80	29
Related parties – associates	–	5
Advances received	226	262
Advances received from related parties, including:	278	453
Related parties – companies capable of exerting significant influence	255	394
Related parties – companies under common control	5	57
Related parties – associates	18	2
Other payables and accrued liabilities	218	168
Other payable and accrued liabilities related parties, including:	6	5
Related parties – associates	6	5
Other taxes payable	133	153
Non-trade payables to third parties	2	2
	1,656	1,667

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Included in trade and other payables are trade payables with the following ageing analysis as at the reporting date.

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	31 December 2012 USD million	31 December 2011 USD million
Due within twelve months or on demand	793	624
THE COMPANY		
	31 December 2012 USD million	31 December 2011 USD million
Trade and other payables	822	803

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30 Financial risk management and fair values

(A) FAIR VALUES

Management believes that the fair values of financial assets and liabilities approximate their carrying amounts. The methods used to estimate the fair values of the financial instruments are as follows:

Trade and other receivables, cash and cash equivalents, current loans and borrowings and trade and other payables: the carrying amounts approximate fair value because of the short maturity period of the instruments.

Long-term loans and borrowings, other non-current liabilities: the fair values of other non-current liabilities are based on the present value of the anticipated cash flows and approximate carrying value, other than bonds issued. Fair value of bonds issued at 31 December 2012 was USD931 million (31 December 2011: USD854 million).

Derivatives: the fair value of derivative financial instruments, including embedded derivatives, is based on quoted market prices. Where no price information is available from a quoted market source, alternative market mechanisms or recent comparable transactions, fair value is estimated based on the Group's views on relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates. Option-based derivatives are valued using Black-Scholes models and Monte-Carlo simulations. The derivative financial instruments are recorded at their fair value at each reporting date.

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in IFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

As at 31 December 2012 The Group

	Level 1 USD million	Level 2 USD million	Level 3 USD million	Total USD million
Assets				
Derivative financial assets	–	–	15	15
	–	–	15	15
Liabilities				
Derivative financial liabilities	–	–	226	226
	–	–	226	226

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As at 31 December 2011 The Group

	Level 1 USD million	Level 2 USD million	Level 3 USD million	Total USD million
Assets				
Derivative financial assets	-	-	34	34
	-	-	34	34
Liabilities				
Derivative financial liabilities	-	-	198	198
	-	-	198	198

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

Derivative financial instruments:	USD million
At 1 January 2011	627
Changes in fair value estimation recognised during the year	(224)
Realised portion of electricity contracts	(239)
Balance at 31 December 2011/1 January 2012	164
Changes in fair value estimation recognised during the year	129
Realised portion of electricity, coke and raw materials contracts	(82)
Balance at 31 December 2012	211

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and trade payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. Management reviews and agrees policies for managing each of these risks which are summarised below.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a risk management group within its Department of Internal Control, which is responsible for developing and monitoring the Group's risk management policies. The Department reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by the Group's Internal Audit function

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which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(C) MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

(i) Commodity price risk

During the years ended 31 December 2012 and 2011, the Group has entered into certain long term electricity contracts and other commodity derivatives contracts in order to manage its exposure of commodity price risks. Details of the contracts are disclosed in note 28.

(ii) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates (refer to note 25). The Group's policy is to manage its interest costs by monitoring changes in interest rates with respect to its borrowings.

The following table details the interest rate profile of the Group's and the Company's borrowings at the reporting date.

The Group

	31 December 2012		31 December 2011	
	Effective interest rate %	USD million	Effective interest rate %	USD million
Fixed rate loans and borrowings				
Loans and borrowings	5.09%-10.13%	4,909	5.09%-5.8%	4,301
		4,909		4,301
Variable rate loans and borrowings				
Loans and borrowings	5.15%-9.94%	6,468	1.88%-10.7%	7,470
		6,468		7,470
		11,377		11,771

The Group's fixed rate loans and borrowings for the year ended 31 December 2012 include a USD obligation of USD530 million bearing interest at 5.13% per annum and a USD obligation of USD533 million bearing interest at 5.09% per annum. These obligations represent the hedged amount of rouble bonds (for detailed information, refer to note 26). Also, it includes a USD3.3 billion of credit facility, which is hedged with an interest rate swap and RUB18.3 billion credit facility, partially hedged with cross-currency swap (for detailed information refer to note 28).

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The Company

	31 December 2012		31 December 2011	
	Effective interest rate %	USD million	Effective interest rate %	USD million
Fixed rate loans and borrowings				
Loans and borrowings	0%-10.13%	1,382	0%-8.51%	442
		1,382		442
Variable rate loans and borrowings				
Loans and borrowings	5.15%-5.96%	8,687	3.53%-5.8%	9,577
		8,687		9,577
		10,069		10,019

The following table demonstrates the sensitivity to cash flows from interest rate risk arising from floating rate non-derivative instruments held by the Group at the reporting date in respect of a reasonably possible change in interest rates, with all other variables held constant. The impact on the Group's profit before taxation and equity and retained profits/accumulated losses is estimated as an annualised input on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis for all years presented.

The Group

	Increase/decrease in basis points	Effect on profit before taxation for the year USD million	Effect on equity for the year USD million
As at 31 December 2012			
Basis percentage points	+14	(9)	7
Basis percentage points	-14	9	(7)
As at 31 December 2011			
Basis percentage points	+24	(18)	15
Basis percentage points	-24	18	(15)

(iii) Foreign currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of group entities, primarily USD but also the Russian Rouble, Ukrainian Hryvna and Euros. The currencies in which these transactions primarily are denominated are RUB, USD and EUR.

Borrowings are primarily denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily USD but also RUB and EUR. This provides an economic hedge.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances or entering into currency swap arrangements.

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The Group's exposure at the reporting date to foreign currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate is set out in the table below. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are ignored.

As at 31 December	USD-denominated vs. RUB functional currency		RUB-denominated vs. USD functional currency		EUR-denominated vs. USD functional currency		Denominated in other currencies vs. USD functional currency	
	2012	2011	2012	2011	2012	2011	2012	2011
	USD	USD	USD	USD	USD	USD	USD	USD
	million	million	Million	million	Million	million	million	million
Non-current assets	–	–	2	2	17	–	20	48
Trade and other receivables	1	–	294	340	32	88	69	22
Cash and cash equivalents	106	–	113	165	35	29	11	14
Derivative financial assets	–	–	15	25	–	–	–	–
Loans and borrowings	(228)	(227)	(390)	(327)	(184)	(179)	–	–
Provisions	–	–	(127)	(102)	(59)	(40)	(40)	(18)
Derivative financial liabilities	–	–	(47)	(24)	–	–	–	–
Non-current liabilities	–	–	–	(1)	–	–	–	–
Income taxation	–	–	(3)	(6)	(1)	(1)	(10)	(6)
Trade and other payables	–	(1)	(522)	(338)	(71)	(40)	(73)	(85)
Net exposure arising from recognised assets and liabilities	(121)	(228)	(665)	(266)	(231)	(143)	(23)	(25)

Foreign currency sensitivity analysis

The following tables indicate the instantaneous change in the Group's profit before taxation (and accumulated losses) and other comprehensive income that could arise if foreign exchange rates to which the Group has significant exposure at the reporting date had changed at that date, assuming all other risk variables remained constant.

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	Change in exchange rates	Year ended 31 December 2012	
		USD million Effect on profit before taxation for the year	USD million Effect on equity for the year
Depreciation of USD vs. RUB	5%	(27)	(32)
Depreciation of USD vs. EUR	5%	(12)	(12)
Depreciation of USD vs. other currencies	5%	(1)	(1)

	Change in exchange rates	Year ended 31 December 2011	
		USD million Effect on profit before taxation for the year	USD million Effect on equity for the year
Depreciation of USD vs. RUB	5%	(2)	(5)
Depreciation of USD vs. EUR	5%	(7)	(7)
Depreciation of USD vs. other currencies	5%	(1)	(1)

Results of the analysis as presented in the above tables represent an aggregation of the instantaneous effects on the Group entities' profit before taxation and other comprehensive income measured in the respective functional currencies, translated into USD at the exchange rates ruling at the reporting date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the reporting date. The analysis excludes differences that would result from the translation of other financial statements of foreign operations into the Group's presentation currency. The analysis has been performed on the same basis for all years presented.

(D) LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The group policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its operating and financial commitments.

The following tables show the remaining contractual maturities at the reporting date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates, or if floating, based on rates current at the reporting date) and the earliest the Group can be required to pay.

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The Group

	31 December 2012					Carrying amount USD million
	Contractual undiscounted cash outflow	Contractual undiscounted cash outflow	Contractual undiscounted cash outflow	Contractual undiscounted cash outflow	Contractual undiscounted cash outflow	
	Within 1 year or on demand USD million	More than 1 year but less than 2 years USD million	More than 2 years but less than 5 years USD million	More than 5 years USD million	TOTAL USD million	
Trade and other payables to third parties	860	–	–	–	860	860
Trade and other payables to related parties	159	–	–	–	159	159
Bonds, including interest payable	54	564	546	–	1,164	988
Loans and borrowings, including interest payable	1,575	1,536	8,963	510	12,584	10,346
	2,648	2,100	9,509	510	14,767	12,353

	31 December 2011					Carrying amount USD million
	Contractual undiscounted cash outflow	Contractual undiscounted cash outflow	Contractual undiscounted cash outflow	Contractual undiscounted cash outflow	Contractual undiscounted cash outflow	
	Within 1 year or on demand USD million	More than 1 year but less than 2 years USD million	More than 2 years but less than 5 years USD million	More than 5 years USD million	TOTAL USD million	
Trade and other payables to third parties	707	–	–	–	707	707
Trade and other payables to related parties	92	–	–	–	92	92
Bonds, including interest payable	54	54	1,102	–	1,210	932
Loans and borrowings, including interest payable	1,157	1,874	9,153	1,048	13,232	10,763
	2,010	1,928	10,255	1,048	15,241	12,494

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The Company

	31 December 2012					Carrying amount USD million
	Contractual undiscounted cash outflow	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	TOTAL	
	Within 1 year or on demand USD million	USD million	USD million	USD million	USD million	USD million
Trade and other payables to third parties	3	–	–	–	3	3
Trade and other payables to related parties	819	–	–	–	819	819
Loans and borrowings, including interest payable	1,192	1,660	8,621	510	11,983	10,130
Other liabilities	1,630	–	–	–	1,630	1,452
	3,644	1,660	8,621	510	14,435	12,404

	31 December 2011					Carrying amount USD million
	Contractual undiscounted cash outflow	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	TOTAL	
	Within 1 year or on demand USD million	USD million	USD million	USD million	USD million	USD million
Trade and other payables to third parties	2	–	–	–	2	2
Trade and other payables to related parties	801	–	–	–	801	801
Loans and borrowings, including interest payable	1,038	1,303	9,039	1,048	12,428	10,078
Other liabilities	–	1,718	–	–	1,718	1,383
	1,841	3,021	9,039	1,048	14,949	12,264

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(E) CREDIT RISK

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The majority of the Group's third party trade receivables represent balances with the world's leading international corporations operating in the metals industry. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Goods are normally sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables. The details of impairment of trade and other receivables are disclosed in note 22. The extent of the Group's credit exposure is represented by the aggregate balance of financial assets and financial guarantees given.

At 31 December 2012 and 2011, the Group has certain concentrations of credit risk as 1.4% and 0.1% of the total trade receivables were due from the Group's largest customer and 6.9% and 16.1% of the total trade receivables were due from the Group's five largest customers, respectively (refer to note 5 for the disclosure on revenue from largest customer).

With respect to credit risk arising from guarantees, the Group's policy is to provide financial guarantees only to wholly-owned subsidiaries and associates.

