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UNITED COMPANY RUSAL PLC

(Incorporated under the laws of Jersey with limited liability)

(Stock Code: 486)

ANNUAL RESULTS ANNOUNCEMENT FOR YEAR ENDED 31 DECEMBER 2010

Key highlights

- Net profit of US$2,867 million for 2010 compared to net profit of US$821 million for 2009.
- Revenue increased by 34.5% to US$10,979 million as a result of higher aluminium market prices.
- Total investments[1] in development of existing facilities and construction of new assets amounted to US$798 million.
- Adjusted EBITDA[2] increased by 335.7% to US$2,597 million due to increased weighted-average realised prices and sales volumes.
- Net Debt[3] reduced to US$11,472 million.
- The market value of the Group's[4] investment in OJSC MMC Norilsk Nickel ("Norilsk Nickel") increased by 66.8% in 2010. The market capitalisation of the investment exceeded US$11 billion[5] as of 31 December 2010.

An identical form of this announcement, to which the audited consolidated financial statements of UC RUSAL for the year ended 31 December 2010 will not be attached, will be disseminated to the French Autorité des marchés financiers, Euronext Paris and the French market via Businesswire simultaneously with this announcement.

1 Calculated as acquisition of property, plant and equipment, acquisition of intangible assets and contributions to jointly controlled entities.
2 Adjusted EBITDA for any period is defined as results from operating activities adjusted for amortization and depreciation, impairment charges and loss on disposal of property, plant and equipment.
3 Net Debt is calculated as Total Debt less cash and cash equivalents as at the end of any period. Total Debt refers to UC RUSAL's loans and borrowings at the end of any period.
4 Group means UC RUSAL and its subsidiaries from time to time, including a number of production, trading and other entities controlled by UC RUSAL directly or through its wholly owned subsidiaries.
5 Source: RTS (Russian Trading System) closing price for the last trading day of the year.

Statement from the CEO

2010 saw UC RUSAL deliver excellent financial performance with both revenue and profits showing substantial gains on our 2009 results. This strong growth was driven by a significant increase in demand and prices for our metals which we were able to meet through productivity enhancement programs, enabling the Group to remain as the world's leading aluminium producer at the end of 2010.

UC RUSAL exceeded its 2010 debt repayment obligations and an extremely strong operating performance across the Group ensured a significant decrease to our Net Debt to EBITDA ratio and increased our strategic flexibility and development capabilities. This enabled us to respond to improving market conditions by launching new and restarting previously idled operations as well as moving ahead with our large-scale investment projects.

With an additional 1.3 million tonnes of technologically-advanced and environmentally friendly smelting capacity in the pipeline and further growth projects planned, UC RUSAL is ideally positioned to take advantage of the encouraging outlook for aluminium prices and increasing consumer demand. I am confident that the year ahead will see UC RUSAL strengthen its world leadership position.

Oleg Deripaska
CEO
30 March 2011

Key selected data	Year ended 31 December 2010	2009	Change year-on-year (%)
Aluminium and alumina price information			
(US$ per tonne)			
Aluminium price per tonne quoted on the LME[6]	2,173	1,668	30.3%
Alumina price per tonne[7]	333	244	36.5%
Key operating data[8]			
('000 tonnes) unless otherwise indicated			
Aluminium	4,083	3,946	3.5%
Alumina	7,840	7,279	7.7%
Bauxite (million tonnes wet)	11.8	11.3	4.4%
Aluminium foil and packaging products	81.4	69.8	16.6%
Selected data from consolidated statement of income			
(US$ million) unless otherwise indicated			
Revenue	10,979	8,165	34.5%
Cost of sales	(7,495)	(6,710)	11.7%
of which energy costs	*(1,972)*	*(1,880)*	*4.9%*
Gross profit	3,484	1,455	139.5%
Distribution expenses	(553)	(566)	(2.3%)
Administrative expenses	(762)	(713)	6.9%
Impairment of non-current assets	(49)	(68)	(27.9%)
Results from operating activities	2,031	(63)	NA
margin (% of revenue)	*18.5%*	*(0.8%)*	
Adjusted EBITDA	2,597	596	335.7%
margin (% of revenue)	*23.7%*	*7.3%*	

6 Represents the average of the daily closing official London Metals Exchange ("LME") prices for each period.

7 The average alumina price per tonne provided in this table is based on the daily closing spot prices of alumina FOB EU as reported by Metal Bulletin each Wednesday and Friday.

8 UC RUSAL assets also include two quartzite mines, one fluorite mine, two coal mines, one nepheline syenite mine and two limestone mines. UC RUSAL also has three aluminium powder metallurgy plants and produces cryolite, aluminium fluoride and cathodes.

Key selected data	Year ended 31 December 2010	2009	Change year-on-year (%)
Finance income	99	1,321	(92.5%)
Finance expenses	(1,529)	(1,987)	(23.0%)
Share of profits/(losses) and impairment of associates	2,435	1,417	71.8%
Income tax	(144)	(18)	700.0%
Net profit for the year	2,867	821	249.2%
Selected data from consolidated statement of financial position			
(US$ million)			
Total assets	26,525	23,886	11.0%
Total working capital[9]	2,122	1,477	43.7%
Net Debt	11,472	13,633	(15.9)%
Selected data from consolidated statement of cash flows			
(US$ million)			
Net cash flows generated from operating activities	1,738	1,286	35.1%
Net cash flows used in investing activities	(442)	(301)	46.8%
of which capex[10]	*(361)*	*(239)*	*51.0%*
of which contribution to BEMO[11]	*(431)*	*(176)*	*144.9%*
Selected ratio			
Net Debt to Adjusted EBITDA	4.4:1	22.9:1	NA

[9] Total working capital is defined as inventories plus trade and other receivables minus trade and other payables.

[10] Capex is defined as payments for the acquisition of property, plant and equipment.

[11] Including refinancing of BEMO facility in an amount of US$208 million and repayment of the BEMO loan in an amount of US$52 million out of IPO proceeds in accordance with the terms of the International Override Agreement.

Overview of trends in industry and business

Aluminium industry in 2010 and UC RUSAL's industry view and outlook

The aluminium market demonstrated significant price volatility during 2010, with prices below US$2,000 per tonne at times and reaching maximum levels around US$2,500 per tonne.

Demand for aluminium continued to improve throughout 2010 driven by strong economic activity in Germany, South America and Asia. Demand in the USA and Japan stabilised in the second half of 2010 following an increase in consumption driven by the automotive and engineered products sectors. Global auto production accounted for 35% of aluminium consumption, which had reached the pre-crisis level of 73.4 million tonnes and was supported by aggressive Chinese and US car sales growth of 33% and 35% respectively.

Underlying demand for consumer products, including packaging and beverage cans, continued to support the rolled products segment.

Investors' appetite for commodities remained strong with oil reaching above US$90 per barrel and copper reaching above US$9,000 per tonne in December 2010 and aluminium prices rose as a consequence. The US dollar weakened over December 2010, also supporting the increase in aluminium prices.

Based on robust demand growth for aluminium from China and the recovery of physical demand in the USA, Europe and Japan demand for aluminium in 2010 surged by around 14% from 2009 levels to 40.6 million tonnes. Worldwide production of primary aluminium in 2010 was 40.4 million tonnes, 9% higher than the 37.0 million tonnes of production in 2009.

UC RUSAL expects strong global demand for aluminium to continue in 2011 with 8% growth to 43.8 million tonnes. The emerging markets of China, Brazil, India and Russia will be driving the growth of aluminium consumption in 2011. Total underlying demand in China will reach 18.5 million tonnes in 2011 and remain strong, with aluminium consumption growth expected to be 12%. The transportation industry remains the key driver of aluminium consumption growth in China.

It is estimated that more than 15% of China's domestic capacity is unprofitable at the current aluminium price due to the increase in domestic electricity tariffs, higher raw material costs and wage inflation. Curtailment expectations have been further fuelled by the Chinese government's restrictions on outdated facilities and the strengthening currency. These factors led to a reduction in production of 2.5 million tonnes in 2010. UC RUSAL believes that this closed capacity will not be fully restarted in the first half of 2011 due to power restrictions. Therefore, UC RUSAL forecasts that China will gradually increase its dependence on imports of primary aluminium, potentially reaching 3 to 4 million tonnes by 2015.

Indian primary aluminium consumption is forecasted to grow by 16% in 2011. Urbanisation and industrialisation of India should drive the country's aluminium demand. The growth of demand will be supported by spending on electricity transmission lines, roads, rail and irrigation schemes. At the same time Indian automotive production is forecasted to grow at an average annual rate of 12.4% per annum over the period 2011 to 2013.

In Latin America, Brazil accounts for half of the continent's primary aluminium consumption. Brazil's automotive sector production is expected to grow at an average rate of 5.5% per annum over the period 2011 to 2013 and appears to be the major driving force of aluminium demand in the region.

UC RUSAL expects its Russian and CIS market sales to grow by about 22% to 0.9 million tonnes in 2011, mainly driven by a strong rebound in the machinery, construction and packaging industries. Looking forward, infrastructure spending for the construction of roads, buildings and transportation facilities is expected to support further aluminium growth in the medium to longer term together with large-scale projects such as the 2014 Winter Olympic Games and the hosting of the 2018 Football World Cup that was recently awarded to Russia. The Company expects Russia's cumulative annual compound growth rate for aluminium consumption between 2011 and 2015 to be 8%.

UC RUSAL expects aluminium prices to maintain the level of US$2,500 to US$2,600 per tonne throughout 2011 and be supported by positive underlying demand, whilst the continuing weakness of the US dollar supports the investment into tangible assets from investors.

Premiums

Regional premiums reflect the improvement in current physical demand and limited access to available metal in the traded market. Premiums are forecasted to continue at current levels in 2011 with the Duty Unpaid European Premium at US$110 to US$135 per tonne and the US Premium trading at US$130 to US$150 per tonne, Midwest delivered. In Japan and Korea, premiums are expected to be at the level of US$105 to US$115 per tonne, reflecting readier access to nearby stocks of the metal.

Alumina market

The Company saw strong growth in alumina prices in 2010 up to US$367 per tonne as more third party alumina sales were tracking spot market prices as global producers tried to de-link the alumina price from aluminium. UC RUSAL expects the strong growth in alumina prices to continue in 2011 and the alumina spot market price to reach a level of US$450 per tonne in 2011 based on strong Chinese and other regions' demands.

In August, UC RUSAL commenced selling its free alumina at prices formed by a basket of indices including Metal Bulletin, CRU and Platts.

UC RUSAL believes that alumina contract prices and the LME aluminium price should be de-linked as they do not fully reflect growing production costs and capital expenditure. De-linking the alumina price from the aluminium price should promote fair pricing for this raw material and create new investment opportunities.

Aluminium stocks

Most LME aluminium stocks (around 75%) are covered by financial transactions and not available to aluminium consumers.

Financial deals in November and December were less attractive due to lower contango and 270 thousand tonnes of off-warrant metal were moved to LME registered warehouses (as owners of LME warehouses offer premiums to store aluminium sourced from off-warrant warehouses).

In the case of longer futures LME contracts, the contango improved from US$25 to US$30 per tonne towards the end of 2010 and the number of financial deals with longer maturities remained stable in 2010.

UC RUSAL does not expect a significant influx of aluminium from LME warehouses in 2011 as aluminium prices remain strong, the aluminium market is improving and most financial transactions linked to stocks are being retained by financial investors as long term investments.

For all significant events that occured after the reporting date refer to note 36 of the consolidated financial statements.

Norilsk Nickel investment

According to the consensus forecast[12] Norilsk Nickel's net income for 2010 is expected to increase to US$5,396 million from US$2,651 million for 2009. The market value of UC RUSAL's stake in Norilsk Nickel increased by 66.8% from US$6,707 million as at 31 December 2009 to US$11,186 million as at 31 December 2010 due to positive share price performance in the reported year.

UC RUSAL notes that its joint auditors, ZAO KPMG and KPMG have issued a qualified audit opinion on the consolidated financial statements of UC RUSAL for the year ended 31 December 2010 as Norilsk Nickel's consolidated financial statements for the year ended 31 December 2010 were not yet available as of the date of approval of UC RUSAL's consolidated financial statements. Therefore UC RUSAL's joint auditors were unable to obtain sufficient appropriate audit evidence in relation to the Group's estimate of its share in profit and other comprehensive income of Norilsk Nickel for the year ended 31 December 2010 and carrying value of the Group's investment in Norilsk Nickel as at 31 December 2010.

An extract from the Independent Auditor's Report provided by the joint auditors on the consolidated financial statements of UC RUSAL for the year ended 31 December 2010 is as follows:

"Basis for Qualified Opinion

As explained in Note 17 to the consolidated financial statements, the Group has estimated its share of profit and other comprehensive income of its associate, OJSC MMC Norilsk Nickel ("Norilsk Nickel"), for the year ended 31 December 2010 based on the latest publicly available information reported by Norilsk Nickel adjusted by the Group to account for Norilsk Nickel's performance in the remaining part of the reporting period. As a result of the consolidated financial statements of Norilsk Nickel for the year ended 31 December 2010 not being available, we were unable to obtain sufficient appropriate audit evidence in relation to the Group's estimate of the

[12] Bloomberg Consensus Net Income GAAP at 26/03/2010 — GMKN RU.

share of profit and other comprehensive income of Norilsk Nickel of USD2,451 million and USD20 million, respectively, for the year ended 31 December 2010, and the carrying value of the Group's investment in Norilsk Nickel of USD10,671 million as at 31 December 2010 and the summary financial information of associates disclosed in Note 17. As a result, we were unable to determine whether adjustments might have been found to be necessary in respect of interests in associates, and the elements making up the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Equity."

A further announcement may be made by UC RUSAL when Norilsk Nickel publishes its 2010 consolidated financial statements.

Financial Overview

Revenue

Revenue increased by 34.5% to US$10,979 million in 2010 compared to US$8,165 million in 2009. This was primarily due to increased sales of primary aluminium and alloys, which accounted for 83.9% and 82.9% of UC RUSAL's revenue for the years ended 31 December 2010 and 31 December 2009, respectively.

	Year ended 31 December 2010			**Year ended 31 December 2009**		
	US$ million	*kt*	*Average sales price (US$/tonne)*	*US$ million*	*kt*	*Average sales price (US$/tonne)*
Sales of primary aluminium and alloys	9,208	4,085	2,254	6,770	4,069	1,664
Sales of alumina	597	1,845	324	410	1,640	250
Sales of foil	293	79	3,709	243	70	3,471
Other revenue[13]	881	—	—	742	—	—
including bauxite	*14*	—	—	*28*	—	—
including other revenue	*867*	—	—	*714*	—	—
Total revenue(1)	**10,979**			**8,165**		

(1) Revenue derived from related parties represented 45% of UC RUSAL's total revenue for the year ended 31 December 2010.

[13] Including chemicals and energy

Sales of primary aluminium and alloys increased by 36.0% primarily due to an increase in average realised price per tonne (by 35.5% year-on-year). Sales volumes increased by 16 thousand metric tonnes or 0.4% from 4,069 thousand metric tonnes in 2009 to 4,085 thousand metric tonnes in 2010.

Revenue from sales of alumina increased by 45.6% to US$597 million in 2010 from US$410 million in 2009. The increase in revenue was primarily attributable to the significant increase in average realised price. In 2010, UC RUSAL continued to sell alumina to external parties only under specific long-term contracts. Average sales price increased by 29.6% in 2010 as compared to 2009. The sales volume increased by 12.5% to 1,845 thousand metric tonnes in 2010.

Revenue from sales of foil increased from US$243 million in 2009 to US$293 million in 2010, which accounted for 3.0% and 2.7% of UC RUSAL's revenue for 2009 and 2010, respectively. Production volumes remained relatively stable with a slight increase of approximately 17% in 2010 while sales volume grew from 70 thousand metric tonnes in 2009 to 79 thousand metric tonnes in 2010. The increase in revenue from the sales of foil was primarily due to an increase in the average realised price.

Revenue from other sales, excluding bauxite, increased to US$867 million or by 21.4% in 2010 from US$714 million in 2009. The main factors contributing to the increase in revenue from other sales were increases in prices and volumes of various by-products and secondary materials, including silicon, hydrate, soda, aluminium powders and electricity following the overall recovery in the global economy and the resulting increase in capacity of a number of the Group's production entities.

UC RUSAL maintained sales to markets with higher premiums above LME aluminium prices, increasing the share of total sales to Asia, America and utilising growing demand in domestic Russia and the CIS markets. Sales to Europe continued to occupy the largest share of revenue from aluminium sales as the region with the highest premiums. The average premium of US$108 per tonne in 2010 was higher than the US$55 per tonne premium in 2009.

Cost of sales

(US$ million)	Year ended 31 December 2010	2009	Change year-on-year (%)
Cost of alumina	1,120	982	14.1%
Cost of bauxite	414	374	10.7%
Cost of other raw materials and other costs	2,605	2,253	15.6%
Energy costs	1,972	1,880	4.9%
Depreciation and amortisation	473	554	(14.6%)
Personnel expenses	735	774	(5.0%)
Repairs and maintenance	132	115	14.8%
Change in asset retirement obligations	17	29	(41.4%)
Net change in provisions for inventories	27	(251)	NA
Total cost of sales	**7,495**	**6,710**	**11.7%**

Cost of sales increased by US$785 million, or 11.7%, to US$7,495 million in 2010, compared to US$6,710 million in 2009. The increase was in line with the overall growth in production and sales volumes of both aluminium and alumina and the increase of purchase prices and transportation tariffs for raw materials.

Cost of other raw materials and other costs increased by US$352 million or 15.6% from US$2,253 million in 2009 to US$2,605 million in 2010 primarily due to the overall growth in materials purchase price. Energy costs increased by US$92 million, or 4.9%, to US$1,972 million in 2010 compared to US$1,880 million in 2009. The increase in electricity costs over the period resulted primarily from the growth of the weighted-average electricity tariff and increased consumption. The increase in the weighted-average electricity tariff was mainly due to continued market liberalisation and increased share of electricity sold through the wholesale market. Electricity tariffs are generally quoted in RUR[14] and increased in line with the Russian consumer price index. As a percentage of revenue, energy costs decreased from 23.0% in 2009 to 18.0% in 2010.

As a percentage of revenue, cost of sales decreased from 82.2% in 2009 to 68.3% in 2010.

[14] RUR means Ruble, the lawful currency of the Russian Federation

Gross profit

UC RUSAL reported a gross profit of US$3,484 million and US$1,455 million in 2010 and 2009 respectively, representing gross margins of 31.7% and 17.8% respectively.

Distribution expenses

Distribution expenses decreased by 2.3% to US$553 million in 2010, compared to US$566 million in 2009. This insignificant decrease was mainly due to reduction in transportation expenses through optimising logistics schemes, expanding the transportation range, choosing new routes, selecting transport operators on a tender basis and negotiating new transportation terms.

Administrative expenses

Administrative expenses increased by 6.9% to US$762 million in 2010, as compared to US$713 million in 2009. Personnel costs recorded under administrative expenses increased by 60.2% to US$362 million in 2010 from US$226 million in 2009. This was primarily due to the share-based compensation paid to the CEO and certain members of senior management following the successful completion of the Global Offering[15] in January 2010.

Loss on disposal of property, plant and equipment

Loss on disposal of property, plant and equipment increased from US$5 million in 2009 to US$19 million in 2010. As a percentage of revenue, loss on disposal of property, plant and equipment increased from 0.1% in 2009 to 0.2% in 2010.

Impairment of non-current assets

Based on the results of impairment testing, management has concluded that no impairment or reversal of previously recorded impairment of property, plant and equipment and intangible assets should be recorded in 2010, except for impairment of specific items that were no longer considered recoverable at 31 December 2010.

[15] Global Offering means the offering by UC Rusal 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 27 January 2010.

Other operating expenses

Other operating expenses decreased by 57.8% to US$70 million in 2010 compared to US$166 million in 2009. The decrease was primarily due to the reversal of certain provisions for trade and other receivables and tax contingencies that was partially offset by the increase in provisions for legal claims mostly connected with litigation with UC RUSAL's counterparties, in particular transportation companies.

Results from operating activities

UC RUSAL reported a profit from operating activities of US$2,031 million in 2010, as compared to a loss from operating activities of US$63 million in 2009, representing a positive operating margin of 18.5% and a negative operating margin of 0.8% respectively.

Adjusted EBITDA

Adjusted EBITDA, being results from operating activities adjusted for amortisation and depreciation, impairment charges and loss on disposal of property, plant and equipment, increased by 335.7% to US$2,597 million in 2010, as compared to US$596 million in 2009. The key influencing factors were operating results and a significant increase in market prices resulting from a recovery in economic conditions.

	Year ended 31 December		**Change year-on-year**
	2010	**2009**	**(%)**
(US$ million)			
Reconciliation of Adjusted EBITDA			
Results from operating activities	2,031	(63)	NA
Add:			
Amortisation and depreciation	498	586	(15.0%)
Impairment of non-current assets	49	68	(27.9%)
Loss on disposal of property, plant and equipment	19	5	280%
Adjusted EBITDA	**2,597**	**596**	**335.7%**

Finance income

Finance income decreased by US$1,222 million, or 92.5%, to US$99 million in 2010 as compared to US$1,321 million in 2009. Finance income in 2010 was primarily represented by a gain on fair value adjustment on financial instruments of US$57 million, foreign exchange gains of US$25 million and interest income on third party loans and deposits of US$14 million. As a percentage of revenue, finance income decreased from 16.2% in 2009 to 0.9% in 2010. Finance income in 2009 was primarily represented by a gain on debt restructuring of US$1,209 million, a gain on fair value adjustment on financial instruments of US$77 million and interest income on third party loans and deposits of US$32 million.

Finance expenses

Finance expenses decreased by 23.0% to US$1,529 million in 2010 as compared to US$1,987 million in 2009.

Interest expenses on bank loans, including other bank charges increased by US$124 million, or 12%, to US$1,157 million in 2010 compared to US$1,033 million in 2009, mainly due to the amortisation of the gain on restructuring recognised in 2009. Interest expenses on bank loans changed insignificantly, as the effect of reduction in principal amounts payable to International and Russian banks was almost fully offset by a slight increase in interest rates in 2010 subsequent to the debt restructuring.

In November and December 2009, UC RUSAL entered into long-term electricity contracts with related parties through to 2019-2021. The contract pricing contains a fixed or a cost-based component and an LME-linked price adjustment. Management has analysed the contracts and concluded that the price adjustments represent embedded derivatives which should be separated from the host contract.

The estimates of the fair value of the embedded derivatives are particularly sensitive to changes in the LME price. Loss from revaluation of embedded derivatives amounted to US$240 million and US$570 million in 2010 and 2009 respectively.

As a result of the continuing appreciation of the Ruble against the US dollar over the period, the Group reported a forex gain of US$25 million in 2010, compared to the forex loss of US$73 million recognised in 2009.

In 2010, UC RUSAL recorded US$73 million of interest expenses on payables to Onexim, as compared to US$163 million in 2009 as a result of the debt restructuring.

Interest expenses on provisions of US$20 million and US$62 million in 2010 and 2009 respectively related to interest expenses on defined benefit retirement plans and the asset retirement obligations of the Group.

Share of profits/(losses) and impairment of associates and jointly controlled entities

Share of profits and reversal of impairment of associates was US$2,435 million in 2010 and US$1,417 million in 2009. Share of profits of associates in both periods resulted primarily from UC RUSAL's investment in Norilsk Nickel.

Share of profits of jointly controlled entities was negative US$25 million in 2010 and positive US$151 million in 2009. This represents UC RUSAL's share of results and impairment in UC RUSAL's joint ventures - BEMO Project[16] and LLP Bogatyr Komir.

Profit before income tax

UC RUSAL made a profit before income tax of US$3,011 million for the year ended 31 December 2010, as compared to US$839 million for the year ended 31 December 2009.

Income tax

Income tax expense increased by US$126 million to US$144 million in 2010, as compared to an income tax expense of US$18 million in 2009.

Current tax expenses increased by US$94 million, or 103.3%, to US$185 million as at 31 December 2010, compared to US$91 million as at 31 December 2009. The increase in current tax expenses was primarily due to increased profits of the individual companies of the Group in 2010.

Deferred tax benefits decreased by US$32 million to US$41 million in 2010 as compared to US$73 million in 2009 due to the change in origination and reversal of temporary differences.

Net profit for the year

As a result of the above, UC RUSAL recorded a net profit of US$2,867 million for the year ended 31 December 2010, as compared to US$821 million for the year ended 31 December 2009.

[16] BEMO Project means the Boguchanskoye Energy and Metals project involving the construction of the BEMO HPP and the Boguchanskoye aluminium smelter.

Cash operating costs per tonne

The entire aluminium sector experienced cost inflation in 2010 and the Group was generally better off than the rest of the industry in managing its costs and maintained its position on the cost curve. The cost increases were principally driven by the following factors: energy related items, including power (partly attributable to the continued liberalisation of the Russian energy market during 2010), growing market prices for raw materials (coke, pitch, anodes) and fuel linked to increasing oil prices; LME-linked costs components due to the growth in the underlying aluminium price; and higher input costs associated with the revival of economic activity (e.g. transportation costs).

Aluminium Cash Operating Costs[17] therefore increased from an average of US$1,471 per tonne in 2009 to an average of US$1,724 per tonne for 2010, by 17% or US$253 per tonne (inclusive of exchange rate effects). Key drivers of the growth were increases of US$82 per tonne in the cost of alumina, US$47 per tonne in the cost of energy, US$66 per tonne in the cost of raw materials and US$58 per tonne in other expenses. Cost of alumina bought from third and related parties is linked to LME price, increase of which additionally contributed to growth of alumina cost between the periods. Cost of energy rose due to the liberalisation of the Russian wholesale electricity market.

The largest components of the UC RUSAL Aluminium Cash Operating Costs structure in 2010 were alumina and energy at 39% and 25% respectively, as compared to the industry average of 37% and 36% respectively. Other cost items (raw materials at 17%, payroll at 6%, transportation at 4% and other costs at 9%) were roughly in line with the industry averages.

The Group's Alumina Cash Operating Costs[18] also increased from an average of US$257 per tonne in 2009 to an average of US$277 per tonne in 2010, by 8% or US$20 per tonne. The principal factor in the overall increase in the Group's Alumina Cash Operating Costs from 2009 to 2010 was the increase in the market price of utilities (including fuel-oil and gas) as a result of a corresponding increase in market oil prices. Key factors contributing to the increase in Alumina Cash Operating Costs

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17 Aluminium Cash Operating Costs represent the average weighted costs of aluminium production (including maintenance costs, pot rebuild costs, capacity expansion or capacity closure costs, changes in work in progress/inventory and warehouse costs of commodity aluminium) and sales costs (including transport, security and handling), as well as general administrative costs of the Group's management company.

18 Alumina Cash Operating Costs represent the average weighted costs of calcined alumina production (including changes in inventory, work in progress and warehouse costs of commodity alumina) and sales costs (including transport, security and handling).

in 2010 were increases of US$18 per tonne in the cost of energy and US$5 per tonne in exchange rate effects which were partially offset by decreases of US$3 per tonne in costs of raw materials and US$1 per tonne in personnel costs.

Segment reporting

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

The core segments are Aluminium and Alumina.

	2010		2009	
	Aluminium	Alumina	Aluminium	Alumina
USD million				
Segment revenue	9,408	2,484	6,893	1,884
Segment result	2,244	49	300	(223)
Segment EBITDA[19]	2,638	135	750	(107)
Segment EBITDA margin	28.0%	5.4%	10.9%	(5.7)%

Aluminium

The Aluminium segment is involved in the production and sale of primary aluminium and related products. EBITDA margin of the segment increased to 28% in 2010 from 11% in 2009 due to a combination of rising LME prices and remaining strict cost control implemented by UC RUSAL in previous years.

Alumina

The Alumina segment is involved in the mining and refining of bauxite into alumina and the sale of alumina. EBlTDA margin of the segment increased to 5% in 2010 from negative result in 2009 representing a 32% increase in segment revenue due to growing sales volume and prices.

Assets and liabilities

UC RUSAL's total assets increased by US$2,639 million, or 11.0%, to US$26,525 million as at 31 December 2010 as compared to US$23,886 million as at 31 December 2009. The increase in total assets mainly resulted from the increase in interests in associates and jointly controlled entities and inventories, partly offset by a decrease in property, plant and equipment.

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

Total liabilities decreased by US$2,485 million, or 14.2%, to US$15,069 million as at 31 December 2010 as compared to US$17,554 million as at 31 December 2009. The decrease was mainly due to the partial repayment of the outstanding debt of the Group, including of US$2,143 million out of the IPO proceeds (together with certain restructuring fees). Total Debt has been reduced to US$12.0 billion in 2010.

Capital expenditure

UC RUSAL recorded total capital expenditure of US$367 million in 2010 (including pot rebuilds of US$140 million). UC RUSAL's capital expenditure in 2010 was aimed at maintaining existing production facilities, with the exception of the BEMO Project.

The table below shows the breakdown of UC RUSAL's capital expenditure by business segments (excluding acquisitions) in the years ended 31 December 2010 and 31 December 2009.

	Year ended 31 December	
	2010	**2009**
(US$ million)		
Aluminium	234	164
Alumina	115	62
Energy	3	8
Other operations	15	10
Total capital expenditure	**367**	**244**

As a result of the approval received from the international lenders under the International Override Agreement[20] in March 2011, UC RUSAL's capital expenditure covenants for 2011 provided in the International Override Agreement were increased to the total amount of US$692 million (excluding VAT), including certain development and maintenance capital expenditure.

The expected source of funding within the International Override Agreement framework is operating cashflow from UC RUSAL's operations.

[20] International Override Agreement means the international override agreement entered into by UC RUSAL and certain members of the Group on 7 December 2009 with certain international banks.

Although the debt restructuring agreements generally prohibit UC RUSAL from incurring capital expenditure in relation to any projects until the end of the Override Period[21], in relation to the BEMO Project and the Taishet aluminium smelter, the International Override Agreement permits UC RUSAL to fund the projects on a project finance basis or through certain equity investments. In July 2010, VEB approved project financing for the completion of the construction of the BEMO Project in the amount of RUR50 billion (approximately US$1.7 billion). In December 2010, and subsequent to the year end, the companies of the BEMO Project have drawn down US$88 million of the project financing. UC RUSAL is considering other alternatives such as non-recourse project finance to continue investing in the Taishet aluminium smelter.