(F) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding non-controlling interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries were subject to externally imposed capital requirements in the both years presented in these consolidated financial statements.

31 Commitments

(A) CAPITAL COMMITMENTS

In May 2006, the Group signed a Co-operation agreement with OJSC HydroOGK and RAO UES. Under this Co-operation agreement OJSC HydroOGK and the Group have jointly committed to finance the construction and future operation of Boguchansk hydropower station ("BoGES") and an aluminium plant, the planned main customer of the hydropower station, together referred to as the "BEMO project". The parties established two joint companies with 50:50 ownership, into which the Group is committed to invest USD2,121 million by the end of 2015 (31 December 2011: USD1,946 million). As at 31 December 2012 the outstanding commitment of the Group for construction of the aluminium plant was approximately USD510 million to be committed by the end of 2015 (31 December 2011: USD738 million) and the outstanding commitment for the hydropower station construction was USD83 million to be committed by the end of 2013 (31 December 2011: USD12 million).

The Group has entered into contracts that result in contractual obligations primarily relating to various construction and capital repair works. The commitments at 31 December 2012 and 2011 approximated USD371 million

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and USD388 million, respectively. These commitments are due over a number of years.

(B) PURCHASE COMMITMENTS

Commitments with third parties for purchases of alumina, bauxite and other raw materials in 2013–2034 under supply agreements are estimated from USD2,853 million to USD2,941 million at 31 December 2012 (31 December 2011: USD3,012 million to USD3,088 million) depending on the actual purchase volumes and applicable prices.

Commitments with related parties for purchases of alumina and other raw materials in 2013–2014 under supply agreements are estimated from USD230 million to USD272 million at 31 December 2012 (31 December 2011: USD339 million to USD393 million). These commitments will be settled at the market price at the date of delivery. There are no purchase commitments for the transportation service with third parties under long-term agreements at 31 December 2012 (31 December 2011: from USD8 million to USD12 million).

(C) SALE COMMITMENTS

Commitments with third parties for sales of alumina and other raw materials in 2013–2016 are estimated from USD799 million to USD965 million at 31 December 2012 (31 December 2011: from USD819 million to USD974 million) and will be settled at market prices at the date of delivery. Commitments with related parties for sales of alumina in 2013–2015 approximated USD698 million at 31 December 2012 (31 December 2011: USD115 million).

Commitments with related parties for sales of primary aluminium and alloys in 2013 – 2016 are estimated to range from USD5,029 million to USD5,715 million at 31 December 2012 (31 December 2011: from USD4,208 million to USD4,935 million). Commitments with third parties for sales of primary aluminium and alloys at 31 December 2012 are estimated to range from USD1,244 million to USD1,297 million at 31 December 2012 (31 December 2011: from USD1,139 million to USD1,316 million). These commitments will be settled at market price at the date of delivery. Commitments include sales to Glencore in accordance with a recently concluded long-term contract for which the sales volumes will depend on the actual production in 2013–2018. The volume of sales commitments to Glencore for 2013 year under the agreement is specified and is estimated to be from USD3,253 to USD3,386 million.

(D) OPERATING LEASE COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:

	31 December 2012 USD million	31 December 2011 USD million
Less than one year	3	5
Between one and five years	11	15
	14	20

(E) SOCIAL COMMITMENTS

The Group contributes to the maintenance and upkeep of the local infrastructure and the welfare of its employees, including contributions toward the development and maintenance of housing, hospitals, transport services, recreation and other social needs of the regions of the Russian Federation where the Group's production entities are located. The funding of such assistance is periodically determined by management and is appropriately capitalised or expensed as incurred.

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32 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.

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 preceding the year 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. Additional taxes, penalties and interest which may be material to the financial position of the taxpayers may be assessed in the Russian Federation as a result of such reviews.

In addition to the amounts of income tax the Group has provided (refer to note 27), there are certain tax positions taken by the Group where it is reasonably possible (though less than 50% likely) that additional tax may be payable upon examination by the tax authorities or in connection with ongoing disputes with tax authorities. The Group's best estimate of the aggregate maximum of additional amounts that it is reasonably possible may become payable if these tax positions were not sustained at 31 December 2012 and 2011 is USD409 million and USD278 million, respectively.

The Group's major trading companies are incorporated in low tax jurisdictions outside Russia and a significant portion of the Group's profit is realised by these companies. Management believes that these trading companies are not subject to taxes outside their countries of incorporation and that the commercial terms of transactions between them and other Group companies are acceptable to the relevant tax authorities. These consolidated financial statements have been prepared on this basis. However, as these companies are involved in a significant level of cross border activities, there is a risk that Russian or other tax authorities may challenge the treatment of cross-border activities and assess additional tax charges. It is not possible to quantify the financial exposure resulting from this risk.

New 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.

The new transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe new basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level. The new transfer pricing rules eliminated the 20-percent price safe harbour that existed under the previous transfer pricing rules applicable to transactions on or prior to 31 December 2011.

The new transfer pricing rules primarily 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. 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 (RUB3 billion in 2012, RUB2 billion in 2013, and RUB1 billion in 2014 and thereon).

Since there is no practice of applying the new transfer pricing rules by the tax authorities and courts, it is difficult to predict the effect, if any, of the new transfer pricing rules on these consolidated financial statements.

The Company believes it is compliant with the new rules as it has historically applied the OECD -based transfer pricing principles.

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Estimating additional tax which may become payable is inherently imprecise. It is, therefore, possible that the amount ultimately payable may exceed the Group's best estimate of the maximum reasonably possible liability; however, the Group considers that the likelihood that this will be the case is remote.

(B) ENVIRONMENTAL CONTINGENCIES

The Group and its predecessor entities have operated in the Russian Federation, Ukraine, Jamaica, Guyana, the Republic of Guinea and the European Union for many years and certain environmental problems have developed. Governmental authorities are continually considering environmental regulations and their enforcement and the Group periodically evaluates its obligations related thereto. As obligations are determined, they are recognised immediately. The outcome of environmental liabilities under proposed or any future legislation, or as a result of stricter enforcement of existing legislation, cannot reasonably be estimated. Under current levels of enforcement of existing legislation, management believes there are no possible liabilities, which will have a material adverse effect on the financial position or the operating results of the Group. However, the Group anticipates undertaking significant capital projects to improve its future environmental performance and to bring it into full compliance with current legislation.

(C) LEGAL CONTINGENCIES

The Group's business activities expose it to a variety of lawsuits and claims which are monitored, assessed and contested on the ongoing basis. Where management believes that a lawsuit or another claim would result in the outflow of the economic benefits for the Group, a best estimate of such outflow is included in provisions in these consolidated financial statements (refer to note 27(c)).

In May 2009, the Republic of Guinea filed a claim in Guinea against one of the Group's subsidiaries of USD1,000 million contesting the terms of privatisation of the Group's subsidiary in Guinea. The subsidiary appealed that decision and received a decision from the Appeal Court of Conakry overruling the previous court's decision regarding the jurisdiction of the local court to consider this claim in Guinea. In June 2011 the relevant Group subsidiary filed a request for arbitration with the International Chamber of Commerce in Paris against the Republic of Guinea for, among other things, a declaration that the privatization is valid. In May 2012 the Republic of Guinea filed an answer and counterclaim that the privatisation is invalid. Thereafter, the Republic of Guinea withdrew its counterclaim, and merely denies that the relevant Group subsidiary is entitled to the relief it seeks. The final hearing in the case is scheduled for September 2013. On the basis that the counterclaim has been withdrawn management believes the risk of a significant cash outflow in connection with the case is remote.

On 24 November 2006 a claim was issued on behalf of Mr. Michael Cherney ("Mr. Cherney") against Mr. Oleg V. Deripaska ("Mr. Deripaska"), the controlling shareholder of En+. Mr. Deripaska advised the Company on 27 September 2012 that Mr. Cherney's litigation in London against Mr. Deripaska has been terminated on the basis that Mr. Cherney will make no claim against the shares or assets of the Company or Mr. Deripaska.

On 4 April and 23 July 2012, the Company received separate requests for arbitration made to the London Court of International Arbitration ("LCIA"), pursuant to the LCIA arbitration rules, for the commencement of arbitration by SUAL Partners against Glencore International AG, En+, the Company and Mr. Oleg Deripaska. The two arbitrations were subsequently joined in one arbitration proceeding. The dispute relates to certain shareholder arrangements between the parties in respect of the Company. SUAL Partners alleges, inter alia, that certain contracts between the Company and Glencore International AG and a contract between the Company and a company indirectly controlled by En+ were, or will be, in breach of those shareholder arrangements. SUAL Partners seek injunctive relief preventing the Group from performing the contracts, annulment of the contracts, an account of profits from, and damages against the defendants. Management do not expect that the arbitration will have a material adverse effect on the Group's financial position or its operation as a whole.

(D) RISKS AND CONCENTRATIONS

A description of the Group's major products and its principal markets, as well as exposure to foreign currency risks are provided in note 1 "Background" and note 3 "Significant accounting policies". The price at which the Group

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can sell its products is one of the primary drivers of the Group's revenue. The Group's prices are largely determined by prices set in the international market. The Group's future profitability and overall performance is strongly affected by the price of primary aluminium that is set in the international market.

(E) INSURANCE

The insurance industry in the Russian Federation is in a developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption or third party liability in respect of property or environmental damage arising from accidents on Group properties or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

33 Related party transactions

(A) TRANSACTIONS WITH MANAGEMENT AND CLOSE FAMILY MEMBERS

Management remuneration

Key management received the following remuneration, which is included in personnel costs (refer to note 9(a)):

	Year ended 31 December	
	2012 USD million	2011 USD million
Salaries and bonuses	91	81
Share-based compensation	3	8
	94	89

(B) TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES

Sales to associates are disclosed in note 5, trade receivables from associates are disclosed in note 22 and accounts payable to associates are disclosed in note 29.

(C) TRANSACTIONS WITH OTHER RELATED PARTIES

The Group

The Group transacts with other related parties, the majority of which are entities under common control with the Group or under the control of SUAL Partners Limited or its controlling shareholders or Glencore International Plc or entities under its control or Onexim Holdings Limited or its controlling shareholders.

Sales to related parties for the year are disclosed in note 5, trade receivables from related parties are disclosed in note 22, cash and cash equivalents are disclosed in note 23, accounts payable to related parties are disclosed in note 29, commitments with related parties are disclosed in note 31 and other transactions with shareholders are disclosed in note 24.

Purchases of raw materials and services from related parties and interest income and expense are recurring and for the year were as follows:

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	Year ended 31 December	
	2012 USD million	2011 USD million
Purchases of raw materials – companies under common control	148	135
Purchases of alumina, bauxite and other raw materials – companies capable of exerting significant influence	345	246
Purchases of raw materials – associates	30	29
Energy costs – companies under common control	742	782
Energy costs – companies capable of exerting significant influence	182	190
Other costs – companies under common control	17	9
Other costs – associates	198	191
Distribution expenses – companies under common control	10	5
	1,672	1,587

Electricity contracts

The Group has indicated the intention to purchase electricity during the years 2012 through 2020 under long-term agreements with related parties. The estimated value of this commitment for each year is presented in the table below and is based on the expected 2011 T(basic) component, as defined in the notes 28 and 30(c)(i), excluding the impact of embedded derivatives recognised in these consolidated financial statements.

Year	2013	2014	2015	2016	2017	2018	2019	2020
Volumes, KWh million	45,898	46,128	46,384	46,735	46,900	46,952	18,300	18,300
Estimated value, USD million	409	414	419	425	430	435	100	105

In the beginning of 2011, the rules and regulations of the wholesale electricity and capacity market in the Russian Federation changed. Amongst all the changes, companies are required to submit and register notifications for purchase and sale of electricity and capacity under the long-term electricity and capacity supply contracts on a monthly and quarterly basis.