Spending on the BEMO Project and Taishet aluminium smelter[22]

UC RUSAL's proportion of capital expenditure for the BEMO Project is 50%, with total 100% capital expenditure for the BEMO HPP[23] currently estimated at approximately US$1,769 million (UC RUSAL's share of this capital expenditure will be approximately US$884 million), of which US$1,263 million had been spent as of 31 December 2010 (UC RUSAL's share of this amounted to US$631 million). The Russian Federation's Investment Fund finances the necessary infrastructure (the cost 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 RUR26 billion, including RUR18 billion invested in the period between 2008 and 2009 and RUR1.9 billion in 2010.

21 Override Period means the period beginning on 7 December 2009 and ending on the earlier of (i) the date on which all amounts payable by the Group to its international lenders under the international loan facilities have been paid in full and no international lender is under any further obligation under the relevant international facility documents; and (ii) the date falling 48 months after 7 December 2009.

22 Capex amounts are based on UC RUSAL's management accounts, and differ from amounts disclosed in audited 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 commitments as at 31 December 2010.

23 BEMO HPP means the Boguchanskaya hydro power plant.

The capital expenditure for the Boguchansky aluminium smelter (588,000 tonnes of aluminium per annum capacity) is currently estimated at approximately US$1,590 million (UC RUSAL's share of this capital expenditure will be approximately US$795 million).

The capital expenditure for the first start-up complex (147,000 tonnes of aluminium per annum capacity) of Boguchansky aluminium smelter is currently estimated at approximately US$826 million (UC RUSAL's share of this capital expenditure will be approximately US$413 million), of which approximately US$296 million has been incurred as of 31 December 2010 (UC RUSAL's share of this amounted to US$148 million).

The total capital expenditure for the Taishet smelter (excluding construction of the anode plant) is currently estimated at approximately US$2,437 million, of which US$551.2 million had been spent as of 31 December 2010. Construction of the smelter has been temporarily suspended as a consequence of the global economic crisis. UC RUSAL is in the process of negotiating project financing from various international lenders and Russian banks.

Outlook for 2011

Assuming the continuing restoration of the market in 2011, UC RUSAL plans to increase production of aluminium by 2% in 2011, compared to 2010. The increase is expected to include an increase in production at the Siberian smelters in Russia.

On the basis of this assumption, UC RUSAL expects to increase alumina output by 8% in 2011 compared to 2010, mainly by increasing production at the Windalco-Ewarton Plant Works in Jamaica.

Consolidated financial statements

The following section contains the audited consolidated financial statements of UC RUSAL for the year ended 31 December 2010 which were approved by the directors of UC RUSAL on 30 March 2011.

The full set of audited consolidated financial statements of UC RUSAL, together with the report of the joint auditors is available on UC RUSAL's website at *(http://rusal.ru/en/fin_statements.aspx).*

United Company RUSAL Plc
Consolidated Statement of Income
for the year ended 31 December 2010

	Note	Year ended 31 December 2010 *USD million*	2009 *USD million*
Revenue	5	10,979	8,165
Cost of sales		(7,495)	(6,710)
Gross profit		3,484	1,455
Distribution expenses		(553)	(566)
Administrative expenses		(762)	(713)
Loss on disposal of property, plant and equipment		(19)	(5)
Impairment of non-current assets	15, 23	(49)	(68)
Other operating expenses	6	(70)	(166)
Results from operating activities		2,031	(63)
Finance income	7	99	1,321
Finance expenses	7	(1,529)	(1,987)
Share of profits/(losses) and impairment of associates	17	2,435	1,417
Share of (losses)/profits and impairment of jointly controlled entities	18	(25)	151
Profit before taxation		3,011	839
Income tax	8	(144)	(18)
Net profit for the year		2,867	821
Attributable to:			
Shareholders of the Company		2,867	821
Net profit for the year		2,867	821
Earnings per share			
Basic and diluted earnings per share (USD)	14	0.19	0.06

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 30 to 137.

United Company RUSAL Plc
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2010

	Note	Year ended 31 December 2010 *USD million*	2009 *USD million*
Net profit for the year		2,867	821
Other comprehensive income			
Actuarial (losses)/gains on post retirement benefit plans (refer to note 27(a))		(6)	29
Share of other comprehensive income of associate		20	130
Foreign currency translation differences for foreign operations		(50)	(270)
		(36)	(111)
Total comprehensive income for the year		2,831	710
Attributable to:			
Shareholders of the Company		2,831	710
Total comprehensive income for the year		2,831	710

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 30 to 137.

United Company RUSAL Plc
Consolidated Statement of Financial Position
as at 31 December 2010

	Note	**31 December 2010** *USD million*	**31 December 2009** *USD million*
ASSETS			
Non-current assets			
Property, plant and equipment	15	5,875	6,088
Intangible assets	16	4,085	4,112
Interests in associates	17	11,151	8,968
Interests in jointly controlled entities	18	1,136	778
Financial investments	19	111	54
Deferred tax assets	21	85	144
Other non-current assets		104	118
Total non-current assets		22,547	20,262
Current assets			
Inventories	22	2,429	2,150
Trade and other receivables	23	1,058	1,238
Cash and cash equivalents	24	491	236
Total current assets		3,978	3,624
Total assets		26,525	23,886

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 30 to 137.

United Company RUSAL Plc
Consolidated Statement of Financial Position
as at 31 December 2010

	Note	31 December 2010 *USD million*	31 December 2009 *USD million*
EQUITY AND LIABILITIES			
Equity	25		
Share capital		152	—
Share premium		15,782	13,641
Other reserves		3,095	3,081
Currency translation reserve		(3,577)	(3,527)
Accumulated losses		(3,996)	(6,863)
Total equity		11,456	6,332
Non-current liabilities			
Loans and borrowings	26	10,602	11,117
Provisions	27	402	385
Deferred tax liabilities	21	415	512
Derivative financial liabilities	28	660	510
Other non-current liabilities		22	62
Total non-current liabilities		12,101	12,586
Current liabilities			
Loans and borrowings	26	1,361	2,752
Current taxation	21(e)	40	44
Trade and other payables	29	1,365	1,911
Derivative financial liabilities	28	78	60
Provisions	27	124	201
Total current liabilities		2,968	4,968
Total liabilities		15,069	17,554
Total equity and liabilities		26,525	23,886
Net current assets/(liabilities)		1,010	(1,344)
Total assets less current liabilities		23,557	18,918

Approved and authorised for issue by the board of directors on 30 March 2011.

Oleg V. Deripaska	**Evgeny D. Kornilov**
Chief Executive Officer	*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 30 to 137.

United Company RUSAL Plc
Statement of Financial Position of the Company
as at 31 December 2010

	Note	**31 December 2010** *USD million*	**31 December 2009** *USD million*
ASSETS			
Non-current assets			
Investments in subsidiaries	20	18,915	14,687
Loans to group companies		17	—
Other non-current assets		12	66
Total non-current assets		18,944	14,753
Current assets			
Loans to group companies		1,815	2,657
Other receivables	23	29	38
Cash and cash equivalents	24	—	2
Total current assets		1,844	2,697
Total assets		20,788	17,450
EQUITY AND LIABILITIES			
Equity	25		
Share capital		152	—
Share premium		15,782	13,641
Additional paid-in capital		776	100
Accumulated losses		(7,798)	(8,308)
Total equity		8,912	5,433
Non-current liabilities			
Loans and borrowings	26	8,671	8,859
Other non-current liabilities	33(c)	1,578	45
Total non-current liabilities		10,249	8,904
Current liabilities			
Loans and borrowings	26	855	1,954
Trade and other payables	29	772	1,159
Total current liabilities		1,627	3,113
Total liabilities		11,876	12,017
Total equity and liabilities		20,788	17,450
Net current assets/(liabilities)		217	(416)
Total assets less current liabilities		19,161	14,337

Approved and authorised for issue by the board of directors on 30 March 2011.

Oleg V. Deripaska	**Evgeny D. Kornilov**
Chief Executive Officer	*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 30 to 137.

United Company RUSAL Plc
Consolidated Statement of Changes in Equity
as at 31 December 2010

	Note	Share capital 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 2010		—	13,641	3,081	(3,527)	(6,863)	6,332
Total comprehensive income/(loss) for the year		—	—	14	(50)	2,867	2,831
Capitalisation issuance of shares	25(a)	135	(135)	—	—	—	—
Shares issued upon Global Offering, net of related expenses of USD48 million	25(a)	16	2,172	—	—	—	2,188
Shares issued on exercise of Fee Warrants	25(a)	—	36	—	—	—	36
Issuance of shares as compensation to management	25(a)	1	68	—	—	—	69
Balance at 31 December 2010		152	15,782	3,095	(3,577)	(3,996)	11,456

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 30 to 137.

United Company RUSAL Plc
Consolidated Statement of Changes in Equity
as at 31 December 2010

	Note	**Share capital** *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 2009		—	12,517	2,912	(3,257)	(7,684)	4,488
Total comprehensive income/(loss) for the year		—	—	159	(270)	821	710
Shares issued upon restructuring of deferred consideration	25(f)	—	1,124	—	—	—	1,124
Other changes resulting from transactions with entities under common control		—	—	10	—	—	10
Balance at 31 December 2009		—	13,641	3,081	(3,527)	(6,863)	6,332

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 30 to 137.

United Company RUSAL Plc
Consolidated Statement of Cash Flows
for the year ended 31 December 2010

	Year ended 31 December	
	2010	**2009**
	USD million	*USD million*
OPERATING ACTIVITIES		
Net profit for the year	2,867	821
Adjustments for:		
Depreciation (note 9(b))	481	569
Amortisation (note 9(b))	17	17
Impairment of non-current assets (notes 15, 23)	49	68
Loss on disposal of financial investments (note 7)	12	—
Shares issued as compensation to management	69	—
Gain on restructuring (note 7(c))	—	(1,209)
Gain on fair-value adjustment on financial investments (note 19)	(57)	(77)
Impairment loss on trade and other receivables (note 6)	18	92
Impairment/(reversal of impairment) of inventories	27	(251)
Provision/(reversal of provision) for legal claims (note 6)	15	(5)
(Reversal of tax provision)/tax provision	(46)	13
Change in fair value of derivative financial liabilities	246	570
Foreign exchange (gains)/losses	(67)	22
Loss on disposal of property, plant and equipment	19	5
Loss on disposal of intangible assets	1	12
Interest expense	1,250	1,258
Interest income	(17)	(35)
Income tax expense	144	18
Share of (profits)/losses and impairment of associates (note 17)	(2,435)	(1,417)
Share of losses/(profits) and impairment of jointly controlled entities (note 18)	25	(151)
	2,618	320
(Increase)/decrease in inventories	(282)	993
Increase in trade and other receivables	(4)	(42)
Decrease/(increase) in prepaid expenses and other assets	93	(8)
(Decrease)/increase in trade and other payables	(480)	69
(Decrease)/increase in provisions	(36)	1
Cash generated from operations	1,909	1,333
Income taxes paid	(171)	(47)
Net cash generated from operating activities	1,738	1,286

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 30 to 137.

United Company RUSAL Plc
Consolidated Statement of Cash Flows
for the year ended 31 December 2010

	Year ended 31 December	
	2010	**2009**
	USD million	*USD million*
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	10	57
Interest received	7	19
Acquisition of property, plant and equipment	(361)	(239)
Proceeds from disposal of entity under common control	—	25
Dividends from associates	295	—
Dividends from jointly controlled entities	28	16
Acquisition of intangible assets	(6)	(5)
Contributions to jointly controlled entities	(431)	(176)
Changes in restricted cash	16	2
Net cash used in investing activities	(442)	(301)
FINANCING ACTIVITIES		
Proceeds from borrowings	4,798	1,568
Repayment of borrowings	(7,116)	(1,850)
Restructuring fees	(84)	(204)
Listing related expenses	(82)	—
Interest paid	(623)	(965)
Repayment of Fee Warrants	(153)	—
Proceeds from the Global Offering	2,236	—
Net cash used in financing activities	(1,024)	(1,451)
Net increase/(decrease) in cash and cash equivalents	272	(466)
Cash and cash equivalents at beginning of the year	215	685
Effect of exchange rate fluctuations on cash and cash equivalents	(1)	(4)
Cash and cash equivalents at the end of the year (note 24)	486	215

Restricted cash amounted to USD5 million and USD21 million at 31 December 2010 and 31 December 2009, respectively.

Major non-cash transactions:

(i) On 27 January 2010 fee warrants ("Fee Warrants") with a carrying value of USD36 million were converted into 26,070,806 ordinary shares of the Company (refer to note 25(a)).

(ii) On 7 December 2009, the Company issued 742 shares upon restructuring of the deferred consideration for the acquisition of 25% plus 1 share of Norilsk Nickel. Details of the transaction are set out in notes 17(a) and 25(a).

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 30 to 137.

1 BACKGROUND

(a) Organisation

United Company RUSAL Plc (the "Company" or "UC RUSAL"), formerly United Company RUSAL Limited was established by the controlling shareholder of RUSAL Limited ("RUSAL") as a limited liability company under the laws of Jersey on 26 October 2006. In January 2010, the Company successfully completed a dual placing on The Stock Exchange of Hong Kong Limited and Euronext Paris ("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".

On 27 January 2010, the Company completed the Global Offering. The Company issued 1,636,363,646 new shares in the form of shares listed on The Stock Exchange of Hong Kong Limited, and in the form of global depositary shares ("Global Depositary Shares" or "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 2010 and 31 December 2009 was as follows:

	31 December 2010	**31 December 2009**
En+ Group Limited ("En+")	47.41%	53.35%
Onexim Holdings Limited ("Onexim")	17.02%	19.16%
SUAL Partners Limited ("SUAL Partners")	15.80%	17.79%
Amokenga Holdings Limited ("Amokenga Holdings")	8.75%	9.70%
Management held (including 0.22% held by the CEO of the Company)	0.27%	—
Publicly held	10.75%	—
Total	100%	100%

En+ is controlled by Mr. Oleg Deripaska. SUAL Partners is controlled by Mr. Victor Vekselberg and Mr. Len Blavatnik together. Onexim is controlled by Mr. Mikhail Prokhorov. Amokenga Holdings is a wholly owned subsidiary of Glencore International AG ("Glencore") which is controlled by its management and key employees.

Related party transactions are detailed in note 33.

(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, 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.

The consolidated financial statements reflect management's assessment of the impact of the Russian, Ukrainian, Jamaican, Nigerian and Guinean business environments on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

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 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 (refer to note 2(e)), except for any new standards or interpretations that are not yet effective as at 31 December 2010. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on 1 January 2010 are set out in note 38.

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.

(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 policies in note 3 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 ("RUR"), 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 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.

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 2009, except for adoption of revised IFRS 3 *Business Combinations* (2008) and amended IAS 27 (2008) *Consolidated and Separate Financial Statements* with effect from 1 January 2010. The revisions address, among other things, accounting for step acquisitions, require acquisition-related costs to be recognised as expenses and remove the exception for changes in contingent consideration to be accounted for by adjusting goodwill. The revisions also address how non-controlling interests in subsidiaries should be measured upon acquisition and require the effects of transactions with non-controlling interests to be recognised directly in equity. Any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. The adoption of the revised and amended standards did not have any significant impact on the Group's consolidated financial statements. Certain insignificant comparative amounts have been reclassified to conform with the current year's presentation.

In its interim condensed consolidated financial information as at and for the nine and three months ended 30 September 2010 the Group accounted for its share in the Group's equity investments based on the financial information of associates as at and for the six months ended 30 June 2010. In these annual consolidated financial statements the reporting period of the Group and its associates was synchronised.

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 Company 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.

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, 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 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.

(v) ***Jointly controlled assets and operations***

The Group has certain contractual arrangements with other participants to engage in joint activities that do not in substance give rise to a jointly controlled entity. These arrangements involve the joint ownership of assets dedicated to the purposes of each venture. These contractual arrangements do not create a jointly controlled entity due to the fact that the joint venture operates under the policies of the venturers that directly derive the benefits of operation of their jointly owned assets, rather than deriving returns from an interest in a separate entity.

The consolidated financial statements include the Group's share of the assets in such joint ventures, together with the liabilities, revenues and expenses arising jointly or otherwise from those operations. All such amounts are measured in accordance with the terms of each arrangement, which are usually in proportion to the Group's interest in the jointly controlled assets or operations.

(vi) ***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.

(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. Foreign currency differences arising on retranslation are recognised in the statement of income, except for differences arising on the retranslation of available-for-sale equity instruments 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. 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, in whole or in part, the relevant amount of the currency translation reserve is transferred to the statement of income as part of the gain or loss on disposal.

(c) **Financial instruments**

(i) ***Non-derivative financial instruments***

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not classified as at fair value through profit or loss, 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.

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt 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.

Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(h)(i)), and foreign currency differences on available-for-sale equity instruments (see note 3(b)(i)), are recognised in other comprehensive income and presented within equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the statement of income.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities at initial recognition of three months or less.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. 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.

(ii) ***Derivative financial instruments***

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.

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.

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.

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 of any derivative instrument that does not qualify 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 (see note 3(o)). 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 electrolysers 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 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 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.

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.

(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.

(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 on 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 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 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 principally 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.

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 cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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 available-for-sale financial asset is calculated by reference to its fair value.

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 (note 3(a)(iv)) and its recoverable amount. 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. Any cumulative loss in respect of an available-for-sale financial asset recognised in the statement of comprehensive income, and presented in equity, is transferred to the statement of income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognised in the statement of comprehensive 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 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) **Dividends**

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(k) **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.

(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.

(l) **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.

(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.

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.

(m) **Revenue**

(i) ***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 and there is no continuing management involvement with the goods. This is generally when title passes.

In the majority of sales, sales 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.

(n) **Other expenses**

(i) ***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.

(o) **Finance income and expenses**

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, 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. Dividend income is recognised on the date that the Group's right to receive payment is established.

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.

Foreign currency gains and losses are reported on a net basis.

(p) **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 using the statement of financial position method, providing for 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. 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.

(q) **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 first is 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.

(r) **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 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.

(s) **Related parties**

For the purposes of the consolidated financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4 SEGMENT REPORTING

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 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 meets any of the quantitative thresholds for determining reportable segments.

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.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

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.

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.

(i) ***Reportable segments***

Year ended 31 December 2010

	Aluminium	**Alumina**	**Energy**	**Mining and Metals**	**Total segment result**
	USD million	*USD million*	*USD million*	*USD million*	*USD million*
Revenue from external customers	9,208	611	209	—	10,028
Inter-segment revenue	200	1,873	—	—	2,073
Total segment revenue	9,408	2,484	209	—	12,101
Segment profit	2,244	49	48	2,451	4,792
Impairment of non-current assets	(20)	(29)	—	—	(49)
Share of losses of associates	—	(16)	—	—	(16)
Share of losses of jointly controlled entities	—	—	(25)	—	(25)
Depreciation/amortisation	(394)	(86)	(7)	—	(487)
Non-cash income/(expense) other than depreciation	37	(31)	—	—	6
Additions to non-current segment assets during the year	234	115	3	—	352
Segment assets	11,635	2,232	110	10,671	24,648
Interests in associates	—	471	—	—	471
Interests in jointly controlled entities	—	—	1,136	—	1,136
Total segment assets					26,255
Segment liabilities	(2,462)	(363)	(18)	—	(2,843)
Total segment liabilities					(2,843)

Year ended 31 December 2009

	Aluminium	**Alumina**	**Energy**	**Mining and Metals**	**Total segment result**
	USD million	*USD million*	*USD million*	*USD million*	*USD million*
Revenue from external customers	6,770	438	149	—	7,357
Inter-segment revenue	123	1,446	—	—	1,569
Total segment revenue	6,893	1,884	149	—	8,926
Segment profit/(loss)	300	(223)	29	1,437	1,543
Impairment of non-current assets	(20)	(46)	—	—	(66)
Share of losses of associates	—	(20)	—	—	(20)
Share of profits of jointly controlled entities	—	—	151	—	151
Depreciation/amortisation	(450)	(116)	(10)	—	(576)
Non-cash expenses other than depreciation	114	39	—	(4)	149
Additions to non-current segment assets during the year	164	62	8	—	234
Segment assets	11,381	2,509	204	8,557	22,651
Interests in associates	—	401	—	—	401
Interests in jointly controlled entities	—	—	778	—	778
Total segment assets					23,830
Segment liabilities	(2,919)	(528)	(19)	—	(3,466)
Total segment liabilities					(3,466)

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

	Year ended 31 December	
	2010	**2009**
	USD million	*USD million*
Revenue		
Reportable segment revenue	12,101	8,926
Elimination of inter-segment revenue	(2,073)	(1,569)
Unallocated revenue	951	808
Consolidated revenue	10,979	8,165

	Year ended 31 December	
	2010	**2009**
	USD million	*USD million*
Profit		
Reportable segment profit	4,792	1,543
Impairment of non-current assets	(49)	(68)
Share of losses of associates	(16)	(20)
Share of (losses)/profits of jointly controlled entities	(25)	151
Finance income	99	1,321
Finance expenses	(1,529)	(1,987)
Unallocated expenses	(261)	(101)
Consolidated profit before taxation	3,011	839

	31 December 2010	**31 December 2009**
	USD million	*USD million*
Assets		
Reportable segment assets	26,255	23,830
Elimination of inter-segment receivables	(463)	(530)
Unallocated assets	733	586
Consolidated total assets	26,525	23,886

	31 December 2010 *USD million*	31 December 2009 *USD million*
Liabilities		
Reportable segment liabilities	(2,843)	(3,466)
Elimination of inter-segment payables	463	530
Unallocated liabilities	(12,689)	(14,618)
Consolidated total liabilities	(15,069)	(17,554)

(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 under construction 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 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.

	Revenue from external customers Year ended 31 December	
	2010	**2009**
	USD million	*USD million*
Netherlands	2,770	1,906
Russia	2,283	1,469
Turkey	867	467
Japan	663	413
USA	626	739
Norway	605	361
South Korea	427	507
Italy	266	171
Greece	250	102
Sweden	204	172
United Kingdom	181	250
Germany	139	118
Canada	—	12
Other countries	1,698	1,478
	10,979	8,165

	Specified non-current assets	
	31 December 2010	**31 December 2009**
	USD million	*USD million*
Russia	4,754	4,956
Ireland	312	302
Ukraine	270	241
Guinea	210	225
Sweden	147	141
Guyana	28	29
Unallocated	16,826	14,368
	22,547	20,262

5 REVENUE

	Year ended 31 December	
	2010	**2009**
	USD million	*USD million*
Sales of primary aluminium and alloys	9,208	6,770
Third parties	*4,798*	*4,172*
Related parties — companies capable of exerting significant influence	*4,117*	*2,418*
Related parties — companies under common control	*293*	*180*
Sales of alumina and bauxite	611	438
Third parties	*363*	*265*
Related parties — companies capable of exerting significant influence	*241*	*173*
Related parties — companies under common control	*7*	*—*
Sales of foil	293	243
Third parties	*283*	*239*
Related parties — companies under common control	*10*	*4*
Other revenue including chemicals and energy	867	714
Third parties	*589*	*512*
Related parties — companies capable of exerting significant influence	*15*	*11*
Related parties — companies under common control	*22*	*26*
Related parties — associates	*241*	*165*
	10,979	8,165

6 OTHER OPERATING EXPENSES

	Year ended 31 December	
	2010	**2009**
	USD million	*USD million*
Impairment loss on trade and other receivables	(18)	(92)
(Provision)/reversal of provision for legal claims	(15)	5
Reversal of tax provision/(tax provision)	46	(13)
Charitable donations	(9)	(4)
Other operating expenses	(74)	(62)
	(70)	(166)

7 FINANCE INCOME AND EXPENSES

	Note	Year ended 31 December 2010 *USD million*	2009 *USD million*
Finance income			
Interest income on third party loans and deposits		14	32
Interest income on loans to related parties — *companies under common control*		3	3
Foreign exchange gain		25	—
Revaluation of financial instruments	19	57	77
Gain on extinguishment of debt (c)		—	1,209
		99	1,321
Finance expenses			
Interest expense on bank loans wholly repayable within five years and other bank charges		(1,157)	(1,033)
Revaluation of derivative financial instruments	28, 30(c)(i)	(246)	(570)
Interest expense on company loans from related parties - *companies capable of exerting significant influence (b)*		(73)	—
Interest expense on deferred consideration - *companies capable of exerting significant influence (b)*		—	(163)
Listing and restructuring related expenses		(21)	(86)
Foreign exchange loss		—	(73)
Loss on disposal of financial investments (a)		(12)	—
Interest expense on provisions		(20)	(62)
		(1,529)	(1,987)

a) In September 2010 USD105 million of VAT recoverable for the Group's subsidiaries domiciled in Ukraine was converted at nominal value into 5-year Ukrainian government bonds with a yield of 5.5%. In November 2010 these bonds were sold in two tranches with a discount of 11.55%-11.9%, respectively, resulting in a loss on disposal of USD12 million.

b) Upon completion of the debt restructuring in December 2009 (refer to note 26(c)), deferred consideration payable to Onexim was partially converted into shares of the Company (refer to notes 17(a) and 25(f)), while the remaining part of the deferred consideration payable was classified as loans and borrowings in accordance with the terms of the debt restructuring. As a result, the Company has changed the presentation of interest expenses related to deferred consideration from "interest expense on deferred consideration — *companies capable of exerting significant influence*" to "interest expense on company loans from related parties — *companies capable of exerting significant influence*".

c) During the year ended 31 December 2009 the Group recognised a gain on extinguishment of debt in amount of USD1,209 million consisting of USD740 million related to restructuring of the deferred consideration (refer to notes 17(a) and 26) and USD469 million related to the extinguishment of existing debt and the recognition of the new debt at fair value at the date of restructuring (for details of the debt restructuring refer to note 26).

8 INCOME TAX

	Year ended 31 December	
	2010	**2009**
	USD million	*USD million*
Current tax — overseas		
Current tax for the year	200	82
(Over)/under provision in respect of prior years	(15)	9
Deferred tax		
Origination and reversal of temporary differences	(41)	(73)
Actual tax expense	144	18

Pursuant to the rules and regulations of Jersey, the Company is subject to income tax in Jersey at an applicable tax rate of 0%. 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 25%; Guinea of 0%; China of 25%; Kazakhstan of 20%; Australia of 31.3%; Jamaica of 33.3%; Ireland of 10%; Sweden of 26.3% and Italy of 37.25%. For the Group's subsidiaries domiciled in Switzerland the applicable tax rate for the year is the corporate income tax rate in the Canton of Zug, Switzerland, which differ depending on the company'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 2010 were 9.92% and 15.65% for different subsidiaries (31 December 2009: 10.1% and 16.5%). For a number of the Group's holding subsidiaries domiciled in Cyprus the applicable tax rate is 10%. For the Group's significant trading companies the applicable tax rate is 0%. The applicable tax rates for the year ended 31 December 2009 were the same as for the year ended 31 December 2010 except as noted above.

	Year ended 31 December			
	2010		**2009**	
	USD million	*%*	*USD million*	*%*
Profit before taxation	3,011	100%	839	100%
Income tax at tax rate applicable for Russian subsidiaries	602	20%	168	20%
Non-deductible expenses	2	0.1%	17	2%
Change in unrecognised deferred tax assets	(20)	(0.7%)	141	17%
(Over)/under-provision in prior years	(15)	(0.5%)	9	1%
Effect of different income tax rates	(425)	(14%)	(317)	(38%)
Actual tax expense	144	5%	18	2%

9 PROFIT FOR THE YEAR

Profit for the year is arrived at after charging/(crediting):

(a) Personnel costs

	Year ended 31 December	
	2010	**2009**
	USD million	*USD million*
Wages and salaries	990	902
Contributions to defined contribution retirement plans	116	120
Contributions to defined benefit retirement plans	10	(4)
	1,116	1,018

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	
	2010	**2009**
	USD million	*USD million*
Amortisation of intangible assets	17	17
Depreciation (net of amount included in inventories)	481	569
(Reversal of impairment losses)/impairment losses in respect of:		
- property, plant and equipment	37	68
- interests in associates	(1,399)	(929)
- interests in jointly controlled entities	—	(144)
Mineral restoration tax	21	30
(Decrease)/increase in provisions (including provisions for legal claims)	(11)	80
Auditors' remuneration	11	9
Operating lease charges in respect of property	8	16
Cost of inventories (note 22)	3,918	3,140

10 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the disclosure requirements of section 161 of the Hong Kong Companies Ordinance is as follow:

	Directors' fees	Salaries, allowances, benefits in kind and discretionary bonuses	Total
	USD thousand	*USD thousand*	*USD thousand*
Executive Directors			
Oleg Deripaska (note h)	—	69,837	69,837
Vladislav Soloviev (note (a))	—	4,070	4,070
Petr Sinshinov	—	6,097	6,097
Tatiana Soina (note (h))	—	3,676	3,676
Vera Kurochkina (notes (b) and (h))	—	343	343
Alexander Livshits (note (b))	—	189	189
Non-executive Directors			
Victor Vekselberg (Chairman)	834	—	834
Dmitry Afanasiev	203	—	203
Len Blavatnik	201	—	201
Ivan Glasenberg	232	—	232
Vladimir Kiryukhin (note (c))	153	—	153
Alexander Popov	199	—	199
Dmitry Razumov	232	—	232
Jivko Savov (note (d))	91	—	91
Vladislav Soloviev (note (a))	74	—	74
Anatoly Tikhonov	184	—	184
Igor Ermilin (note (e))	138	—	138
Artem Volynets (note (f))	110	—	110
Independent Non-executive Directors			
Nigel Kenny	345	—	345
Philip Lader	400	—	400
Elsie Leung Oi-Sie	199	—	199
Barry Cheung Chun-Yuen (note (g))	218	—	218
	3,813	84,212	88,025

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.

a) Vladislav Soloviev was re-designated from a Non-executive Director of UC RUSAL to an Executive Director of UC RUSAL with effect from 9 April 2010. He was appointed as First Deputy Chief Executive Officer of UC RUSAL and a member of the Executive Committee of UC RUSAL on the same date.

b) Vera Kurochkina, PR Director of the Company, and Alexander Livshits, Director for international and special projects, were appointed as members of the Board of Directors in November 2010.

c) Vladimir Kiryukhin resigned from his position as a member of the Board of Directors in November 2010.

d) Jivko Savov resigned from his position as a member of the Board of Directors in June 2010.

e) Igor Ermilin was appointed as a member of the Board of Directors in January 2010 and resigned in November 2010.

f) Artem Volynets was appointed as a Non-executive Director of the Company in June 2010 and received fees for his services as disclosed above. Prior to that date, Mr. Volynets held managerial position and was responsible for corporate strategy and business development of the Company.

g) Barry Cheung Chun-Yuen was appointed as an Independent Non-executive Director of the Company in January 2010.

h) Compensation of Executive Directors in the form of shares of the Company relates to services performed in connection with the Global Offering. The amounts were determined by reference to the market price per share of USD1.21 on the date of the Board of Directors' approval of the share issue and are as follows:

	Number of shares	**USD thousand**
Oleg Deripaska	50,625,000	61,320
Vera Kurochkina	215,993	262
Tatiana Soina	172,794	209

	Year ended 31 December 2009		
	Directors' fees	Salaries, allowances, benefits in kind and discretionary bonuses	Total
	USD thousand	*USD thousand*	*USD thousand*
Executive Directors			
Oleg Deripaska (note (a))	—	27,891	27,891
Petr Sinshinov (note (b))	—	423	423
Tatiana Soina (note (c))	—	1,053	1,053
Non-executive Directors			
Victor Vekselberg (Chairman)	494	—	494
Dmitry Afanasiev	187	—	187
Len Blavatnik	203	—	203
Alexander Bulygin (note (a))	139	—	139
Ivan Glasenberg	236	—	236
Vladimir Kiryukhin (note (f))	187	—	187
Michael Nossal (note (e))	221	—	221
Alexander Popov	187	—	187
Dmitry Razumov	281	—	281
Jivko Savov (note (g))	141	—	141
Vladislav Soloviev	280	—	280
Anatoly Tikhonov (note (g))	187	—	187
Independent Non-executive Directors			
Nigel Kenny	261	—	261
Philip Lader	262	—	262
Elsie Leung Oi-Sie (note (d))	16	—	16
Simon Thompson (note (e))	223	—	223
	3,505	29,367	32,872

(a) Oleg Deripaska became CEO of the Company with effect from 1 January 2009, replacing Alexander Bulygin, who was CEO of the Company and resigned from the position of CEO on 31 December 2008. Alexander Bulygin resigned from his position as a member of the Board of Directors in November 2009.