The Company

	31 December	
	2012 USD million	2011 USD million
Investments in subsidiaries	18,578	17,813
Loans to related parties (Group companies)	9	510
Trade and other receivables from related parties	15	15
Loans and borrowings from related parties	833	463
Trade and other payables to related parties	819	801
Other liabilities ⁽¹⁾	1,452	1,383

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(i) Included in other liabilities is a payable for 1,600 ordinary shares issued by one of the Company's subsidiaries on 12 February 2010 and redeemable at the option of that subsidiary. The nominal value of the payable, which is repayable on demand on or after 7 December 2013, is USD1,600 million. The fair value of the payable at initial recognition amounted to USD1,057 million was determined by discounting at applicable current interest rates and the resultant difference between nominal and fair value was recorded directly in equity of the Company. The carrying value of the payable balance as at 31 December 2012 is USD1,425 million (31 December 2011: USD1,284 million).

The remainder of other liabilities represents a promissory note payable issued by the Company to a subsidiary in an amount of USD553 million, bearing zero interest and repayable on demand. Upon initial recognition the fair value of the payable was determined by discounting at applicable interest rates at USD420 million, with the resultant difference between nominal and fair value recorded directly in equity. The carrying value of the payable balance as at 31 December 2012 is USD27 million (31 December 2011: USD99 million).

(D) RELATED PARTIES BALANCES

At 31 December 2012 included in non-current assets are balances of USD32 million related to companies which are related parties (31 December 2011: USD30 million).

(E) PRICING POLICIES

Prices for transactions with related parties are determined on a case by case basis but are not necessarily at arm's length.

The Group has entered into three categories of related-party transactions: (i) those entered into on an arm's length basis, (ii) those entered into on non-arm's length terms but as part of a wider deal resulting from arms' length negotiations with unrelated third parties, and (iii) transactions unique to the Group and the counterparty.

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34 Particulars of subsidiaries

As at 31 December 2012 and 2011, the Company has direct and indirect interests in the following subsidiaries, which principally affected the results, assets and liabilities of the Group:

Name	Place of incorporation and operation	Date of incorporation	Particulars of issued and paid up capital	Attributable equity interest	Principal activities
Compagnie Des Bauxites De Kindia S.A.	Guinea	29 November 2000	2,000 shares of GNF 25,000 each	100.0%	Bauxite mining
Friguia	Guinea	9 February 1957	388 649 shares of GNF 1,987,831, 98 each	100.0%	Alumina
OJSC RUSAL Achinsk	Russian Federation	20 April 1994	4,188,531 shares of RUB 1 each	100.0%	Alumina
RUSAL Mykolaev Ltd	Ukraine	16 September 2004	1,332,226 shares of UAH 720 each	100.0%	Alumina
OJSC RUSAL Boxitogorsk Alumina	Russian Federation	27 October 1992	1,012,350 shares of RUB 1 each	100.0%	Alumina
Euralumina SpA	Italy	21 March 2002	10,000,000 shares of Euro 1.55 each	100.0%	Alumina
OJSC RUSAL Bratsk	Russian Federation	26 November 1992	5,505,305 shares of RUB 0.2 each	100.0%	Smelting
OJSC RUSAL Krasnoyarsk	Russian Federation	16 November 1992	85,478,536 shares of RUB 20 each	100.0%	Smelting
OJSC RUSAL Novokuznetsk	Russian Federation	26 June 1996	53,997,170 shares of RUB 0.1 each	100.0%	Smelting
OJSC RUSAL Sayanogorsk	Russian Federation	29 July 1999	59,902,661,099 shares of RUB 0.068 each	100.0%	Smelting
Khakas Aluminium Smelter Ltd	Russian Federation	23 July 2003	charter fund of RUB10,077,594,515.7	100.0%	Smelting
RUSAL Resal Ltd	Russian Federation	15 November 1994	charter fund of RUB27,951,217.29	100.0%	Processing
OJSC RUSAL SAYANAL	Russian Federation	29 December 2001	59,902,661,099 shares of RUB 0.006 each	100.0%	Foil
CJSC RUSAL ARMENAL	Armenia	17 May 2000	3,140,700 shares of AMD 1,000 each	100.0%	Foil
RUS-Engineering Ltd	Russian Federation	18 August 2005	charter fund of RUB2,026,200,136.37	100.0%	Repairs and maintenance
OJSC Russian Aluminium	Russian Federation	25 December 2000	23,124,000,000 shares of RUB 1 each	100.0%	Holding company
Rusal Global Management B.V.	Russian Federation	8 March 2001	charter fund of RUB50,000	100.0%	Management company
OJSC United Company RUSAL Trading House	Russian Federation	15 March 2000	163,660 shares of RUB 100 each	100.0%	Trading
Rusal America Corp.	USA	29 March 1999	1,000 shares of USD 0.01 each	100.0%	Trading
RS International GmbH	Switzerland	22 May 2007	1 share with nominal value of CHF 20,000	100.0%	Trading
Rusal Marketing GmbH	Switzerland	22 May 2007	Capital quota of CHF2,000,000	100.0%	Trading
RTI Limited	Jersey	27 October 2006	2 shares of USD 1 each	100.0%	Trading
Alumina & Bauxite Company Limited	British Virgin Islands	3 March 2004	50,000 shares of USD 1 each	100.0%	Trading
CJSC Komi Alumini	Russian Federation	13 February 2003	1,703,000,000 shares of RUB 1 each	100.0%	Alumina
OJSC Bauxite-Timana	Russian Federation	29 December 1992	44,500,000 shares of RUB 10 each	80.0%	Bauxite mining
OJSC Severo-Uralsky Bauxite Mine	Russian Federation	24 October 1996	2,386,254 shares of RUB 275.85 each	100.0%	Bauxite mining
OJSC SUAL	Russian Federation	26 September 1996	2,542,941,932 shares of RUB 1 each	100.0%	Primary aluminum and alumina production
OJSC Zaporozhye Aluminum Combine ("ZALK")	Ukraine	30 September 1994	622,729,120 shares of RUB 0.25 each	98.0%	Primary aluminum and alumina production
SUAL-PM LLC	Russian Federation	20 October 1998	charter fund of RUB56,300,959	100.0%	Aluminum powders production
CJSC Kremniy	Russian Federation	3 August 1998	320,644 shares of RUB 1,000 each	100.0%	Silicon production
SUAL-Kremniy-Ural LLC	Russian Federation	1 March 1999	charter fund of RUB 8,763,098	100.0%	Silicon production
UC RUSAL Alumina Jamaica Limited ^(a)	Jamaica	26 April 2001	1,000,000 shares of USD 1 each	100.0%	Alumina
UC RUSAL Alumina Jamaica II Limited ^(b)	Jamaica	16 May 2004	200 shares of USD 1 each	100.0%	Alumina
Kubikenborg Aluminium AB	Sweden	26 January 1934	25,000 shares of SEK 1,000 each	100.0%	Smelting
Aughinish Alumina Ltd	Ireland	22 September 1977	1,000 shares of Euro 2 each	100.0%	Alumina

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Trading entities are engaged in the sale of products to and from the production entities.

(a) owns a 93% interest in the Winalco jointly owned mine and refinery.

(b) owned a 65% interest in the Alpart jointly owned mine and refinery as at 1 January 2011.

On 16 September 2011 UC RUSAL entered into a share purchase agreement with Norway's Norsk Hydro ASA to acquire the remaining 35% stake in the Alumina Partners of Jamaica ("Alpart") for cash consideration of USD46 million and the company became a wholly-controlled operation thereafter.

35 Immediate and ultimate controlling party

At 31 December 2012 and 2011, the directors consider the immediate parent of the Group to be En+, which is incorporated in Jersey with its registered office at Ogier House, The Esplanade, St. Helier, Jersey, JE4 9WG, Channel Islands. En+ is controlled by Fidelitas Investments Limited (a company incorporated in the British Virgin Islands) through its wholly-owned subsidiary. Mr. Oleg V. Deripaska is the founder, the trustee and a principal beneficiary of a discretionary trust, which controls Fidelitas Investments Limited. None of these entities produce financial statements available for public use.

36 Events subsequent to the reporting date

In January 2013 the Group obtained a USD400 million multicurrency credit facility for a term of 5 years, and in February 2013 drew down USD328 million of the facility. The drawn down funds together with USD78 million of the Group's own funds were used for early repayment of principal amounts originally scheduled for the third and fourth quarters of 2013 under the USD4.75 billion syndicated facility.

In January 2013, the Company received a writ of summons and statement of claim filed in the High Court of Justice of the Federal Capital Territory of Nigeria (Abuja) by plaintiff BFIG Group Divino Corporation ("BFIG") against certain subsidiaries of the Company. It is a claim for damages arising out of the defendants' alleged tortious interference in the bid process for the sale of the Nigerian government's majority stake in the Aluminium Smelter Company of Nigeria ("ALSCON") and alleged loss of BFIG's earnings resulting from its failed bid for the said stake in ALSCON. BFIG seeks compensatory damages in the amount of USD2.8 billion. Based on a preliminary assessment of the claim, the Company does not expect the case to have any material adverse effect on the Group's financial position or its operation as a whole.

In February 2013 the Group made a principal repayment of RUB2 billion against its VTB loan utilising the its own funds.

37 Accounting estimates and judgements

The Group has identified the following critical accounting policies under which significant judgements, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Property, plant and equipment – recoverable amount

In accordance with the Group's accounting policies, each asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs

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to sell and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties and is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal.

Value in use is also generally determined as the present value of the estimated future cash flows, but only those expected to arise from the continued use of the asset in its present form and its eventual disposal. Present values are determined using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset. Future cash flow estimates are based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves (refer to 'Bauxite reserve estimates' below), operating costs, restoration and rehabilitation costs and future capital expenditure. This policy requires management to make these estimates and assumptions which are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged against the statement of income.

Inventories – net realisable value

The Group recognises write-downs of inventories based on an assessment of the net realisable value of the inventories. A write-down is applied to the inventories where events or changes in circumstances indicate that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact the carrying value of the inventories and the write-down of inventories charged to the statement of income in the periods in which such estimate has been changed.

Goodwill – recoverable amount

In accordance with the Group's accounting policies, goodwill is allocated to the Group's Aluminium segment as it represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is tested for impairment annually by preparing a formal estimate of the recoverable amount. The recoverable amount is estimated as the value in use of the Aluminium segment.

Similar considerations to those described above in respect of assessing the recoverable amount of property, plant and equipment apply to goodwill.

Investments in associates and jointly controlled entities – recoverable amount

In accordance with the Group's accounting policies, each investment in an associate or jointly controlled entity is evaluated every reporting period to determine whether there are any indications of impairment after application of the equity method of accounting. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds the recoverable amount. For impairment purposes, an investment in an associate is treated as a single unit of account. The recoverable amount of an investment in an associate or jointly controlled entity is measured at the higher of fair value less costs to sell and value in use.

Similar considerations to those described above in respect of assessing the recoverable amount of property, plant and equipment apply to investments in associates or jointly controlled entities. In addition to the considerations described above the Group may also assess the estimated future cash flows expected to arise from dividends to be received from the investment, if such information is available and considered reliable.

Legal proceedings

In the normal course of business the Group may be involved in legal proceedings. Where management

Notes To The Consolidated Financial Statements

For the year ended 31 December 2012

considers that it is more likely than not that proceedings will result in the Group compensating third parties a provision is recognised for the best estimate of the amount expected to be paid. Where management considers that it is more likely than not that proceedings will not result in the Group compensating third parties or where, in rare circumstances, it is not considered possible to provide a sufficiently reliable estimate of the amount expected to be paid, no provision is made for any potential liability under the litigation but the circumstances and uncertainties involved are disclosed as contingent liabilities. The assessment of the likely outcome of legal proceedings and the amount of any potential liability involves significant judgement. As law and regulations in many of the countries in which the Group operates are continuing to evolve, particularly in the areas of taxation, sub-soil rights and protection of the environment, uncertainties regarding litigation and regulation are greater than those typically found in countries with more developed legal and regulatory frameworks.