(b) Petr Sinshinov was appointed as an Executive Director in November 2009.

(c) Tatiana Soina was appointed as an Executive Director in November 2009.

(d) Elsie Leung Oi-Sie, an Independent Non-executive Director of the Company, was appointed as a member of the Board of Directors in November 2009.

(e) Michael Nossal and Simon Thompson resigned from their positions as members of the Board of Directors in November 2009.

(f) Vladimir Kirykhin was appointed as a member of the Board of Directors in June 2009.

(g) Jivko Savov and Anatoly Tikhonov were appointed as members of the Board of Directors in March 2009.

Retirement scheme contributions to the directors, who are members of management, are not dislcosed as the amount is considered not significant for either year presented. There are no retirement scheme contributions to non-executive directors.

11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two and two were directors during the years ended 31 December 2010 and 2009, respectively, 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	
	2010	**2009**
	USD thousand	*USD thousand*
Salaries and bonuses(*)	24,241	3,673

(*) Included in salaries and bonuses is remuneration in the form of shares of the Company for services performed in connection with the Global Offering. The amount of such bonus approximates USD5,384 thousand.

The emoluments of the other individuals with the highest emoluments are within the following bands:

	Year ended 31 December	
	2010	**2009**
	Number of individuals	*Number of individuals*
HK$8,000,001-HK$8,500,000 (US$1,000,001 — US$1,100,000)	—	1
HK$9,500,001-HK$10,000,000 (US$1,200,001 — US$1,300,000)	—	1
HK$10,000,001-HK$10,500,000 (US$1,300,001 — US$1,400,000)	—	1
HK$45,000,001-HK$50,000,000 (US$5,200,001 — US$5,800,000)	1	—
HK$55,000,001-HK$60,000,000 (US$7,100,001 — US$7,800,000)	1	—
HK$80,000,001-HK$85,000,000 (US$10,400,001 — US$11,030,000)	1	—

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 2010 and 2009.

The Company is subject to external capital requirements as described in note 26.

13 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The profit attributable to equity shareholders of the Company includes profits of USD510 million for the year ended 31 December 2010 and profits of USD1,049 million for the year ended 31 December 2009, which relate to the financial statements of the Company.

14 EARNINGS PER SHARE

The calculation of basic 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 2010 and 31 December 2009.

Weighted average number of shares:

	Year ended 31 December	
	2010	2009
Issued ordinary shares at beginning of the year	1,237,000	11,628
Effect of capitalisation issue (refer to note 25(a))	13,498,763,000	12,743,110,100
Issuance of shares on the Global Offering (refer to note 25(a))	1,491,175,287	—
Issuance of shares on warrant conversion (refer to note 25(a))	24,213,707	—
Effect of shares issued as compensation to management	52,460,578	—
Effect of share issuance (refer to note 25(a))	—	49
Effect of share subdivision (refer to note 25(a))	—	1,156,023
Weighted average number of shares at end of the year	15,067,849,572	12,744,277,800
Net profit for the year (USD million)	2,867	821
Earnings per share (USD)	0.19	0.06

	Year ended 31 December	
	2010	2009
Effect of warrants issuance	—	8,966,377
Weighted average number of shares at end of the year adjusted for warrants issuance	15,067,849,572	12,753,244,177
Diluted earnings per share (USD)	0.19	0.06

There were no outstanding dilutive instruments during the year ended 31 December 2010.

On 24 December 2009, the Company undertook a share split of 1:100 as further described in note 25(a). Immediately prior to the Global Offering, the Company issued 13,498,763,000 shares to its existing shareholders as a capitalisation share issue. These transactions have been given retroactive effect for the purposes of calculating earnings per share.

On 27 January 2010, the Company issued 1,610,292,840 ordinary shares upon the Global Offering and 26,070,806 ordinary shares on the conversion of the Fee Warrants (refer to note 25(a)).

The weighted average number of shares for the year ended 31 December 2010 includes the effect of the shares issued as compensation to management (refer to note 25(a)) from the date of Global Offering, 27 January 2010.

No dividends were declared and paid during the years presented.

15 PROPERTY, PLANT AND EQUIPMENT

USD million	Land and buildings	Machinery and equipment	Electro-lysers	Other	Mining assets	Construct-ion in progress	Total
Cost/Deemed cost							
Balance at 1 January 2009	3,522	5,569	1,340	171	672	1,467	12,741
Additions	6	12	114	3	1	103	239
Disposals	(5)	(29)	(11)	(3)	—	(65)	(113)
Transfers	108	66	87	(49)	—	(212)	—
Transfers to intangible assets	—	—	—	—	—	(19)	(19)
Foreign currency translation	(24)	(21)	(11)	(1)	(17)	(27)	(101)
Balance at 31 December 2009	3,607	5,597	1,519	121	656	1,247	12,747
Balance at 1 January 2010	3,607	5,597	1,519	121	656	1,247	12,747
Additions	1	2	140	3	—	215	361
Disposals	(25)	(16)	(2)	(3)	—	(2)	(48)
Transfers	39	135	23	—	16	(213)	—
Transfers to intangible assets	—	—	—	—	—	(3)	(3)
Foreign currency translation	(15)	10	(3)	—	(4)	(4)	(16)
Balance at 31 December 2010	3,607	5,728	1,677	121	668	1,240	13,041
Accumulated depreciation and impairment losses							
Balance at 1 January 2009	1,255	2,927	895	56	653	353	6,139
Depreciation charge	144	242	138	4	—	—	528
Impairment loss (note (a))	9	10	2	—	1	46	68
Disposals	(4)	(17)	(11)	(2)	—	(5)	(39)
Transfers	8	31	—	1	—	(40)	—
Foreign currency translation	1	1	(9)	(9)	(16)	(5)	(37)
Balance at 31 December 2009	1,413	3,194	1,015	50	638	349	6,659
Balance at 1 January 2010	1,413	3,194	1,015	50	638	349	6,659
Depreciation charge	94	240	159	12	—	—	505
Impairment loss (note (a))	6	2	—	—	—	29	37
Disposals	(2)	(14)	—	(2)	—	(1)	(19)
Transfers	3	21	—	—	8	(32)	—
Foreign currency translation	(12)	1	(2)	(1)	(4)	2	(16)
Balance at 31 December 2010	1,502	3,444	1,172	59	642	347	7,166
Net book value							
At 31 December 2009	2,194	2,403	504	71	18	898	6,088
At 31 December 2010	2,105	2,284	505	62	26	893	5,875

During the years ended 31 December 2010 and 2009, 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 2010 and 2009 are advances to suppliers of property, plant and equipment of USD112 million and USD132 million, respectively.

(a) **Impairment**

At 31 December 2010, management analysed changes in the economic environment and developments in the aluminium industry and the Group's operations since 31 December 2009 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 no impairment or reversal of previously recorded impairment should be recorded in these consolidated financial statements, except for impairment of specific items that were no longer considered recoverable of USD37 million and USD68 million at 31 December 2010 and 31 December 2009, respectively.

(b) **Security**

The carrying value of property, plant and equipment subject to lien under loan agreements was USD1,393 million as at 31 December 2010 (31 December 2009: USD866 million) refer to note 26.

(c) **The analysis of the net book value of properties is as follows:**

	The Group	
	31 December 2010	**31 December 2009**
	USD million	*USD million*
Owned properties		
In the Russian Federation	1,882	1,975
Outside the Russian Federation	223	219
	2,105	2,194
Representing		
Land and buildings	2,105	2,194

16 INTANGIBLE ASSETS

	Goodwill	Other intangible assets	Total
	USD million	*USD million*	*USD million*
Cost			
Balance at 1 January 2009	4,081	502	4,583
Additions	—	5	5
Disposals	—	(12)	(12)
Transfers from property, plant and equipment	—	19	19
Foreign currency translation	(70)	—	(70)
Balance at 31 December 2009	4,011	514	4,525
Balance at 1 January 2010	4,011	514	4,525
Additions	—	6	6
Disposals	—	(1)	(1)
Transfers from property, plant and equipment	—	3	3
Foreign currency translation	(18)	—	(18)
Balance at 31 December 2010	3,993	522	4,515
Amortisation and impairment losses			
Balance at at 1 January 2009	(67)	(329)	(396)
Amortisation charge	—	(17)	(17)
Balance at 31 December 2009	(67)	(346)	(413)
Balance at 1 January 2010	(67)	(346)	(413)
Amortisation charge	—	(17)	(17)
Balance at 31 December 2010	(67)	(363)	(430)
Net book value			
At 31 December 2009	3,944	168	4,112
At 31 December 2010	3,926	159	4,085

(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 principally 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 increased in 2007 as a result of the acquisition of SUAL and the Glencore Businesses.

(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 2010, management analysed changes in the economic environment and developments in the aluminium industry and the Group's operations since 31 December 2009 and performed an impairment test for goodwill at 31 December 2010 using the following assumptions to determine the recoverable amount of the segment:

- Total production was estimated based on adjusted sustainable production levels of 4.2 million metric tonnes of primary aluminium, of 7.7 million metric tonnes of alumina and of 13.7 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 USD2,472 per tonne for primary aluminium in 2011, USD2,503 in 2012, USD2,410 for 2013 and USD2,312 for 2014-2017 and thereafter. Operating costs were projected based on the historical performance of each cash generating unit and adjusted for planned cost reductions and estimated increases in certain costs, particularly electricity;

- Real foreign currency exchange rates applied to convert operating costs of the Group denominated in RUR into USD were RUR28.5 for one USD in 2011, RUR26.9 in 2012, RUR25.7 in 2013, RUR24.8 in 2014, RUR23.8 in 2015-2017 and thereafter. Inflation of 5.7% — 8.3% in RUR and 2.8% 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 11.4%.

- A terminal value was derived following the forecast period assuming a 2.8% 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 not lead to an impairment;

- A 5% increase in the projected level of operating costs would have resulted in a 34% decrease in the recoverable amount and would not lead to an impairment;

- A 1% increase in the discount rate would have resulted in a 9% change in the recoverable amount and would not lead to an impairment.

Based on results of impairment testing, management concluded that no impairment should be recorded in these consolidated financial statements as at 31 December 2010.

At 31 December 2009, management analysed changes in the economic environment and developments in the aluminium industry and the Group's operations since 31 December 2008 and performed an impairment test for goodwill at 31 December 2009 using the following assumptions to determine the recoverable amount of the segment:

- Total production was estimated based on adjusted sustainable production levels of 4.1 million metric tonnes of primary aluminium, of 7.8 million metric tonnes of alumina and of 11.7 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 USD2,101 per metric tonne for primary aluminium in 2010, USD2,181 in 2011, USD2,201 in 2012, USD2,286 for 2013-2016 and thereafter. Operating costs were projected based on the historical performance of each cash generating unit and adjusted for planned cost reductions and estimated increases in certain costs, particularly electricity;

- Real foreign currency exchange rates applied to convert operating costs of the Group denominated in RUR into USD were RUR29.50 for one USD in 2010, RUR25.80 for one USD in 2011, RUR24.30 for one USD in 2012, RUR23.20 for one USD in 2013-2016 and thereafter. Inflation of 3.5 — 8.5% in RUR and 2.8% 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 15.10%.

- A terminal value was derived following the forecast period assuming a 2.8% annual growth rate;

Based on results of impairment testing, management concluded that no impairment should be recorded in these consolidated financial statements as at 31 December 2009.

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 24% and would not lead to an impairment;

- A 5% increase in the projected level of operating costs would have resulted in a 20% decrease in the recoverable amount and would not lead to an additional impairment;

- A 1% increase in the discount rate would have resulted in a 10% change in the recoverable amount and would not lead to an additional impairment.

17 INTERESTS IN ASSOCIATES

	31 December	
	2010	**2009**
	USD million	*USD million*
Balance at beginning of the year	8,968	7,536
Acquired	—	23
Group's share of post acquisition profits/(losses) including reversal of impairment	2,435	1,417
Dividends received	(295)	—
Group's share of other comprehensive income	20	130
Foreign currency translation	23	(138)
Balance at end of the year	11,151	8,968
Goodwill included in interests in associates	5,602	5,585

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: Group's effective interest	Proportion of ownership interest: Group's nominal interest	Principal activity
OJSC MMC Norilsk Nickel	Incorporated	Russian Federation	190,627,747 shares, RUR1 par value	25.13%	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

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 2010				
100 per cent	24,056	6,140	14,204	4,401
Group's effective interest including post acquisition adjustments	12,918	1,864	3,527	1,036
31 December 2009				
100 per cent	22,962	8,530	10,943	2,274
Group's effective interest including post acquisition adjustments	13,520	2,698	2,959	488

(a) **OJSC MMC Norilsk Nickel**

In November 2007, the Group entered into a number of agreements with Onexim Holdings Limited relating to the purchase of a 25%+1 share in OJSC MMC Norilsk Nickel (thereafter "Norilsk Nickel"). On 24 April 2008, (the Completion date), the acquisition was completed for a total consideration of USD13,230 million including deferred consideration of USD2,700 million.