Provision for restoration and rehabilitation

The Group's accounting policies require the recognition of provisions for the restoration and rehabilitation of each site when a legal or constructive obligation exists to dismantle the assets and restore the site. The provision recognised represents management's best estimate of the present value of the future costs required. Significant estimates and assumptions are made in determining the amount of restoration and rehabilitation provisions. Those estimates and assumptions deal with uncertainties such as: changes to the relevant legal and regulatory framework; the magnitude of possible contamination and the timing, extent and costs of required restoration and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the statement of financial position by adjusting both the restoration and rehabilitation asset and provision. Such changes give rise to a change in future depreciation and interest charges. For closed sites, changes to estimated costs are recognised immediately in the statement of income.

Taxation

The Group's accounting policy for taxation requires management's judgement in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the statement of financial position. Deferred tax assets, including those arising from carried forward tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and is not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, restoration and rehabilitation costs, capital expenditure, dividends and other capital management transactions. Assumptions are also required about the application of income tax legislation. These estimates and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of income.

The Group generally provides for current tax based on positions taken (or expected to be taken) in its tax returns. Where it is more likely than not that upon examination by the tax authorities of the positions taken by the Group additional tax will be payable, the Group provides for its best estimate of the amount

Notes To The Consolidated Financial Statements

For the year ended 31 December 2012

expected to be paid (including any interest and/or penalties) as part of the tax charge.

Bauxite reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

The Group determines ore reserves under the Australasian Code for Reporting of Mineral Resources and Ore Reserves September 1999, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Since economic assumptions used to estimate reserves change from period to period, and since additional geological data is generated during the course of operations, estimates of reserves may change from period to period.

Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows.
- Depletion charged in the statement of income may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

Exploration and evaluation expenditure

The Group's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the statement of income.

Development expenditure

Development activities commence after project sanctioning by the appropriate level of management. Judgement is applied by management in determining when a project has reached a stage at which economically recoverable reserves exist such that development may be sanctioned. In exercising this judgement, management is required to make certain estimates and assumptions similar to those described above for capitalised exploration and evaluation expenditure. Any such estimates and assumptions may change as new information becomes available. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the appropriate amount will be written off to the statement of income.

Defined benefit pension and other post retirement schemes

For defined benefit pension schemes, the cost of benefits charged to the statement of income includes current and past service costs, interest costs on defined benefit obligations and the effect of any

Notes To The Consolidated Financial Statements

For the year ended 31 December 2012

curtailments or settlements, net of expected returns on plan assets. An asset or liability is consequently recognised in the statement of financial position based on the present value of defined obligations, less any unrecognised past service costs and the fair value of plan assets.

The accounting policy requires management to make judgements as to the nature of benefits provided by each scheme and thereby determine the classification of each scheme. For defined benefit pension schemes, management is required to make annual estimates and assumptions about future returns on classes of scheme assets, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, exchange rates, life expectancy and expected remaining periods of service of employees. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. Where actual experience differs to these estimates, actuarial gains and losses are recognised directly in the statement of comprehensive income.

Fair values of identifiable net assets of acquired companies

The Group's policy is to engage an independent appraiser to assist in determining fair values of identifiable net assets of acquired companies for all significant business combinations.

A variety of valuation techniques is applied to appraise the acquired net assets depending on the nature of the assets acquired and available market information. The details of methods used and assumptions made to determine fair values of property, plant and equipment are disclosed in note 15, intangible assets – in note 16 and provisions – in note 27. Other assets and liabilities acquired including provisions are evaluated in accordance with the Group's applicable accounting policies disclosed in note 3.

38 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year

The IASB has issued the following amendments, new standards and interpretations which are not yet effective in respect of the financial years included in these consolidated financial statements, and which have not been adopted in these consolidated financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application but is not yet in a position to state whether these amendments, new standards and interpretations would have a significant impact on the Group's results of operations and financial position.

Notes To The Consolidated Financial Statements

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	Effective for accounting periods beginning on or after
<i>Amendments to IFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
<i>IFRS 12, Disclosure of Interest in Other Entities</i>	1 January 2013
<i>IFRS 10, Consolidated financial statements</i>	1 January 2013
<i>IFRS 11, Joint arrangements</i>	1 January 2013
<i>Investment Entities (Amendments to IFRS 11, IFRS 12 and IAS 27)</i>	1 January 2014
<i>IFRS 13, Fair value measurement</i>	1 January 2013
<i>IAS 27, Separate financial statements (2011)</i>	1 January 2013
<i>IAS 28, Investments in associates and joint ventures (2011)</i>	1 January 2013
<i>IFRIC 20, Stripping costs in the production phase of surface mine</i>	1 January 2013
<i>IAS 19, Employee benefits(2011)</i>	1 July 2013
<i>IFRS 9, Financial instruments</i>	1 January 2015
<i>Amendments to IAS 32 Financial Instruments: Presentation – offsetting Financial Assets and Financial Liabilities</i>	1 January 2014

UC RUSAL OWNS PROPRIETARY SMELTING TECHNOLOGIES (RA-300, RA-400 AND RA-500) AND IS DEVELOPING NEW ONES, INCLUDING A REVOLUTIONARY INERT ANODE TECHNOLOGY

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Statement of responsibility for this Annual Report

I, Oleg Deripaska, declare, to the best of my knowledge, that the financial statements contained in this Annual Report have been prepared in accordance with applicable accounting principles and give a true and fair view of the business, results of operations and financial condition of the Company and the other entities to which the financial statements apply, and that the management report (comprising the Business Overview, Management Discussion and Analysis, Directors' Report and Corporate Governance Report sections) of this Annual Report presents a fair review of developments in the business, results of operations and financial conditions of the Company and the other entities to which the financial statements apply, as well as a description of the main risks and uncertainties that they are facing.

OLEG DERIPASKA

CHIEF EXECUTIVE OFFICER

30 April 2013

Forward Looking Statements

This Annual Report contains certain statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations, or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and include, but are not limited to, statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's business, results of operations, financial position, liquidity, prospects, growth, strategies and the bauxite, alumina and aluminium industries.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and of the actual results of the Group's operations, financial position and liquidity, and the development of the markets and the industries in which the Group operates may differ materially from the development of those same industries as described in, or suggested by, the forward-looking statements contained in this Annual Report. In addition, even if the Group's results of operations, financial position and liquidity, and the development of the markets and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Annual Report, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- materially adverse changes in economic or industry conditions generally or in the markets served by the Group;
- changes in the supply and demand for and the price of aluminium, alumina, aluminium products and other products;
- fluctuations in inflation, interest rates and exchange rates;
- the Group's ability to comply with the terms of its credit facility agreements;
- changes in the costs of the materials required for the Group's production of aluminium;
- changes in the Group's operating costs, including the costs of energy and transportation;
- changes in the Group's capital expenditure requirements, including those relating to the Group's potential environmental liabilities or the ability of the Group to fund its capital expenditure requirements through borrowing or otherwise;
- the Group's ability to successfully implement any of its business strategies;
- the Group's ability to obtain or extend the terms of the licences necessary for the operation of the Group's business;
- developments in, or changes to, laws, regulations, governmental policies, taxation or accounting standards or practices affecting the Group's operations;
- the Group's ability to recover its reserves or develop new resources and reserves;
- the Group's success in accurately identifying future risks to its business and managing the risks of the aforementioned factors; and
- other factors discussed in the consolidated financial statements and other sections of the Annual Report.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Annual Report reflect the Group management's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's business, results of operations, financial position, liquidity, prospects, growth, strategies and the bauxite, alumina and aluminium industries. Investors should specifically consider the factors identified in this Annual Report, which could cause actual results to differ, before making any investment decision. Subject to the requirements of the Listing Rules and except as may be required by applicable law, the Company undertakes no obligation to revise any forward-looking statements that appear in this Annual Report to reflect any change in the Company's expectations, or any events or circumstances, that may occur or arise after the date of this Annual Report.

All forward-looking statements in this Annual Report are qualified by reference to this cautionary statement.

Glossary

"**1C:Enterprise**" means a comprehensive suite which includes Accounting, Contact Management, Inventory Management, Document Management, Web Client, and more.

"**Achinsk Alumina Refinery**", "**AGK**" or "**OJSC RUSAL Achinsk**" means OJSC RUSAL Achinsk, a company incorporated under the laws of the Russian Federation, which is a wholly-owned subsidiary of the Company.

"**Adjusted EBITDA**" for any period means the results from operating activities adjusted for amortisation and depreciation, impairment charges and loss on disposal of property, plant and equipment.

"**Adjusted Net Profit**" for any period is defined as the net profit adjusted for the net effect from share in the results of Norilsk Nickel, the net effect of embedded derivative financial instruments, the difference between effective and nominal interest rate charge on restructured debt and net effect of non-current assets impairment.

"**Agreed Subsidiaries**" means an agreed list of subsidiaries of the Company, as defined in the Shareholders' Agreement between Major Shareholders only.

"**Alpart**" means Alumina Partners of Jamaica, in which the Company indirectly holds a 65% interest.

"**ALSCON**" means Aluminium Smelter Company of Nigeria, a company incorporated in Nigeria and in which the Company indirectly holds a 85% interest.

"**Aluminium Division East**" means the Company's division comprising all smelters located in Siberia, Russia.

"**Aluminium Division West**" means the Company's division comprising all smelters located in the European part of Russia, the Urals and Sweden.

"**Aluminium segment cost per tonne**" means aluminium segment revenue, less aluminium segment results, less amortisation and depreciation, divided by sales volume of aluminium segment.

"**AMF**" means the French Autorité des marchés financiers.

"**Amokenga Holdings**" means Amokenga Holdings Limited, a company incorporated in Bermuda and which is a wholly owned subsidiary of Glencore and a shareholder of the Company.

"**Annual Report**" means this annual report dated 30 April 2013.

"**Articles of Association**" means the articles of association of the Company, conditionally adopted on 24 November 2009, and effective on the Listing Date.

"**Audit Committee**" means the audit committee established by the Board in accordance with the requirements of the CG Code.

"**Aughinish Alumina Refinery**" means Aughinish Alumina Limited, a company incorporated in Ireland, which is a wholly owned subsidiary of the Company.

"**Basic Element**" means Basic Element Limited, a

company incorporated in Jersey, of which Mr. Oleg Deripaska is the ultimate beneficial owner.

"**BEMO**" means the companies comprising the Boguchanskoye Energy and Metals Complex.

"**BEMO HPP**" means the Boguchanskaya hydro power plant.

"**BEMO Project**" means the Boguchanskoye Energy & Metals project involving the construction of the BEMO HPP and the Boguchansky aluminium smelter as described at pages 14 and 16 of this Annual Report.

"**Board**" means the board of Directors of the Company.

"**Bogoslovsk aluminium smelter**", "**Bogoslovsk Alumina Refinery**" or "**BAZ**" means Bogoslovsk aluminium smelter, a branch of OJSC SUAL.

"**Boguchansky aluminium smelter**" or "**BEMO aluminium smelter**" means the aluminium smelter project involving the construction of a 588 thousand tpa greenfield aluminium smelter on a 230 hectare site, located approximately 8 km to the south-east of the settlement of Tayozhny in the Krasnoyarsk region, and approximately 160 km (212 km by road) from the BEMO HPP, as described at pages 14 and 16 of this Annual Report.

"**Bratsk aluminium smelter**" or "**BrAZ**" means OJSC RUSAL Bratsk, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Company.

"**Boksitogovsk Alumina Refinery**" or "**BGZ**" means OJSC RUSAL Boksitogovsk, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Group.

"**CEAC**" means the Central European Aluminium Company.

"**CG Code**" means the Code setting out the principles of good corporate governance practices as set out in Appendix 14 to the Listing Rules (as amended from time to time).

"**Century Aluminium Company**" means Century Aluminium Company, a company incorporated under the laws of Delaware and the common stock of which is traded on the NASDAQ, in which Glencore AG has a 46.4% interest.

"**CEO**" or "**Chief Executive Officer**" means the chief executive officer of the Company.

"**Chairman**" or "**Chairman of the Board**" means the chairman of the Board.

"**CIS**" means the Commonwealth of Independent States.

"**CJSC Kremniy**" means CJSC Kremniy, a company incorporated under the laws of the Russian Federation and an indirect non wholly-owned subsidiary of the Company.

"**Code for Securities Transactions**" means the Code for Securities Transactions by Directors of the Company adopted by the Board on 9 April 2010 and based on

Glossary

Appendix 10 to the Listing Rules.

"**Columbia Falls aluminium smelter**" means the Columbia Falls Aluminium Smelter which is owned and operated by Columbia Falls Aluminium Company LLC, a company incorporated under the laws of Delaware, the sole member of which is Glencore USA LLC, a wholly-owned subsidiary of Glencore AG.

"**Company**" or "**UC RUSAL**" means United Company RUSAL Plc.

"**Connected transaction(s)**" has the meaning ascribed to such expression in the Listing Rules.

"**Controlling Shareholder**" has the meaning ascribed to such expression in the Listing Rules.

"**Corporate Governance and Nomination Committee**" means the corporate governance and nomination committee established by the Board in accordance with the requirements of the CG Code.

"**Covenant EBITDA**" has the meaning given to it in the PXF Facility Agreement.

"**Directors**" means the directors of the Company.

"**DOZAKL**" means Open Joint Stock Company "Dmitrov Aluminium Rolling Mill", a company incorporated under the laws of the Russian Federation.

"**EBITDA**" means earnings before interest, taxes, depreciation, and amortisation.

"**ECD**" means the Engineering and Construction Division of the Company.

"**En+**" means En+ Group Limited, a company incorporated in Jersey and which is a shareholder of the Company.

"**Energoprom Menegement**" means Joint-stock company «ENERGOPROM MANAGEMENT» (closed type), a company incorporated under the laws of the Russian Federation.

"**EPCM**" means Engineering, Procurement, Construction and Management.

"**EUR**" means Euros, the lawful currency of the relevant member states of the European Union that have adopted the Euro as their currency.

"**Euronext Paris**" means the Professional Segment of NYSE Euronext Paris.

"**Eurallumina**" means the alumina refinery located in Portoscuso, on the southwest coast of Sardinia, Italy. During the year ended 31 December 2006, the Group entered into an agreement with Rio Tinto Aluminium Ltd and acquired a 56.2% interest in Eurallumina, the remaining 43.8% interest in Eurallumina was owned by Glencore and was acquired by the Group as part of the acquisition of SUAL and Glencore Businesses during the year ended 31 December 2007.

"**Ewarton plant**" or "**Ewarton Works**" means the alumina refinery in Jamaica owned by Windalco.

"**financial year**" means the financial year ended 31 December 2012.

"**Friguia**" means Friguia SA, a company incorporated in Guinea, which is a wholly owned subsidiary of the Company.

"**Friguia Alumina Refinery**" means Friguia S.A., a company incorporated in Guinea, which is a wholly owned subsidiary of the Company.

"**Gazprombank**" means OJSC Gazprombank.

"**GBP**" means Pounds Sterling, the lawful currency of the United Kingdom.

"**Glencore**" means Glencore International Plc, a public company incorporated in Switzerland and listed on the London Stock Exchange, with a secondary listing on the Hong Kong Stock Exchange, which is an indirect shareholder of the Company.

"**Glencore Businesses**" means the alumina and aluminium businesses of Glencore.

"**Glencore Call Option**" means a deed dated 25 July 2008 between En+, SUAL Partners and Glencore whereby Glencore granted En+ and SUAL Partners an option to acquire certain Shares held by Glencore.

"**Global Depositary Shares**" or "**GDS**" means global depositary shares evidenced by global depositary receipts, each of which represents 20 Shares.

"**Global Offering**" means the offering by the Company of new Shares for subscription or purchase to certain eligible investors in Hong Kong and other jurisdictions at an offer price of HK\$10.80 per Share, which was completed on the Listing Date.

"**Group**" or "**UC RUSAL Group**" means UC RUSAL and its subsidiaries from time to time, including a number of production, trading and other entities controlled by the Company directly or through its wholly owned subsidiaries.

"**Grundartangi aluminium smelter**" means the Grundartangi Aluminium Smelter, which is owned and operated by Nordural Grundartangi ehf, a company incorporated in Iceland, which is a wholly-owned subsidiary of Century Aluminium Company, an entity in which Glencore AG holds a 46.4% interest.

"**Hawesville aluminium smelter**" means the Hawesville Aluminium Smelter, which is owned and operated by Century Kentucky, Inc., a company incorporated under the laws of Delaware, which is a wholly-owned subsidiary of Century Aluminium Company, an entity in which Glencore AG holds a 46.4% interest.

"**HK\$**" means Hong Kong dollars, the lawful currency of Hong Kong.

"**Hong Kong Companies Ordinance**" means the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time).

"**Hong Kong Stock Exchange**" means the Main Board of The Stock Exchange of Hong Kong Limited.

"**IAl**" means the International Aluminium Institute.

"**IAS**" means the International Accounting Standards.

"**IASB**" means the International Accounting Standards Board.

"**IFRS**" means the International Financial Reporting Standards.

"**Indicated Mineral Resource**" or "**Indicated**" means

Glossary

the part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

"Inferred Mineral Resource" or **"Inferred"** means a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

"International Override Agreement" means the international override agreement entered into by the Company and certain members of the Group on 7 December 2009 with certain international banks.

"Irkutsk aluminium smelter" or **"IrkAZ"** means Irkutsk Aluminium Smelter, a branch of OJSC SUAL.

"IPO" means the initial public offering of UC RUSAL on the Hong Kong Stock Exchange and Euronext Paris.

"Jersey Companies Law" means the Companies (Jersey) Law 1991, as amended.

"JORC" means Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists & the Minerals Council of Australia.

"kA" means kilo-amperes.

"Kandalaksha aluminium smelter" or **"KAZ"** means Kandalaksha Aluminium Smelter, a branch of OJSC SUAL.

"KAP" means Kombinat Aluminijuma Podgorica (Aluminium Plant Podgorica).

"KEP-1" & **"KEP-2"** mean a type of calcined coke.

"Khakas aluminium smelter" or **"KhAZ"** means Khakas Aluminium Smelter Limited, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Company.

"Koppers" means Koppers Australia Pty Limited, a 100% subsidiary of Koppers Inc. (KI) of Pittsburgh, PA, USA. The company is involved in the manufacture and distribution of coal tar chemicals, carbon black, preserved timber and timber preservation chemicals.

"KPIs" means key performance indicators.

"KraMZ" means Krasnoyarsk Metallurgical Plant, a company incorporated in the Russian Federation.

"KraMZ-Auto" means KraMZ-Auto LLC, a company incorporated in the Russian Federation.

"Krasnoyarsk aluminium smelter" or **"KrAZ"** means OJSC RUSAL Krasnoyarsk, a company incorporated under the laws of the Russian Federation, which is a wholly

owned subsidiary of the Company.

"kt" means kilotonnes.

"Kubikemborg aluminium smelter" or **"KUBAL"** means Kubikemborg Aluminium AB, a company incorporated in Sweden, which is a wholly owned subsidiary of the Company.

"kWh" means kilowatt hour.

"Latest Practicable Date" means 23 April 2013, being the latest practicable date prior to the printing of this Annual Report for ascertaining certain information in this Annual Report.

"LIBOR" means in relation to any loan:

- (a) the applicable screen rate (being the British Bankers' Association Interest Settlement Rate for dollars for the relevant period, displayed on the appropriate page of the Reuters screen); or
- (b) (if no screen rate is available for dollars for the interest period of a particular loan) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the agent at its request quoted by the reference banks to leading banks in the London interbank market, as of the specified time (11:00 a.m. in most cases) on the quotation day (generally two business days before the first day of that period unless market practice differs in the Relevant Interbank Market, in which case the quotation day will be determined by the agent in accordance with market practice in the Relevant Interbank Market) for the offering of deposits in dollars and for a period comparable to the interest period for that loan.

"Listing" means the listing of the Shares on the Hong Kong Stock Exchange.

"Listing Date" means the date on which the Shares were listed on the Hong Kong Stock Exchange, being 27 January 2010.

"Listing Rules" means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time).

"LLC GAZ" means LLC Torgovo-Zakupochnaya Kompaniya GAZ, being a member of the group of companies which also include "GAZ Group Autocomponents" LLC, J-S.C. AVTODIZEL (YaMZ) and others, collectively, the "GAZ Group", of which OJSC "GAZ" being the holding company, is controlled by Mr. Deripaska as to more than 30%.

"LLP Bogatyr Komir" means the joint venture described at page 16 of this Annual Report.

"LLP Bogatyr Trans" means a company incorporated in Kazakhstan and described at page 35 of this Annual Report.

"LME" means the London Metal Exchange.

"LTIFR" means the Lost Time Injury Frequency Rate which was calculated by the Group as a sum of fatalities and lost time injuries per 200,000 man-hours.

"LTIP" means the Company's Long-Term Incentive

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Plan, adopted on 11 May 2011.

"**LTIP Rules**" means the LTIP implementation rules adopted on 11 May 2011, or as amended from time to time in accordance with their provisions.

"**Major Shareholders**" means En+, SUAL Partners, Glencore and Onexim.

"**Major Shareholders' Shares**" means the Shares held by the Major Shareholders and their respective wholly owned subsidiaries.

"**Management Company**" means a subsidiary of the Group retained for accounting, general management, administration and secretarial functions.

"**Market Council**" means the non-commercial organisation formed as a result of a non-commercial partnership, which is intended to unite energy market participants and major consumers of electrical energy through membership of that body. The council is intended to ensure the proper functioning of commercial market infrastructure and effective exchanges between the wholesale and retail electrical energy markets. Additionally, it is intended to promote investment in the electrical energy industry by creating a healthy market and even playing field for participants of both the wholesale and retail electrical energy markets, when drafting new rules and regulations concerning the electrical energy industry, and facilitate self-regulation of the wholesale and retail trade in electrical energy, power and other products and services which is permissible in the wholesale and retail electrical energy markets. The council's aim is to ensure the security of energy supply in the Russian Federation, unity within the economic space, economic freedom and competition in the wholesale and retail electrical energy markets, by striking a balance between the interests of suppliers and buyers and the needs of society in general in terms of having a reliable and stable source of electrical energy.

"**Measured Mineral Resource**" or "**Measured**" means a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

"**Memorandum**" means the memorandum of association of the Company conditionally adopted on 26 December 2009, and effective on the Listing Date.

"**MICEX**" means the MICEX Stock Exchange.

"**Mineral Resource**" means a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity,

grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

"**Model Code**" means the Model Code for securities transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

"**MoU**" means memorandum of understanding

"**mt**" means million tonnes.

"**Mt. Holly aluminium smelter**" means the Mt. Holly Aluminium Smelter in which, pursuant to its ownership structure, Century Aluminium Company, an entity in which Glencore AG holds a 46.4% interest, holds a 49.67% interest through its wholly owned subsidiary Berkeley Aluminum, Inc.

"**Natixis**" means the investment bank listed on the Paris stock exchange, and a party to the International Override Agreement.