On 1 December 2009 the Group entered into an amendment agreement with Onexim Holdings Limited to restructure the outstanding deferred consideration in the amount of USD2,700 million plus accrued interest. In accordance with the amendment agreement, part of the Group's obligations with a nominal value of USD1,820 million was converted into ordinary shares of the Company representing approximately 6% of the Company's share capital post conversion. The remaining amount of USD880 million of deferred consideration plus interest is to be settled on terms similar to those agreed under the international override agreement (refer to note 26).

The Group engaged an independent appraiser to determine the fair values of assets acquired and liabilities assumed upon acquisition of the equity investment in Norilsk Nickel. The purchase price allocation resulted in goodwill of USD6,970 million recognised upon acquisition as part of the carrying value of investment in an associate.

The carrying value and market value of the Group's investment in Norilsk Nickel as at 31 December 2010 and 31 December 2009 were as follows:

	31 December 2010	**31 December 2009**
	USD million	*USD million*
Carrying value	10,671	8,557
Market value (a)	11,186	6,707

(a) Market value is determined by multiplying the quoted bid price per share on the Russian Trading System stock exchange on the year-end date by the number of shares held by the Group.

At 31 December 2010 the Group reassessed the recoverable amount of the Group's investment in Norilsk Nickel after application of the equity method of accounting. Changes in the economic environment including nickel and other industries as well as a significant appreciation of the share price of Norilsk Nickel resulted in full reversal of the remainder of the previously recognized impairment. The amount of reversal included in the Group's share in profits/(losses) and impairment of associates in 2010 was USD1,399 million (2009: USD929 million).

At the date of these consolidated financial statements the Group was unable to obtain consolidated financial statements of Norilsk Nickel as at and for the year ended 31 December 2010. Consequently the Group estimated its share in the profits and comprehensive income of Norilsk Nickel for the year ended 31 December 2010 at USD1,052 million and USD20 million, respectively based on the latest publicly available information reported by Norilsk Nickel adjusted by the Group to account for Norilsk Nickel's performance in the remaining part of the year. It is uncertain whether these estimates will require material adjustment once the consolidated financial statements of Norilsk Nickel become available.

18 INTERESTS IN JOINTLY CONTROLLED ENTITIES

The Group has the following movements in investments in jointly controlled entities:

	31 December 2010	2009
	USD million	*USD million*
Balance at the beginning of the year	778	506
Contributions to jointly controlled entities	441	176
Group's share of post acquisition (losses)/profits including reversal of impairment	(25)	151
Dividends received	(28)	(16)
Foreign currency translation	(30)	(39)
Balance at the end of the year	1,136	778

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: Group's effective interest	Group's nominal interest	Principal activity
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

Summary of the consolidated financial statements of jointly controlled entities — Group's effective interest is presented below:

	31 December 2010 *USD million*	31 December 2009 *USD million*
Non-current assets	1,183	1,066
Current assets	99	119
Non-current liabilities	(73)	(42)
Current liabilities	(73)	(365)
Net assets	1,136	778
Income	377	454
Expenses	(402)	(447)
(Loss)/profit for the year	(25)	7
Foreign currency translation differences for foreign operations	(30)	(39)

19 FINANCIAL INVESTMENTS

In the second half of 2008 the Group acquired a derivative financial instrument linked to the share price of Norilsk Nickel for a total consideration of USD554 million. Under the terms of the contract the Group had an option to acquire up to 5% of the issued shares of Norilsk Nickel from a third party on certain future dates at the market prices prevailing at those future dates.

In October 2009 the Group partially unwound this arrangement in respect of an option to acquire 3% of the shares of Norilsk Nickel and received consideration in respect of the unwinding of the option to acquire 0.13% of the shares of Norilsk Nickel, the value of which approximated USD23 million on the date of unwind. In August 2010 in accordance with the terms of the option, a proportion of the remaining instrument expired, the value of which approximated USD14 million. Management estimated the fair value of the remaining financial instrument at 31 December 2010 and 2009 at USD111 million and USD54 million, respectively. The change in fair value is included in "finance income" in the consolidated statement of income.

20 INVESTMENTS IN SUBSIDIARIES

The Company

	31 December 2010	31 December 2009
	USD million	*USD million*
Unlisted shares, at cost	25,821	23,043
Less: impairment	(6,906)	(8,356)
	18,915	14,687

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.

21 DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following temporary differences:

	Assets		Liabilities		Net	
USD million	**31 December 2010**	**31 December 2009**	**31 December 2010**	**31 December 2009**	**31 December 2010**	**31 December 2009**
Property, plant and equipment	50	35	(599)	(567)	(549)	(532)
Inventories	25	20	(3)	(11)	22	9
Trade and other receivables	8	10	(5)	(6)	3	4
Derivative financial liabilities	147	114	—	—	147	114
Others	102	60	(55)	(23)	47	37
Deferred tax assets/(liabilities)	332	239	(662)	(607)	(330)	(368)
Set off of deferred taxation	(247)	(95)	247	95	—	—
Net deferred tax assets/(liabilities)	85	144	(415)	(512)	(330)	(368)

(b) **Movement in deferred tax assets/(liabilities) during the year**

USD million	1 January 2009	Recognised in the statement of income	Foreign currency translation	31 December 2009
Property, plant and equipment	(523)	(9)	—	(532)
Inventories	56	(47)	—	9
Derivative financial liabilities	—	114	—	114
Trade and other receivables	4	—	—	4
Other items	13	15	9	37
Total	(450)	73	9	(368)

USD million	1 January 2010	Recognised in the statement of income	Foreign currency translation	31 December 2010
Property, plant and equipment	(532)	(17)	—	(549)
Inventories	9	13	—	22
Derivative financial liabilities	114	33	—	147
Trade and other receivables	4	(1)	—	3
Other items	37	13	(3)	47
Total	(368)	41	(3)	(330)

(c) **Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items:

	31 December 2010 *USD million*	31 December 2009 *USD million*
Deductible temporary differences	369	359
Tax loss carry-forwards	353	383
	722	742

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 2010** *USD million*	**31 December 2009** *USD million*
Without expiry	11	21
2020	3	—
2019	9	51
2018	13	13
2017	3	3
2016	2	2
2015	2	3
2014	64	64
2013	188	188
2012	22	2
2011	36	36
	353	383

(d) **Unrecognised deferred tax liabilities**

Retained earnings of the Group's subsidiaries where dividend distributions are subject to taxation included USD3,952 million and USD3,506 million as at 31 December 2010 and 31 December 2009, 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 2010 *USD million*	31 December 2009 *USD million*
Net income tax payable/(receivable) at the begining of the year	29	(12)
Income tax for the year	185	91
Income tax paid	(171)	(47)
Translation difference	(23)	(3)
	20	29
Represented by:		
Income tax payable	40	44
Prepaid income tax (note 23)	(20)	(15)
Net income tax payable	20	29

22 INVENTORIES

The Group

	31 December 2010 *USD million*	31 December 2009 *USD million*
Raw materials and consumables	1,104	954
Work in progress	690	621
Finished goods and goods held for resale	763	676
	2,557	2,251
Provision for inventory obsolescence	(128)	(101)
	2,429	2,150

Inventories at 31 December 2010 and 31 December 2009 are stated at cost.

Inventories with a carrying value of USD545 million and USD489 million were pledged as collateral for secured bank loans at 31 December 2010 and 31 December 2009, respectively (see note 26).

The analysis of the amount of inventories recognised as an expense is as follows:

	Year ended 31 December 2010 *USD million*	2009 *USD million*
Carrying amount of inventories sold	3,891	3,391
Write-down of inventories/(reversal of write-down)	27	(251)
	3,918	3,140

23 TRADE AND OTHER RECEIVABLES

The Group

	31 December 2010 *USD million*	**31 December 2009** *USD million*
Trade receivables from third parties	241	207
Impairment loss on trade receivables	(63)	(44)
Net trade receivables from third parties	178	163
Trade receivables from related parties, including:	35	63
Companies capable of exerting significant influence	*35*	*49*
Impairment loss	*(10)*	*(11)*
Net trade receivables from companies capable of exerting significant influence	*25*	*38*
Companies under common control	*7*	*20*
Impairment loss	*—*	*(1)*
Net trade receivables from entities under common control	*7*	*19*
Related parties — associates	*3*	*6*
VAT recoverable	474	617
Impairment loss on VAT recoverable	(49)	(54)
Net VAT recoverable	425	563
Advances paid to third parties	196	118
Impairment loss on advances paid	(6)	—
Net advances paid to third parties	190	118
Advances paid to related parties, including:	*55*	*59*
Related parties — companies capable of exerting significant influence	*1*	*—*
Related parties — companies under common control	*2*	*1*
Related parties — associates	*52*	*58*
Prepaid expenses	20	48
Prepaid income tax	20	15
Prepaid other taxes	17	37
Other receivables from third parties	101	117
Impairment loss on other receivables	(19)	(19)
Net other receivables from third parties	82	98
Other receivables from related parties, including:	36	74
Related parties — companies capable of exerting significant influence	*1*	*3*
Related parties — companies under common control	*19*	*13*
Related parties — associates	*16*	*58*
	1,058	1,238

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.

As at 31 December 2010, USD51 million of VAT recoverable of the Group subsidiary domiciled in Ukraine was reclassified from current to non-current assets as the Group did not expect to recover these amounts within the next 12 months. The impairment of the related carrying value of the outstanding VAT recoverable of USD12 million was included in the impairment of non-current assets in the consolidated statement of income.

(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 2010	**31 December 2009**
	USD million	*USD million*
Current	183	205
Past due 0-90 days	22	7
Past due 91-365 days	6	10
Past due over 365 days	2	4
Amounts past due	30	21
	213	226

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 2010	Year ended 31 December 2009
	USD million	*USD million*
Balance at the beginning of the year	(56)	(35)
Impairment loss recognised	(17)	(21)
Balance at the end of the year	(73)	(56)

As at 31 December 2010 and 31 December 2009, the Group's trade receivables of USD73 million and USD56 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 2010	31 December 2009
	USD million	*USD million*
Other receivables	29	38

24 CASH AND CASH EQUIVALENTS

The Group

	31 December 2010	31 December 2009
	USD million	*USD million*
Bank balances, USD	329	164
Bank balances, RUR	125	32
Bank balances, other currencies	17	12
Cash in transit	—	2
Short-term bank deposits	15	5
Cash and cash equivalents in the consolidated statement of cash flows	486	215
Restricted cash	5	21
Cash and cash equivalents in the statement of financial position	491	236

As at 31 December 2010 and 31 December 2009 included in cash and cash equivalents was restricted cash of USD5 million and USD21 million, respectively, for letters of credit pledged with the banks.

The Company

	31 December 2010 *USD million*	31 December 2009 *USD million*
Bank balances, USD	—	2

25 EQUITY

(a) Share capital

	31 December 2010		31 December 2009	
	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	12,370	1,237,000	11,628	11,628
Effect of capitalisation issue	134,987,630	13,498,763,000	—	—
Issuance of ordinary shares on the Global Offering	16,102,928	1,610,292,840	—	—
Issuance of shares on warrant conversion	260,708	26,070,806	—	—
Issuance of shares as compensation to management	566,512	56,651,216	—	—
Ordinary shares issued during the year	—	—	742	742
Effect of 1:100 share split	—	—	—	1,224,630
Ordinary shares at the end of the year of USD0.01 each, issued and paid	151,930,148	15,193,014,862	12,370	1,237,000

On 1 December 2009, the authorised share capital was increased from 11,628 to 13,500 ordinary shares of USD1.00 each and on 7 December 2009, 742 new ordinary shares were issued to Onexim Holdings Limited upon restructuring of the deferred consideration (refer to note 17(a)).

On 24 December 2009, the Company undertook a share split of 1:100 thereby increasing the number of authorised ordinary shares from 13,500 to 1,350,000 and the number of issued ordinary shares from 12,370 to 1,237,000.

Pursuant to the written resolutions of the Company's shareholders on 26 December 2009, the authorised share capital of the Company was increased from USD13,500, comprising 1,350,000 ordinary shares of USD0.01 each, to USD200,000,000, comprising 20,000,000,000 ordinary shares of USD0.01 each, in conjunction with the Global Offering.

On 27 January 2010, the Company successfully completed the Global Offering (refer to note 1). On completion of the placing the Company issued 1,636,363,646 new shares representing approximately 11% of the Company's issued and outstanding shares (the Company's issued share capital was increased to 13,500,000,000 shares immediately prior to the placing as a result of the capitalisation issue). The Company raised approximately USD2,188 million, net of related expenses of USD48 million, from the Global Offering of which USD2,143 million has been used to repay principal debt owed by the Company to its international and Russian lenders (excluding the State Corporation Bank for Development and Foreign Economic Affairs, referred further as "VEB") and Onexim. In addition to USD48 million directly related to the placement of the newly issued shares and recorded in equity, listing expenses of USD34 million were charged directly to the statement of income as these expenses related to the admission of the Company's entire share capital to trading on The Stock Exchange of Hong Kong Limited and Euronext Paris rather than placement of the new shares which resulted in additional equity. UC RUSAL also has paid fees to its international lenders and to Onexim in connection with the debt restructuring.

On 27 January 2010, 26,070,806 Fee Warrants with a carrying value of USD36 million were converted into the Company's ordinary shares and 110,292,840 Fee Warrants with a carrying value of USD153 million were settled by cash.

On 6 April 2010 the Company received consent from its international lenders in respect of the issuance of share-based compensation to its management and the CEO in connection with the Global Offering which took place in January 2010. The issue of shares was ratified by the Board on 13 April 2010. The Company issued 56,651,216 shares, representing 0.4% of its issued and outstanding share capital as compensation to its management and the CEO.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

In December 2010 the Company's Russian Depository Receipts ("RDRs") were listed on two leading stock exchanges of Russia, the Moscow Interbank Currency Exchange ("MICEX") and the Russian Trading System ("RTS"). RDRs are issued on common shares of the Company, admitted for trading on The Stock Exchange of Hong Kong Limited. Each RDR represents a right of its holder to receive 10 common shares. RDRs do not have any nominal value. There is no time limit on the issue of RDRs within the RDR programme. The Company's shareholders will be able to receive RDRs against the deposit of shares and, vice versa, RDR holders will be able to receive shares.

(b) **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 and cumulative unrealised gains and losses on its available-for-sale investments which have been recognised directly in equity.

(c) **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.

(d) **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).

(e) **Movement in components of equity within the Company**

USD million	**Share capital**	**Share premium**	**Additional paid-in capital**	**Accumulated losses**	**Total**
Balance at 1 January 2009	—	12,517	100	(9,357)	3,260
Total comprehensive income for the year	—	—	—	1,049	1,049
Shares issued upon restructuring of deferred consideration	—	1,124	—	—	1,124
Balance at 31 December 2009	—	13,641	100	(8,308)	5,433
Balance at 1 January 2010	—	13,641	100	(8,308)	5,433
Total comprehensive income for the year	—	—	—	510	510
Capitalisation issuance of shares	135	(135)	—	—	—
Shares issued upon Global Offering, net of related expenses	16	2,172	—	—	2,188
Shares issued on exercise of Fee Warrants	—	36	—	—	36
Issuance of shares as compensation to management	1	68	—	—	69
Other changes resulting from transactions under common control (refer to note 33(c))	—	—	676	—	676
Balance at 31 December 2010	152	15,782	776	(7,798)	8,912

(f) **Changes in equity**

On 1 December 2009 the Group entered into an amendment agreement in relation to a stock purchase agreement between the Group, Onexim Holdings Limited and certain other parties relating to the acquisition of shares in Norilsk Nickel to restructure the outstanding amount of deferred consideration in the amount of USD2,700 million plus accrued interest (refer to note 17(a)), by converting a portion of the deferred consideration with a nominal value of USD1,820 million into shares of the Company with the remaining USD880 million plus interest being payable on terms similar to those agreed under the international override agreement ("IOA"). The issue of additional shares resulted in an increase in share premium in the amount of USD1,124 million. The value of shares issued upon restructuring of the deferred consideration was determined by multiplying the number of shares issued, after giving effect to the share split and capitalisation share issue, by the price per share upon the Global Offering of USD1.39 per share.