"**Net Debt**" is calculated as Total Debt less cash and cash equivalents as at 31 December 2012.

"**Nadvoitsy aluminium smelter**" or "**NAZ**" means Nadvoitsy Aluminium Smelter, a branch of OJSC SUAL.

"**Nikolaev Alumina Refinery**" or "**NGZ**" means Nikolaev Alumina Refinery Company Limited, a company incorporated under the laws of the Ukraine, which is a wholly owned subsidiary of the Company.

"**Noriisk Nickel**" means OJSC MMC NORILSK NICKEL, a company incorporated under the laws of the Russian Federation.

"**Novokuznetsk aluminium smelter**" or "**NkAZ**" means OJSC RUSAL Novokuznetsk, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Company.

"**OHSAS 18001**" means Occupational Health and Safety Specification (OHSAS) 18001.

"**OJSC KUMZ**" means Kamensk-Uralsky Metallurgical Works Joint-Stock Company, a company owned by certain shareholders of SUAL Partners.

"**OJSC SUAL**" means OJSC "Siberian-Urals Aluminium Company", a company incorporated under the laws of the Russian Federation.

"**Onexim**" means Onexim Holdings Limited, a company incorporated in Cyprus and which is a shareholder of the Company.

"**Ore Reserves**" means the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

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Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.

"Probable Ore Reserve" means the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

"Production System" means the system developed and implemented at all of the Company's production facilities by the Company's Production Development Directorate business unit, for the purposes of introducing best practices to increase efficiency and the standardising of production processes.

"Proved Ore Reserve" means the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

"Prospectus" means the Company's prospectus for the Listing dated 31 December 2009. The Prospectus is available on the Company's website under the link <http://www.rusal.ru/upload/uf/573/PROSPECTUS.pdf>.

"PXF Facility Agreement" means the up to USD4,750 million aluminium pre-export finance term facility agreement dated 29 September 2011 between, among others, the Company, as the borrower, and BNP Paribas (Swiss) SA, as the facility agent.

"QAL" means Queensland Alumina Limited, a company incorporated in Queensland, Australia, in which the Company indirectly holds a 20% equity interest.

"RA" means OJSC Russian Aluminium.

"Ravenswood aluminium smelter" means the Ravenswood Aluminium Smelter, which is owned and operated by Century Aluminium of West Virginia, Inc., which is a wholly owned subsidiary of Century Aluminium Company, an entity in which Glencore AG holds a 46.4% interest.

"RDR" means Russian Depository Receipts.

"Regulations" means the decree of the Government of the Russian Federation No. 89 dated 24 February 2010 "On Some Issues related to the Organisation of Long Term Consumption of Electric Power on a Competitive Basis in the Wholesale Electricity (Power) Market" as amended in accordance with the direction of the Prime

Minister of the Russian Federation.

"related party" of an entity means a party who is:

- (a) directly, or indirectly through one or more intermediaries, a party which:
 - i. controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - ii. has an interest in the entity that gives it significant influence over the entity; or
 - iii. has joint control over the entity;
- (b) an associate of the entity;
- (c) a joint venture in which the entity is a venturer;
- (d) a member of the key management personnel of the entity or its parent;
- (e) a close member of the family of any individual referred to in (a) or (b) above;
- (f) an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e) above;
- (g) a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

"related party transaction" means a transfer of resources, services or obligations between related parties, regardless of whether the price is charged.

"Recurring Net Profit" for any period means Adjusted Net Profit plus the Company's effective share of Norilsk Nickel's profits, net of tax.

"Relevant Officer" means any employee of the Company or a director or employee of a subsidiary of the Company.

"Relevant Officers Code" means the code for Securities Transactions by Relevant Officers of the Company.

"Remuneration Committee" means the remuneration committee established by the Board in accordance with the requirements of the CG Code.

"Review Period" means the period commencing from 1 January 2012 and ending on 31 December 2012.

"RMC" means Rusal Medical Center

"RSPP" means the Russian Union of Industrialists and Entrepreneurs.

"RTS" means OJSC "Russian Trading System" Stock Exchange.

"RUB" or **"Rouble"** means Roubles, the lawful currency of the Russian Federation.

"RUSAL" means RUSAL Limited, a company incorporated under the laws of Jersey and which is a wholly-owned subsidiary of the Company.

"RUSAL Global" means "RUSAL Global Management B.V.", a company incorporated under the laws of the Netherlands.

"RUSAL RESAL" means RUSAL RESAL Limited Liability Company, an indirect wholly-owned subsidiary of the

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Company.

"**RUS-Engineering**" means RUS-Engineering LLC, an indirect wholly-owned subsidiary of the Company.

"**RusHydro**" means JSC Rushydro (Federal Hydrogenation Company), a company organised under the laws of the Russian Federation, which is an independent third party.

"**R&D**" means research and development or the Research and Development Centres operated by the Company, as the context requires.

"**Samruk-Energo**" means Samruk-Energo, a company incorporated in Kazakhstan, which is an independent third party.

"**Samruk-Kazyna**" means the Kazakhstan state controlled national welfare fund.

"**Sayanogorsk aluminium smelter**" or "**SAZ**" means OJSC RUSAL Sayanogorsk, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Company.

"**Sberbank**" means Sberbank of Russia.

"**SFO**" means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

"**Shanxi Rusal Cathode Co., Ltd**" means Shanxi Rusal Cathode Co., Ltd, a company incorporated in China, which is a wholly owned subsidiary of the Company.

"**Share(s)**" means the ordinary share(s) with nominal value of USD0.01 each in the share capital of the Company.

"**Shareholder(s)**" means the holders of Shares.

"**Shareholders' Agreement between Major Shareholders only**" means the shareholders' agreement dated 22 January 2010 between the Major Shareholders.

"**Shareholders' Agreement with the Company**" means the shareholders' agreement dated 22 January 2010 between the Major Shareholders and the Company.

"**Sherwin Alumina Refinery**" means the Sherwin Alumina Refinery which is owned and operated by Sherwin Alumina Company LLC, the sole member of which is Allied Alumina Inc., a wholly-owned subsidiary of Glencore AG.

"**SHFE**" means the Shanghai Futures Exchange.

"**Skolkovo foundation**" means the principal agency responsible for the Russian Skolkovo Innovation Center, a scientific and technological centre for the development and commercialisation of advanced technologies.

"**Specified Non-current Assets**" means the Group's property, plant and equipment, intangible assets and interests in associates and jointly controlled entities.

"**Standard & Poor's**" means the financial services company which is the division of The McGraw-Hill Companies, Inc. that publishes, amongst other things, financial research and analysis.

"**Standing Committee**" means the standing committee of the Company.

"**STIP**" means the Company's Short-Term Incentive

Program.

"**SUAL**" means SUAL International Limited, a company incorporated in the British Virgin Islands which is a wholly-owned subsidiary of the Company.

"**SUAL-Kremniy-Ural**" means SUAL-Kremniy-Ural LLC, an indirect non wholly-owned subsidiary of the Company.

"**SUAL Partners**" means SUAL Partners Limited, a company incorporated under the laws of the Bahamas, which is a shareholder of the Company.

"**SUBR**" means OJSC Sevuralboksitrusa, a company incorporated in Russia, which is a wholly-owned subsidiary of the Company.

"**Taishet**", "**Taishet aluminium smelter**" or "**TAZ**" means the new aluminium smelter which is an active project currently being implemented around 8 km from the centre of the town of Taishet in the Irkutsk region of the Russian Federation, as described at page 14 of this Annual Report.

"**total attributable alumina output**" is calculated based on pro rata share of the Group's ownership in corresponding alumina refineries.

"**total attributable aluminium output**" is calculated based on pro rata shares of the Group's ownership in corresponding aluminium smelters.

"**total attributable bauxite output**" is calculated based on pro rata shares of the Group's ownership in corresponding bauxite mines and mining complexes, including the total production of Timan and Bauxite Co. De Guyana., notwithstanding that minority interests in these subsidiaries are held by third parties.

"**Total Net Debt**" has the meaning given to it in the PXF Facility Agreement.

"**tpa**" means tonnes per annum.

"**TPS**" means Toyota Production System

"**JSC "TSA"** means Joint-stock company "Trading System Administrator of Wholesale Electricity Market Transactions" a company incorporated under the laws of the Russian Federation.

"**Urals aluminium smelter**", "Urals Alumina Refinery", "UAZ", or "Urals smelter" means Urals Aluminium Smelter, a branch of OJSC SUAL.

"**USD**" or "**US dollar**" means United States dollars, the lawful currency of the United States of America.

"**VAT**" means value added tax.

"**VEB**" means State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)".

"**Volgograd aluminium smelter**" or "**VgAZ**" means Volgograd Aluminium Smelter, a branch of OJSC SUAL.

"**Volkhov aluminium smelter**" or "**VAZ**" means Volkhov Aluminium Smelter, a branch of OJSC SUAL.

"**Wholesale Electricity Market**" means the wholesale market for the sale of electrical energy and power within the confines of the "Russian United Energy System" in the unified economic space of the Russian Federation. Large suppliers and purchasers of electrical

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energy and power participate in this market, as well as other participants which have obtained the status of wholesale market participants and act in accordance with the Wholesale Electricity Market Rules.

"Wholesale Electricity Market Rules" means the regulatory act (passed by the government of the Russian Federation as specified in the law "On the Electric Energy Industry"), which regulates the sale of electrical energy and power in the Wholesale Electricity Market.

"Winalco" means West Indies Alumina Company, a company incorporated in Jamaica, in which the Company indirectly holds a 93% interest.

"Working Capital" means trade and other receivables and inventories less trade and other payables.

"ZALK", "Zaporozhye aluminium smelter" or "Zaporozhye alumina refinery" means OJSC Zaporozhye Aluminium Combine, a company incorporated in the Ukraine, in which the Company indirectly holds a 97.55% interest.

Appendix A - Principal terms of the Shareholders' Agreement with the Company

¹ Pursuant to a deed dated 25 July 2008 between En+, SUAL Partners and Glencore, Glencore granted En+ and SUAL Partners the option (the "Glencore Call Option") to acquire all ordinary shares in the Company held by Glencore on the date of exercise of the Glencore Call Option that were also (i) held by Glencore on 26 March 2007 or (ii) issued to Glencore by the Company after 26 March 2007 but before exercise of the Glencore Call Option (both of which, for the avoidance of doubt, exclude any shares in the Company acquired by Glencore on an arms length basis from anyone other than the Company following an initial public offering or any shares in the Company sold by Glencore to any third party in compliance with the shareholders' agreement then in force in relation to the Company) (the "Glencore Option Securities"). The Glencore Call Option may only be exercised by En+, but following exercise, SUAL Partners have the right to participate in proportion to their holding of Shares at that time vis-a-vis En+. The Glencore Call Option is exercisable until 26 March 2017. The exercise price of the option will be determined by an investment bank as 120% of the higher of (i) market value of Glencore option securities, which is determined by reference to the enterprise value of the Group on the relevant option exercise date or after an initial public offering, the volume weighted average price of an ordinary share over the preceding five trading days; and (ii) a valuation calculated by reference to the cumulative aggregate EBITDA of the Group for the preceding 12 quarters and the discounted enterprise value/EBITDA multiple at which certain of the Group's competitors trade.

The principal terms of the Shareholders' Agreement with the Company are described below. Unless otherwise stated, references to En+, SUAL Partners, Glencore and Onexim are deemed to include reference to other entities controlled by those Major Shareholders (other than any member of the Group).

Right of first refusal – bauxite, alumina, aluminium

The Major Shareholders must offer the Company a right of first refusal in respect of any assets or development opportunities related to the production of bauxite, alumina or aluminium ("Industrial Assets") that they wish to acquire where such Industrial Asset or a group of related Industrial Assets has a value in excess of USD50 million.

The minimum threshold of USD50 million stated above is subject to adjustment with effect from 26 March 2012 up to a maximum of USD1 billion, depending on the LME price of aluminium on the last business day before that date.

Each Major Shareholder must disclose to the Company any opportunity which has come to their (or their associates') respective attentions to acquire Industrial Assets of whatever value.

RIGHT OF FIRST REFUSAL – NICKEL, COPPER, PLATINUM, COBALT, PALLADIUM

Until 25 April 2010, En+ and Onexim were required to offer the Company a right of first refusal in respect of any industrial assets or development opportunities related to the production of nickel, copper, platinum, cobalt or palladium, save for RTB Bor Copper moveable and fixed assets licences in Serbia ("Mining Assets") or any licences for the mining of any such Mining Asset (save for certain agreed existing or prospective licences) ("Geological Licences") that they wish to acquire where such Mining Asset had a value in excess of USD150 million, or such Geological Licence had a value in excess of USD100 million.

Each of En+ and Onexim was required to disclose to the Company any opportunity which has come to their (or their associates') respective attentions to acquire Mining Assets or Geological Licences where the value was reasonably likely to give rise to a right of first refusal.

This right of first refusal only applied to En+ if the aggregate direct and indirect interest of En+ and its ultimate beneficial owner in Shares exceeded 40% of the

total Shares in issue (or such lesser percentage as a result of any dilution on a further Share issue) and only applied to Onexim if the aggregate direct and indirect interest of Onexim and its ultimate beneficial owner in Shares exceeded 5% of the total Shares in issue.

Acquisitions of Norilsk Nickel shares

Onexim was required to undertake not to acquire shares in Norilsk Nickel before 25 April 2010 without the prior consent of the Company.

Each of En+, SUAL Partners and Glencore was required to undertake not to acquire shares in Norilsk Nickel before 25 April 2010 without the prior consent of the Company and Onexim.

Relationship between the Company and the Major Shareholders

Each Major Shareholder must ensure that any contract between it or any of its associates and any member of the Group is entered into on an arms' length commercial basis and on terms that are not unfairly prejudicial to the interests of any Major Shareholder or the Group.

If there is a dispute between a Major Shareholder or any of its associates and the Company, that Shareholder will not, and will procure that any Directors appointed by it will not, do anything to prevent or hinder the Company's handling of the dispute.

The Major Shareholders agree to act in good faith in relation to the Group and in a manner that is not unfairly prejudicial to the interests of the Shareholders generally, and that the Group will be operated in accordance with the corporate governance standards set out in the CG-Code.

Termination for particular Shareholders

The Shareholders' Agreement with the Company shall terminate in respect of the relevant Major Shareholder in the following circumstances:

- Upon completion of the Glencore Call Option¹ or the put option granted by Glencore under the deed described in footnote ¹.
- Upon completion of a put option granted to SUAL Partners by En+ in respect of SUAL Partners' Shares. This option terminated on the Listing Date.
- Upon Onexim ceasing to hold a minimum shareholding

Appendix A – Principal terms of the Shareholders' Agreement with the Company

of 5% of the total Shares in issue, other than as a result of dilution on a further share issue, it shall lose all of its rights and obligations under the Shareholders' Agreement with the Company.

- If Onexim holds less than 5% of the total Shares in issue, but still has any rights under the Shareholders' Agreement with the Company, it shall lose all of its rights and obligations under the Shareholders' Agreement with the Company upon any subsequent disposal by it of Shares or entry into derivative contracts or arrangements in relation to Shares.
- Upon any Major Shareholder ceasing to hold at least 3% of the total Shares in issue, for whatever reason, it shall lose all of its rights and obligations under the Shareholders' Agreement with the Company.
- Subject to certain exceptions, if there is a change of control of Glencore or a third party acquires all or substantially all of Glencore's assets, it shall lose its right of first refusal outlined above.
- If there is a change of control of Onexim or a third party acquires all or substantially all of Onexim's assets, it shall lose all rights and its obligations under the Shareholders' Agreement with the Company.

Appendix B – Principal terms of the Shareholders' Agreement between Major Shareholders

The principal terms of the Shareholders' Agreement between Major Shareholders are described below. Unless otherwise stated, references to En+, SUAL Partners, Glencore and Onexim are deemed to include reference to other entities controlled by those Major Shareholders (other than any member of the Group).

Board of the Company

For as long as En+ holds at least 30% of the Major Shareholders' Shares, the Major Shareholders have agreed to use their respective voting and other rights to procure, so far as they are able, that the Board shall consist of a minimum of 16 and a maximum of 18 Directors and that Directors proposed for nomination or removal under the Articles of Association or otherwise by the shareholders of the Company will be appointed to or removed from the Board to achieve the following:

- For as long as En+ holds at least 40% of the Major Shareholders' Shares, Directors representing at least 50% of the Board shall be directors proposed by En+ (excluding independent Directors), one of whom shall be the Vice Chairman of the Board. For as long as En+ holds at least 30% of the Major Shareholders' Shares, En+ shall have the right to nominate for appointment and removal, the CEO. The appointment of the CEO will be subject to approval by a majority of the Board and the Board will retain the ability to remove the CEO. The number of Directors (other than independent Directors) which En+ is entitled to propose for nomination and removal to the Board shall reduce by one for as long as its shareholding, as a percentage of the Major Shareholders' Shares, is between 35% and 40%, and by two for as long as such percentage is between 30% and 35%. In addition, En+ shall be entitled to propose for nomination and removal two independent Directors for as long as it holds at least 40% of the Major Shareholders' Shares and one independent Director for as long as that percentage remains between 10% and 40%. En+ shall have the right to veto the appointment of any independent Director nominated by SUAL Partners or Onexim on the grounds set out in the Shareholders' Agreement between Major Shareholders only.
- For as long as Glencore holds at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue), Glencore shall have the right to propose for nomination and removal as a Director the chief

executive officer of Glencore and to veto the appointment of any independent Director nominated by En+, SUAL Partners or Onexim on the grounds set out in the Shareholders' Agreement between Major Shareholders only.

- For as long as SUAL Partners holds at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue), SUAL Partners shall have the right to propose for nomination and removal three Directors, one of whom shall be independent, and to veto the appointment of any independent Director nominated by En+ or Onexim on the grounds set out in the Shareholders' Agreement between Major Shareholders only.
- For as long as Onexim holds at least 5% of the total Shares in issue, Onexim shall have the right to propose for nomination and removal one Director and to veto the appointment of any independent Director nominated by En+ or SUAL Partners on the grounds set out in the Shareholders' Agreement between Major Shareholders only. In addition, if Mr. Barry Cheung Chun-yuen resigns as a Director, Onexim shall be entitled to propose for nomination and removal one independent Director.
- For as long as it is required pursuant to the facilities agreement between VEB and the Group, one director shall be proposed by VEB.
- Victor Vekselberg will remain as Chairman for so long as both En+ holds at least 40% of the Major Shareholders' Shares and SUAL Partners holds at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue).
- For as long as En+ holds less than 30% of the Major Shareholders' Shares, the Major Shareholders have agreed to use their respective voting and other rights to procure, so far as they are able, that the Board shall consist of between 15 and 19 directors comprising:
 - four independent Directors, to be nominated in accordance with the rights of proposal of En+, SUAL Partners and Onexim described above (if relevant) and, to the extent required, by the Corporate Governance and Nomination Committee;
 - one director proposed by VEB, if required; and
 - Directors (other than independent Directors) who shall be proposed for nomination and removal by the Major Shareholders in proportion to their respective holdings of Shares from time to time.
- The Major Shareholders have agreed to exercise

Appendix B – Principal terms of the Shareholders' Agreement between Major Shareholders

their respective voting and other rights to procure that, for as long as the Company is able to appoint between two and five Directors to the board of Norilsk Nickel, Onexim is entitled to propose one Director for appointment to that board, and for as long as the Company is able to appoint six or more directors, Onexim is entitled to propose two directors for appointment to that board.

Boards of Subsidiaries

The Major Shareholders have agreed to use their respective voting and other rights to procure, so far as they are able, that the Directors proposed for nomination or dismissal by the shareholders of the Company will be appointed to or removed from the boards of the Agreed Subsidiaries to achieve the following:

- The board of each of RUSAL Global Management B.V. and RUSAL America Corp. shall comprise:
- four directors proposed by En+, for as long as the shareholding of En+ as a percentage of the Major Shareholders' Shares is at least 40%, provided that the number of directors to be proposed by En+ shall be three where such percentage is between 30% and 40%, shall be two where it is between 20% and 30% and shall be one where it is less than 20%; and
- one director proposed by each of Glencore, SUAL Partners and Onexim, for as long as in each case the relevant Major Shareholder holds at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue), in the case of each of Glencore and SUAL Partners, and 5% of the total Shares in issue, in the case of Onexim.
- The board of each other Agreed Subsidiary shall comprise:
- three directors proposed by En+ for as long as the shareholding of En+ as a percentage of the Major Shareholders' Shares is at least 40%, provided that the number of directors to be proposed by En+ shall be two where such percentage is between 20% and 40% and shall be one where it is less than 20%; and
- one director proposed by each of Glencore and SUAL Partners, for as long as in each case the relevant Major Shareholder holds at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue).

Committees of the Board

The Major Shareholders have agreed to procure, so far as they are able, that certain committees of the Board are to be established:

- An audit committee, remuneration committee and corporate governance and nomination committee, each to be established in accordance with the requirements of the CG Code. The audit committee

shall consist of five members, of whom three shall be independent Directors (as approved by the Board), one shall be appointed by En+ and one by Onexim. The remuneration committee shall consist of five members, of whom three shall be independent Directors (as approved by the Board), one shall be appointed by En+ and one by SUAL Partners. The Corporate Governance and Nomination Committee shall consist of five members, of whom three shall be independent Directors (as approved by the Board), one shall be appointed by En+ and one by Glencore. Summaries of the functions of these committees are set out in "Directors and Senior Management – Committees".

- A health, safety and environmental committee, whose composition, functions and terms of reference are to be determined from time to time by the Board.
- A standing committee consisting of five members who may or may not be Directors, one proposed for appointment by each of En+, SUAL Partners, Glencore and Onexim and one independent Director. The standing committee shall have authority to take certain decisions in relation to the Group without further approval of the Board or the shareholders of the Company.

Exercise of voting rights by Onexim

At general meetings of the Company, with respect to certain agreed matters customarily reserved to shareholders, Onexim will undertake to exercise its voting rights in the same manner as En+ exercises its voting rights, provided that in no event shall Onexim be required to vote its holding of Shares: (A) in a manner that would contravene applicable law; (B) in a manner that would be directly and materially adverse to the interests of Onexim in its capacity as a direct or indirect holder of Shares; (C) if Onexim shall have exercised a right of "veto" (as described below) in respect of the relevant matter; or (D) if and for so long as En+ is in material breach of the Shareholders' Agreement between Major Shareholders only or the Shareholders' Agreement with the Company.

Veto rights

- The Major Shareholders have agreed to exercise their voting rights with a view to giving the Major Shareholders effective veto rights as set out below, by procuring that Directors proposed by them for appointment vote against any resolution in respect of which a Major Shareholder has exercised its "veto":
- Each of En+, Glencore, SUAL Partners and Onexim is to be given an effective right of veto in relation to any related party transaction (or amendment to or renewal of an existing related party transaction).