26 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 2010	**31 December 2009**
	USD million	*USD million*
Non-current liabilities		
Secured bank loans	10,071	9,677
Unsecured bank loans	—	856
Unsecured company loans	531	584
	10,602	11,117
Current liabilities		
Secured bank loans	1,228	2,091
Unsecured bank loans	—	293
Unsecured company loans	102	216
Accrued interest	31	152
	1,361	2,752

Terms and debt repayment schedule as at 31 December 2010 (*)

	TOTAL	2011	2012	2013
	USD million	*USD million*	*USD million*	*USD million*
Secured bank loans				
Variable				
USD — Libor + 1.6%	99	33	33	33
USD — Libor + 4.5%	4,988	825	1,006	3,157
USD — Libor + 5%	4,516	—	—	4,516
EUR — EURIBOR + 4.5%	51	9	11	31
RUR — refinancing rate of RCB + 3%	540	103	112	325
Fixed				
USD — fixed at 7%	7	1	2	4
USD — fixed at 8%	578	116	123	339
USD — fixed at 8.35%	19	4	4	11
USD — fixed at 8.5%	354	107	114	133
EUR — fixed at 8.5%	147	30	32	85
	11,299	1,228	1,437	8,634
Unsecured company loans				
Variable				
USD - Libor + 4.5%	633	102	126	405
Total	11,932	1,330	1,563	9,039
Accrued interest	31	31	—	—
Total	11,963	1,361	1,563	9,039

(*) The debt repayment schedule presented in the table above is based on the expected repayments forecasted by the Company using the Group's financial model which considers the cash sweep mechanism stipulated in the international override agreement. These repayments exceed minimum repayment targets established in the international override agreement.

The secured bank loans are secured by pledges of shares of the following Group companies:

- 25%+1 share of Norilsk Nickel;
- 100% of the shares of Albaco;
- 100% of Khakas Aluminium Smelter;

- 100% of Tameko;
- 100% of Noirieux
- 5% of the Company's shares by the Company's four major shareholders pro rata to their shareholdings in the Company.
- 100% Bauxite & Alumina Mining Ventures Limited
- 100% Limerick Alumina Refining Limited
- 100% Auginish Alumina Limited
- 100% Eurallumina SpA
- 100% UC Rusal Jamaica Limited
- 100% UC Rusal Jamaica II Limited
- 100% of UC RUSAL Energy Limited
- 100% of UC RUSAL BOAZ Limited
- 100% Kubal
- 100% RUSAL Armenal
- 90% Bauxite Company of Guyana Inc
- 36% + 1 share of Rusal Achinsk
- 36% + 1 share of Rusal Novokuznetsk
- 36% + 1 share of SUAL
- 32.85% + 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 the following:

- Properties, plant and equipment with a carrying amount of USD1,393 million;
- Inventories with a carrying amount of USD545 million;

As at 31 December 2010 and 2009 rights, including all monies and claims, arising out of all sales contracts between the Group's trading subsidiaries and ultimate customers, were assigned to secure restructured international debt.

As at 31 December 2010 and 2009 rights, including all monies and claims, arising out of certain intra-group sales and tolling contracts between the Group's trading subsidiaries and smelters, were assigned to secure restructured international debt in case of occurrence of an event of default.

The nominal value of the Group's loans and borrowings was USD12,566 million at 31 December 2010.

(a) **Refinancing of the VEB Loan**

On 30 September 2010 the Savings Bank of the Russian Federation ("Sberbank") and the Company signed a new loan agreement to refinance the VEB loan of USD4,583 million (including interest capitalised on the principal amount) extending the maturity date to 7 December 2013. The maturity date may be extended by 18 months if the Company provides evidence that maturity of the debt owed by the Group to international lenders has been extended by an additional 3 years or refinanced for the same period.

The new loan bears interest rate of LIBOR 1Y plus 5% per annum, payable on a quarterly basis. Sberbank is entitled to increase the interest rate to up to LIBOR 1Y plus 7% per annum upon occurrence of certain events. The Group paid a one-time commission of 2% of the principal amount.

The new loan is guaranteed by VEB in the amount of USD2,250 million with the guarantee expiring on 30 January 2014. Under the guarantee, the Group will pay a commission of 1.5% per annum on the amount outstanding under the guarantee on a quarterly basis.

In connection with the refinancing of the VEB loan and as a condition to the international lenders of the Group granting the consents required under the IOA, the Company agreed to make certain amendments to the IOA. According to the amendments the Company is obliged to ensure that:

a) an amount equal to USD120 million will be repaid to the international lenders out of the net proceeds of disposals, equity and quasi equity fundraisings by no later than 30 June 2012. Such repayments shall not count towards the USD2.4 billion equity/quasi equity raising and asset disposal requirement currently set out in the IOA. The USD120 million repayment above relates to the amount of net proceeds required to be paid to the international lenders only (and so it is expected that the Company may need to raise more than this amount in order to satisfy its obligations to the Russian and Kazakh lenders and Onexim); and

b) an amount equal to USD148 million less the amount of the consent fee paid to the international lenders shall be repaid to the international lenders by way of voluntary repayments to be made in equal amounts on a quarterly basis during the remainder of 2010, 2011, 2012 and 2013. At the same time the Company may need to voluntarily prepay the same proportion to the Onexim, Russian and Kazakh facilities.

Further, in the event the Company is notified by Sberbank or otherwise becomes aware in accordance with the terms of new loan that the margin applicable to the new loan will exceed 5 per cent per annum, the Company will propose amendments to the IOA in order to ensure, to the

extent possible, that such an increase in the margin applicable to the new loan does not adversely affect the interests of the international lenders. In the event such amendments are not approved by the relevant majority of the international lenders by the date on which the margin applicable to the Sberbank loan increases, an event of default will occur under the IOA.

Terms and debt repayment schedule as at 31 December 2009 (*)

	TOTAL	**2010**	**2011**	**2012**	**2013**
	USD million	*USD million*	*USD million*	*USD million*	*USD million*
Secured bank loans					
Variable					
USD — Libor + 1.6% and less	132	33	33	33	33
USD — Libor + 7%	6,181	1,811	425	721	3,224
EUR — EURIBOR + 7%	71	21	5	8	37
RUR — refinancing rate of RCB + 3%	164	42	17	24	81
Fixed					
USD — fixed at 8%	9	2	1	1	5
USD — fixed at 8.49%	4,496	—	—	—	4,496
USD — fixed at 10.25%	715	182	74	100	359
Unsecured bank loans					
Variable					
RUR — refinancing rate of RCB + 3%	491	126	52	71	242
Fixed					
USD - fixed at 8%	436	110	44	59	223
USD - fixed at 8.35%	23	6	3	3	11
EUR - fixed at 8%	199	51	21	28	99
	12,917	2,384	675	1,048	8,810
Unsecured company loans					
Variable					
USD - Libor + 7%	800	216	53	94	437
Total	13,717	2,600	728	1,142	9,247
Accrued interest	152	152	—	—	—
Total	13,869	2,752	728	1,142	9,247

(*) The debt repayment schedule presented in the table above was based on the expected repayments forecasted by the Company using the Group's financial model which considers the cash sweep mechanism stipulated in the international override agreement. These repayments exceed minimum repayment targets established in the international override agreement.

The secured bank loans were secured by pledges of shares of the following Group companies:

- 25%+1 share of Norilsk Nickel;
- 100% shares of Gershvin Investments Corp Limited;
- 25% of RUSAL Bratsk;
- 25% of RUSAL Krasnoyarsk;
- 100% of the shares of Albaco;
- 100% of Khakas Aluminium Smelter;
- 100% of Tameko;
- 100% of Noirieux.
- 100% Bauxite & Alumina Mining Ventures Limited
- 100% Limerick Alumina Refining Limited
- 100% Auginish Alumina Limited
- 100% Eurallumina SpA
- 100% UC Rusal Jamaica Limited
- 100% UC Rusal Jamaica II Limited
- 100% of UC RUSAL Energy Limited
- 100% of UC RUSAL BOAZ Limited
- 100% Kubal
- 39% less 1 share of Rusal Achinsk
- 39% less 1 share of Rusal Novokuznetsk
- 39% less 1 share of SUAL
- 35% of Rusal Sayanogorsk

- 25% + 1 share of Rusal Bratsk
- 25%+1 share of Rusal Krasnoyarsk

The secured bank loans were also secured by the following:

- Properties, plant and equipment with a carrying amount of USD866 million;
- Inventories with a carrying amount of USD489 million;

(b) **Fair value of loans and borrowings**

The Group initially recognises loans and borrowings at fair value and subsequently measures them at amortised cost.

In December 2009 the Group restructured its loans and borrowings and deferred consideration payable to Onexim. On the date of restructuring the Group assessed whether the transaction should be accounted for as an extinguishment of debt. For this purpose the Group discounted the expected cash flows under the loan and other agreements subsequent to restructuring at interest rates established for each facility prior to restructuring. Where the difference between the discounted amount and the present value of an existing facility exceeded 10%, the Group accounted for the restructuring of such loans as an extinguishment of debt with the resulting gain recognised immediately in the statement of income.

The expected cash flows for loans and borrowings and deferred consideration following the restructuring were projected based on the Group's financial model which incorporates a cash sweep mechanism stipulated by the international override agreement and included restructuring and other related fees. As a result the Group concluded that loans and borrowings with the carrying value of USD7,442 million should be accounted for as extinguished debt.

The following significant assumptions were made in assessing the fair value of new debt replacing the extinguished amounts upon restructuring:

- The forecast repayment schedule, including interest and principal repayments and excluding restructuring and other related fees of USD287 million payable immediately as presented in the table below;
- The nominal interest rates, including cash and paid-in-kind interest were determined based on expected net debt to EBITDA ratios as presented in the table below; and

- The discount rate was determined by reference to the yield curve for securities with B- credit rating, which management believes to approximate the characteristics of the Group's loans and borrowings following the restructuring as presented in the table below.

Date	**Ratio of total net debt to Covenant EBITDA**	**Cash pay margin**	**PIK margin**	**Discount rate**	**Amount of repayment including principal, cash and PIK interest, USD million**
7.12.09-31.12.09	More than 15	1.75% p.a.	5.25% p.a.	10.29%	11
31.03.10	7.5 to 15	1.75% p.a.	3.75% p.a.	10.44%	1,644
30.06.10	4.0 to 7.5	2.25% p.a.	2.25% p.a.	10.58%	500
30.09.10	4.0 to 7.5	2.25% p.a.	2.25% p.a.	10.75%	235
31.12.10	4.0 to 7.5	2.25% p.a.	2.25% p.a.	10.88%	205
31.03.11	4.0 to 7.5	2.25% p.a.	2.25% p.a.	11.03%	92
30.06.11	4.0 to 7.5	2.25% p.a.	2.25% p.a.	11.18%	301
30.09.11	4.0 to 7.5	2.25% p.a.	2.25% p.a.	11.33%	251
31.12.11	3.0 to 4.0	3.00% p.a.	1.00% p.a.	11.48%	348
31.03.12	3.0 to 4.0	3.00% p.a.	1.00% p.a.	11.63%	78
30.06.12	3.0 to 4.0	3.00% p.a.	1.00% p.a.	11.78%	80
30.09.12	3.0 to 4.0	3.00% p.a.	1.00% p.a.	11.92%	82
31.12.12	3.0 to 4.0	3.00% p.a.	1.00% p.a.	12.07%	1,048
31.03.13	Less than 3.0	3.50% p.a.	n/a	12.22%	93
30.06.13	Less than 3.0	3.50% p.a.	n/a	12.37%	96
30.09.13	Less than 3.0	3.50% p.a.	n/a	12.52%	97
31.12.13	Less than 3.0	3.50% p.a.	n/a	12.67%	3,641

The resulting gain on extinguishment of debt of USD469 million, net of restructuring and other related fees of USD237 million was recognised in the statement of income in relation to loans and borrowings. In addition the Group recognised a gain on extinguishment of the deferred consideration payable to Onexim of USD740 million, net of restructuring fees of USD50 million, which includes a gain on conversion to shares of USD696 million and a gain on restructuring of the remaining amount payable of USD44 million.

A decrease in expected EBITDA by 10% results in an insignificant decrease of the fair value of debt.

Application of the yield curve applicable to securities with B and CCC+ credit rating would result in an increase/(decrease) of the fair value of debt by USD114 million and USD225 million, respectively.

The nominal value of the Group's loans and borrowings and deferred consideration was USD13,649 million and USD894 million at 31 December 2009.

(c) **Debt restructuring**

On 7 December 2009 the Group completed restructuring negotiations with its lenders, in order to establish financial stability and to put the necessary arrangements in place to allow the Group to meet its obligations when they fall due as part of ongoing operations. The restructuring arrangements contained a number of terms and conditions, including conditions subsequent. As part of the debt restructuring, the Group entered into an international override agreement with its international lenders implementing the long-term restructuring of the Group's debt to the international lenders with all conditions precedent having been satisfied by 7 December 2009 and signed amendments to the bilateral loan agreements with its Russian and Kazakh lenders providing for long-term restructuring of these loans on similar terms, except in the case of the loan agreement with VEB, which was then extended until 29 October 2010. On 30 September 2010, the VEB loan was refinanced with Sberbank, for details of refinancing refer to note 26(a) above.

The Group's main purpose of the debt restructuring was to match its principal repayment and interest payment obligations with its cash generating capacity in an appropriate way. The debt restructuring seeks to do this by: (1) deferring the maturity dates of the Group's principal repayment obligations (and, in the case of Onexim, converting a substantial liability into equity); (2) providing for earlier repayments of principal only out of excess cash flow and the proceeds of asset disposals and equity and subordinated and other debt fund raisings; and (3) providing for the capitalisation of significant portions of the Group's interest payment obligations while its ratio of total net debt to Covenant EBITDA (as defined in the override agreement) is high.

The details of the principal restructuring terms are set out below:

The international and Russian and Kazakh override agreements impose certain obligations on the Group during the override period (four years from the override date as defined in the international override agreement) and harmonises the pricing and amortisation schedules of existing facilities. The international override agreement contains standard financial covenants, including the maintenance of specified ratios, such as free cashflow to net finance charges, total net debt to Covenant EBITDA and total net debt to equity (as defined in the international override agreement), tested on a quarterly basis, and a minimum cash balance at USD100 million at the end of each calendar month. The Company paid an upfront fee to the restructuring lenders, including 0.5% of the lenders' exposure in cash and nominal strike warrants ("fee warrants") entitling the restructuring lenders to 1% of the Company's fully diluted share capital as at the effective date of the international override agreement.

In addition, the Group will be allowed to incur capital expenditure for maintenance within the limits as specified in the international override agreement and will be prohibited from incurring certain capital expenditure for development.