Appendix B – Principal terms of the Shareholders' Agreement between Major Shareholders

- Each of En+, Glencore and SUAL Partners and Onexim is to be given an effective right of veto in respect of any matter proposed to be undertaken by the Company or any of its subsidiaries which would require a special resolution were the Company or the relevant subsidiary incorporated in England and Wales (e.g., alteration of Articles of Association; change of name; re-registration of a private company as a public company; re-registration of an unlimited company as limited; re-registration of a public company as a private company; offer to issue shares or rights to subscribe for shares other than pro rata to existing shareholders by applying statutory pre-emption rights; reduction of share capital; to give, revoke, renew or vary the authority for the Company to purchase (off market) shares in itself; and to redeem or purchase own Shares out of capital).
- The Company does not believe that these veto rights will have any material impact on the operation of the Company.

Matters inconsistent with the Shareholders' Agreement between Major Shareholders only

The Major Shareholders have agreed that they shall use their voting and other rights available to them to procure that no resolutions are passed or actions taken or refrained from being taken by the Company or any other member of the Group to the extent that they would be inconsistent with the terms of the Shareholders' Agreement between Major Shareholders only.

KraMZ/OJSC KUMZ supply agreements and agreements with Glencore

- The Major Shareholders have agreed to use their voting and other rights available to them to procure that all Board and shareholder approvals and resolutions which are required under the Listing Rules in respect of the supply agreement entered into between the Group and OJSC KUMZ, and the supply agreement entered into between the Group and KraMZ group companies, a group of companies owned by Mr. Deripaska are passed in accordance with those laws and rules.
- If the entry into, amendment of or exercise of any rights under any agreements between the Group and Glencore require shareholder approval under the Listing Rules, the Major Shareholders have agreed to use their voting and other rights available to them to procure that such approvals and resolutions are passed in accordance with those laws and rules.

Dividend policy

The Major Shareholders have agreed to procure compliance by the Group with a dividend policy, to the

extent permissible under the terms of the credit facility agreements, under which not less than 50% of the annual consolidated net profits of the Group in each financial year are distributed to Shareholders within four months after the end of the relevant financial year, subject to any applicable legislation.

Encumbrances over Shares

- Until 26 March 2012, and subject to the exception stated below, En+ agreed not to encumber Shares comprising 40% of the Major Shareholders Shares. Notwithstanding the foregoing, En+ would be entitled to encumber Shares equal to a maximum of 17% of the total Shares in issue from time to time in favour of a finance provider as bona fide security for indebtedness of En+ or its subsidiaries.
- Glencore and SUAL Partners have agreed not to encumber any Shares except for (i) pursuant to certain Glencore security agreements; (ii) a pledge as set out below; and (iii) the same proportion of their holding of Shares as the proportion which En+ is entitled to encumber as stated above.
- There will be no restrictions on Onexim encumbering its Shares.

Rights of first refusal – SUAL Partners Shares

- Subject to certain exceptions, if SUAL Partners wishes to sell any of its holding of Shares in an on-market transaction, it must serve notice on En+, offering it a right of first refusal. The price at which En+ will be entitled to acquire the Shares offered by SUAL Partners is the volume weighted average price per Share for the three trading days prior to the date on which the relevant notice is sent by SUAL Partners.
- SUAL Partners will not be obliged to offer En+ a right of first refusal in respect of Shares sold by it to the extent that:
 - the aggregate number of Shares sold in any one trading day by SUAL Partners does not exceed 20% of the daily average trading volume for the 30 trading days immediately preceding that trading day; and
 - the aggregate number of Shares sold within the above limits does not in any period of four months exceed 0.5% of the total Shares in issue at the time of the relevant sale.

Rights of first refusal – Glencore's Shares

Glencore must offer En+ and SUAL Partners a right of first refusal in respect of any proposed sale of Shares by Glencore in an on-market transaction, on substantially the same terms as the right of first

Appendix B - Principal terms of the Shareholders' Agreement between Major Shareholders

refusal to be offered in respect of Shares held by SUAL Partners (as described above), subject to the same carve outs as described above in relation to SUAL Partners.

Onexim tag along rights

Upon any sale of Shares by En+, SUAL Partners or Onexim, such that the aggregate number of Shares sold by those three Major Shareholders in any rolling four month period exceeds 25% of the Shares then in issue, the sale shall not proceed unless the purchaser has also offered, on the same terms, to acquire the Shares then held by Onexim which were received by Onexim as part consideration for the acquisition by the Company of a stake of 25% plus one share in Norilsk Nickel.

Share placing

To the extent that the Company proposes to undertake a bookbuild placing or underwritten offering of Shares of in excess of 1% of the issued share capital of the Company, the Major Shareholders have agreed to use their voting and other rights to procure that the Major Shareholders are also entitled to sell a pro rata proportion of their Shares as part of such placing or offering.

No mandatory offer

The Major Shareholders have agreed not to acquire or dispose of any voting rights which would be exercisable at a general meeting of the Company, if such acquisition or disposal would trigger a mandatory obligation under the Hong Kong Codes on Takeovers and Mergers and Share Repurchases to make an offer for Shares and have undertaken to indemnify each other in the event of a breach of such undertaking.

Licences

For as long as Onexim is a shareholder, En+, SUAL Partners and Glencore have agreed not to, and to use their respective voting and other rights to procure that neither the Company nor any of its subsidiaries will, bid for or acquire, and that the Company will take reasonable steps to procure that Norilsk Nickel will not bid for or acquire, certain specified geological licences relating to nickel, copper, platinum and cobalt without the prior written consent of Onexim.

Termination for particular shareholders

The Shareholders' Agreement between Major Shareholders only shall terminate in respect of the relevant Major Shareholder in the following

circumstances:

- Upon completion of the Glencore Call Option described in footnote 1 above.
- Upon completion of a put option granted to SUAL Partners by En+ in respect of SUAL Partners' Shares. This option terminated on the Listing Date.
- Upon either Glencore or SUAL Partners ceasing to hold at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue) Glencore or SUAL Partners (as the case may be) shall lose their rights to propose Directors for nomination to the Board, and upon such shareholdings falling below 50% of the relevant minimum shareholding stated above they shall lose their respective veto rights as described above.
- Upon En+ ceasing to hold at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue), it shall lose any rights to propose Directors for nomination to the Board, and upon such shareholding falling below 50% of the relevant minimum shareholding stated above, it shall lose its veto rights as described above.
- Upon Onexim ceasing to hold at least 5% of the total Shares in issue, other than as a result of dilution on a further share issue, it shall lose all of its rights and obligations under the Shareholders' Agreement between Major Shareholders only.
- If Onexim holds less than 5% of the total Shares in issue, but still has any rights under the Shareholders' Agreement between Major Shareholders only, it shall lose all of its rights and obligations under the Shareholders' Agreement between Major Shareholders only upon any subsequent disposal by it of Shares or entry into derivative contracts or arrangements in relation to Shares.
- Upon any Major Shareholder ceasing to hold at least 3% of the total Shares in issue, for whatever reason, it shall lose all of its rights and obligations under the Shareholders' Agreement between Major Shareholders only.
- Subject to certain exceptions, if there is a change of control of Glencore or a third party acquires all or substantially all of Glencore's assets, it shall lose its rights to propose Directors for nomination to the Board and the veto rights described above.
- If there is a change of control of Onexim or a third party acquires all or substantially all of Onexim's assets, it shall lose all rights and its obligations under the Shareholders' Agreement between Major Shareholders only.

Corporate Information

UNITED COMPANY RUSAL PLC

(Incorporated under the laws of Jersey with limited liability)

HKEx stock code: 486

Euronext Paris symbols: Rusal/Rual

Moscow Exchange symbols for RDRs: RUALR/RUALRS

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Oleg Deripaska (*Chief Executive Officer*)

Mr. Vladislav Soloviev

Ms. Vera Kurochkina

Mr. Maxim Sokov (*appointed on 16 March 2012*)

Mr. Alexander Livshits

(*resigned with effect from 15 June 2012*)

Mr. Petr Sinshinov

(*resigned with effect from 10 October 2012*)

Ms. Tatiana Soina

(*resigned with effect from 16 March 2012*)

NON-EXECUTIVE DIRECTORS

Mr. Victor Vekselberg

(*resigned as Chairman on 12 March 2012 and resigned as a non-executive Director with effect from 16 March 2012*)

Mr. Maksim Goldman (*appointed on 16 March 2012*)

Mr. Dmitry Afanasiev

Mr. Len Blavatnik

Mr. Anatoly Tikhonov

(*ceased to be a Director with effect from 15 June 2012*)

Mr. Ivan Glasenberg

Mr. Dmitry Razumov

(*resigned with effect from 9 November 2012*)

Mr. Dmitry Troshenkov

(*resigned with effect from 11 May 2012*)

Mr. Artem Volynets

Mr. Dmitry Yudin

(*appointed with effect from 11 May 2012*)

Ms. Gulzhan Moldazhanova

(*appointed with effect from 15 June 2012*)

Mr. Christophe Charlier

(*appointed with effect from 9 November 2012*)

Mr. Vadim Geraskin

(*appointed with effect from 1 October 2012*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Barry Cheung Chun-yuen

Dr. Peter Nigel Kenny

Mr. Philip Lader

Ms. Elsie Leung Oi-sie

Mr. Matthias Warnig

(*appointed as a Director with effect from 15 June 2012 and as the Chairman of the Board with effect from 1 October 2012*)

REGISTERED OFFICE IN JERSEY

Ogier House

The Esplanade

St Helier

Jersey

JE4 9WG

PRINCIPAL PLACE OF BUSINESS

Themistokli Dervi, 12

Palais D'Ivoire House

P.C. 1066

Nicosia

Cyprus

PLACE OF BUSINESS IN HONG KONG

11th Floor

Central Tower

28 Queen's Road Central

Central

Hong Kong

JERSEY COMPANY SECRETARY

Ogier Corporate Services (Jersey) Limited

Ogier House

The Esplanade

St Helier

Jersey

JE4 9WG

HONG KONG COMPANY SECRETARY

Ms. Aby Wong Po Ying

Ogier Services (Asia) Limited

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28 Queen's Road Central

Central

Hong Kong

AUDITORS

ZAO KPMG

Naberezhnaya Tower Complex, Block C

10 Presnenskaya Naberezhnaya

Moscow, 123317

Russia

AUTHORISED REPRESENTATIVES

Mr. Vladislav Soloviev

Ms. Aby Wong Po Ying

Mr. Eugene Choi

Corporate Information

PRINCIPAL SHARE REGISTRAR

Ogier Corporate Services (Jersey) Limited
Ogier House
The Esplanade
St Helier
Jersey
JE4 9WG

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

DEPOSITORY FOR THE GLOBAL DEPOSITORY SHARES LISTED ON EURONEXT PARIS

The Bank of New York Mellon
One Wall Street,
New York, NY 10286

AUDIT COMMITTEE MEMBERS

Dr. Peter Nigel Kenny (*chairman*)
Mr. Philip Lader
Ms. Elsie Leung Oi-sie
Mr. Dmitry Troshenkov
(*resigned with effect from 11 May 2012*)
Mr. Dmitry Yudin
(*appointed with effect from 11 May 2012*)
Mr. Dmitry Razumov
(*resigned with effect from 9 November 2012*)
Mr. Christophe Charlier
(*appointed with effect from 9 November 2012*)

CORPORATE GOVERNANCE AND NOMINATION COMMITTEE MEMBERS

Mr. Philip Lader (*chairman*)
Dr. Peter Nigel Kenny
Mr. Barry Cheung Chun-yuen
Mr. Ivan Glasenberg
Mr. Artem Volynets

REMUNERATION COMMITTEE MEMBERS

Mr. Philip Lader
Dr. Peter Nigel Kenny
Mr. Barry Cheung Chun-yuen (*chairman*)
Mr. Len Blavatnik
Mr. Artem Volynets

PRINCIPAL BANKERS

Sberbank
VTB Bank
BNP Paribas
Gazprombank

CORPORATE BROKERS

Bank of America Merrill Lynch
Credit Suisse

INVESTOR RELATIONS CONTACT

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