Margin

During the override period, the restructured debt bears interest at the currently applicable base rate (either LIBOR or Euribor depending on the denomination of the debt), plus a margin that varies depending on the ratio of total net debt to Covenant EBITDA (as defined in the international override agreement), and includes cash and payment-in-kind ("PIK") components, as follows:

Ratio of total net debt to Covenant EBITDA	**Total margin**	**Cash pay margin**	**PIK margin**
More than 15	7.00% p.a.	1.75% p.a.	5.25% p.a.
7.5 to 15	5.50% p.a.	1.75% p.a.	3.75% p.a.
4.0 to 7.5	4.50% p.a.	2.25% p.a.	2.25% p.a.
3.0 to 4.0	4.00% p.a.	3.00% p.a.	1.00% p.a.
Less than 3.0	3.50% p.a.	3.50% p.a.	N/A

Until the first interest period commencing after receipt of audited consolidated financial statements of the Group for the year ended 31 December 2009 the applicable total margin was set at 7.00% per annum, including a 1.75% per annum cash pay margin and a 5.25% per annum PIK margin. If a material event of default (breach of conditions subsequent, payment default or failure to meet event of default cumulative amount targets as defined in the international override agreement) has occurred, the applicable PIK margin will increase by 2% per annum, so long as the total margin does not exceed 7%.

During the year ended 31 December 2010, the Company reduced the applicable total margin to 5.5% per annum and then to 4.5% per annum.

Repayment

No fixed amortisation schedule applies during the override period, with all remaining debt outstanding becoming due at the end of the override period as referred to above. Following the override period, subject to certain conditions being met, the existing international lenders have agreed to provide new debt facilities on certain agreed terms. The Company has the option to refinance any indebtedness outstanding as at the end of the override period out of any other sources.

However, the net proceeds raised from asset disposals and equity, subordinated and other debt fund raisings (including the proceeds of the Global Offering) and excess cashflow (subject to the Group being allowed to retain a USD400 million cash buffer) must be applied to repay the Group's outstanding indebtedness on a pro rata basis.

Disposal and Equity Injection Undertakings, Debt Repayment Targets

The Company is obliged to dispose of assets and/or raise equity or subordinated debt by the end of the override period sufficient to generate net proceeds of at least USD2.4 billion. Compliance

with this obligation is tested only once, at the end of the override period. The Company is also obliged to ensure that the debt of the Group (other than debt from VEB, which was refinanced with Sberbank, for details of refinancing refer to note 26(a) above and Onexim) is repaid during the override period in the following amounts:

Test dates	**Target cumulative amount**	**Event of default cumulative amount**	**Percentage of share capital (a)**
	USD million		*%*
31 December 2010	1,400	750	0.75
30 September 2011	3,000	2,000	0.75
30 September 2012	4,000	3,000	1.25
End of override period	5,000	4,000	1.50

Note (a): percentage of share capital of the Company for which equity compensation warrants shall be issued is calculated on the relevant issue date without taking into account any warrants then in issue.

If the target cumulative amounts (as defined in the international override agreement) are not met and/or on the third and fourth test dates certain leverage ratios are not met, the Company will be obliged to issue zero strike warrants ("equity compensation warrants") to the international lenders representing equity in specified percentages. The issuance of such warrants would have an immediate dilutive effect on shareholders. Failure to meet the event of default cumulative amount targets will result in an event of default.

Dividends

The debt restructuring agreements restrict the Company's ability to pay dividends. In particular, dividends may not be paid until the Group's ratio of net debt to EBITDA is no more than 3 to 1 and its debts (excluding debt owed to VEB (the VEB loan was refinanced with Sberbank, refer to note 26(a) above) and Onexim) have been repaid by at least USD5 billion. Further, there should be no outstanding default under the international override agreement and the Group should be able to demonstrate that it has sufficient cash to pay the proposed dividends. If and when dividends become payable, they are limited to no more than 50% of the Group's annual net profit (excluding earnings, but including dividends, of Norilsk Nickel) in any one year.

Warrants

Warrants were automatically converted into the Company's shares for no more than their nominal value on the date of the Global Offering. International lenders had an option to require the Company to settle the fee warrants (issued on the first day of the override period) in cash in lieu of shares at a price per share equal to the offering price less commissions, fees and expenses relating to the Global Offering. Otherwise, shares into which warrants are converted following

the Global Offering would be subject to a lock-up of 180 days following the date of completion of the Global Offering (or such shorter lock-up period as may apply to the Company's shareholders). The fee warrants for which the lenders elected the cash settlement option have been settled in cash in the amount of USD153 million subsequent to 31 December 2009.

Equity compensation warrants that may be issued by the Company during the override period will be convertible into the Company's shares either at any further public offering of the Company's shares, upon a change of control or at the end of the override period. Shares for which warrants are exercised may be sold by the relevant lenders subject to the Company's right of first refusal.

Events of Default

The events of default include non-payment and non-compliance with financial covenants, repayment targets and conditions subsequent (see below). In addition the events of default include customary conditions such as government intervention, insolvency/insolvency proceedings, the agreement/compliance with the agreement becoming unlawful, change of business, change of control, misrepresentation, amendments of charter, cross-default and material adverse change. The events of default also include situations when there is an adverse outcome in litigation involving any member of the Group, except certain currently pending litigation or alleged claims, in excess of USD50 million in aggregate for that member of the Group.

The occurrence of an event of default may lead to acceleration and realisation by the lenders of the security provided, if the required majority of lenders so elects.

The Group is also required to continue to provide on a periodic basis various reports, certificates and other supporting documentation to the lenders during a certain set period after the override date.

The Company

	31 December	
	2010	**2009**
	USD million	*USD million*
Non-current liabilities		
Secured bank loans	8,140	8,275
Unsecured company loans	531	584
	8,671	8,859
Current liabilities		
Secured bank loans	713	1,560
Unsecured company loans	102	216
Unsecured loans from related parties	15	30
Accrued interest	25	148
	855	1,954

Terms and debt repayment schedule as at 31 December 2010

	TOTAL	**2011**	**2012**	**2013**
	USD million	*USD million*	*USD million*	*USD million*
Secured bank loans				
Variable				
USD - Libor + 4.5%	4,337	713	873	2,751
USD — Libor + 5%	4,516	—	—	4,516
	8,853	713	873	7,267
Unsecured company loans				
Variable				
USD - Libor + 4.5%	633	102	126	405
Total	9,486	815	999	7,672
Unsecured loans from related parties				
Interest free	15	15	—	—
	9,501	830	999	7,672
Accrued interest	25	25	—	—
Total	9,526	855	999	7,672

The secured bank loans are secured by pledges of shares of the following group companies:

- 25%+1 share of Norilsk Nickel;
- 5% of the Company's shares by the Company's four major shareholders pro rata to their shareholdings in the Company.

In accordance with the international override agreement the loans are secured by pledges of shares of the Group's subsidiaries as described above.

Terms and debt repayment schedule as at 31 December 2009

	TOTAL *USD million*	2010 *USD million*	2011 *USD million*	2012 *USD million*	2013 *USD million*
Secured bank loans					
Variable					
USD - Libor + 7%	5,339	1,560	362	621	2,796
Fixed					
USD — fixed at 8.49%	4,496	—	—	—	4,496
	9,835	1,560	362	621	7,292
Unsecured company loans					
Variable					
USD - Libor + 7%	800	216	53	94	437
Total	10,635	1,776	415	715	7,729
Unsecured loans from related parties					
Interest free	30	30	—	—	—
	10,665	1,806	415	715	7,729
Accrued interest	148	148	—	—	—
Total	10,813	1,954	415	715	7,729

The secured bank loans are secured by pledges of shares of the following group companies:

- 25%+1 share of Norilsk Nickel;
- 100% shares of Gershvin Investments Corp Limited;
- 25% of RUSAL Bratsk;
- 25% of RUSAL Krasnoyarsk;

In accordance with the international override agreement the loans are secured by pledges of shares of the Group's subsidiaries as described above.

27 PROVISIONS

USD million	Pension liabilities	Site restoration	Provisions for legal claims	Tax provisions	Total
Balance at 1 January 2009	184	251	64	63	562
Provisions made during the year	29	80	35	43	187
Provisions reversed during the year	(25)	(12)	(40)	(30)	(107)
Actuarial gains	(29)	—	—	—	(29)
Provisions utilised during the year	(18)	(6)	—	—	(24)
Foreign currency translation	(3)	—	—	—	(3)
Balance at 31 December 2009	138	313	59	76	586
Balance at 1 January 2010	138	313	59	76	586
Provisions made during the year	20	22	17	2	61
Provisions reversed during the year	(14)	(8)	(2)	(48)	(72)
Actuarial loss	6	—	—	—	6
Provisions utilised during the year	(15)	—	(34)	—	(49)
Foreign currency translation	(1)	(5)	—	—	(6)
Balance at 31 December 2010	134	322	40	30	526
Non-current	118	284	—	—	402
Current	16	38	40	30	124
	134	322	40	30	526

(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 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 2009 and 2010 was 57,659 and 63,451, respectively. The number of pensioners as at 31 December 2009 and 2010 was 32,010 and 30,270, respectively.

Group subsidiaries outside the Russian Federation and Ukraine

In Jamaica, the Group provided employees with a defined benefit pension plan and post-retirement medical benefits.

In Jamaica the Company owns 65% of Alumina Partners of Jamaica (Alpart) and 93% of West Indies Alumina Company (Windalco). During the year ended 31 December 2009, production at Alpart was halted and all employees were made redundant. From 1 June 2009 onwards, all contributions to the pension plan were halted. The pension plan is presently being wound-up. As at 31 March 2010, the pension plan of Windalco also entered into wind-up mode. In the winding-up, it is expected that Alpart and Windalco will receive a share of the surplus once all benefits are settled. For accounting purposes, both assets and liabilities have been set to equal zero as per the reporting date. Any surplus distributions to the employer will be recognised if and when information on the size of such a surplus allocation is reliably measured.

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 2010	31 December 2009
	USD million	*USD million*
Current service cost	7	9
Past service costs recognised during the year	3	(13)
Interest cost	20	29
Actuarial expected return on plan assets	(10)	(16)
Acquisitions/divestments	(14)	(6)
Net expense recognised in the statement of income	6	3

The reconciliations 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 2010	31 December 2009
	USD million	*USD million*
Present value of defined benefit obligations	272	315
Fair value of plan assets	(132)	(189)
Present value of obligations	140	126
Unrecognised past service cost	(6)	(9)
Assets not recognised	—	21
Net liability in the statement of financial position	134	138

Changes in the present value of the net liability are as follows:

	31 December 2010 *USD million*	31 December 2009 *USD million*
Net liability at beginning of the year	138	184
Net expense recognised in the statement of income	6	3
Contributions paid into the plan by the employers	(15)	(18)
Actuarial losses/(gains) charged directly to equity	6	(36)
Foreign currency translation	(1)	(2)
Changes in assets not recognised charged to the statement of comprehensive income	—	7
Net liability at end of the year	134	138

The change of the present value of the defined benefit obligations is as follows:

	31 December 2010 *USD million*	31 December 2009 *USD million*
Present value of defined benefit obligations at beginning of the year	315	362
Service cost	7	9
Interest cost	20	29
Actuarial losses/(gains)	11	(18)
Currency exchange losses	(11)	(5)
Past service cost	—	(13)
Contributions by employees	3	4
Benefits paid	(13)	(19)
Translation difference	(1)	(2)
Settlement and curtailment gain	(59)	(32)
Present value of defined benefit obligations at the end of the year	272	315

Movement in fair value of plan assets:

	31 December 2010 *USD million*	31 December 2009 *USD million*
Fair value of plan assets at the beginning of the year	189	191
Actuarial expected return on plan assets	10	16
Contributions paid into the plans by the employers	15	18
Contributions paid into the plans by the employees	3	4
Benefits paid by the plan	(13)	(19)
Settlements	(66)	(34)
Investment gains	5	18
Currency exchange losses	(11)	(5)
Fair value of plan assets at the end of the year	132	189

Actuarial gains and losses recognised in the consolidated statement of comprehensive income:

	Year ended 31 December 2010 *USD million*	Year ended 31 December 2009 *USD million*
Cumulative amount at beginning of the year	25	(4)
Recognised during the year	(6)	29
Cumulative amount at the end of the year	19	25

The principal assumptions used in determining the pension obligation for the Group's plans are shown below:

	31 December 2010 *% per annum*	31 December 2009 *% per annum*
Discount rate *(weighted average)*	6.5	8.7
Expected return on plan assets *(weighted average)*	5.5	8.8
Future salary increases *(weighted average)*	6.1	6.7
Future pension increases (weighted average)	2.2	2.5
Medical claims growth *(weighted average)*	—	15.0
Staff turnover *(weighted average)*	3.0	3.0

At 31 December 2010 the fair value of plan assets comprised investments in different asset categories as follows:

Asset class	*USD million*	*%*
Equity	50	38
Fixed income	54	41
Real estate	7	5
Cash equivalents	21	16
Total plan assets	132	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 2011.

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 2010, using the projected unit credit method as stipulated by IAS 19.

The key actuarial assumptions (weighted average, weighted by DBO) are as follows:

	31 December 2010 *% per annum*	**31 December 2009** *% per annum*
Discount rate	6.5	8.7
Expected return on plan assets	5.5	8.8
Future salary increases	6.1	6.7
Future pension increases	2.2	2.5
Medical claims growth	—	15.0
Staff turnover	3.0	3.0
Mortality	USSR population table for 1985, Ukrainian population table for 2000	USSR population table for 1985, Ukrainian population table for 2000, GAM94
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 2010 *USD million*	**31 December 2009** *USD million*
Present value of defined benefit obligations (DBO)	272	315
Fair value of plan assets	132	189
Deficit in plan	140	126

The actuarial valuation shows that the Group's obligations are 49% covered by the plan assets held as at 31 December 2010 (31 December 2009: 60%). As noted above, the Ukrainian, Russian and some minor overseas plans are completely unfunded, whereas the Irish overseas plan is partially funded.

(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 2010	**31 December 2009**
Timing of cash outflows	2011: USD38 million 2012 -2016: USD153million 2017-2027: USD73 million 2028-2095:USD342 million	2010: USD48 million 2011 -2016: USD144 million 2017-2027: USD63 million 2028-2095: USD336 million
Risk free discount rate before adjusting for inflation	2.06%	2.30%

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.

(c) **Provisions for legal claims**

The Group's subsidiaries are subject to a variety of lawsuits and claims in an ordinary course of business. As at 31 December 2010, 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 USD40 million (31 December 2009: USD59 million). The amount of claims, where management assesses outflow as possible approximates USD18 million (31 December 2009: USD32 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 2010, management of the Group assessed certain tax claims with high probability of outflow and decreased the provision by USD46 million. At each reporting date the Directors have assessed the provisions for taxation and concluded that the provisions and disclosures are adequate.

28 DERIVATIVE FINANCIAL LIABILITIES

In November and December 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 long-term contracts set forth maximum amounts of electricity and power to be supplied each year that represent expected volumes to be consumed by certain production companies of the Group which are parties to these contracts.

The pricing mechanism contained in the contracts includes a price-adjustment feature linked to quarterly average LME aluminium price, whereby the base price of electricity in the contract is increased by a certain ratio multiplied by the excess of an actual average LME aluminium price for the quarter over a set strike price. Whenever the actual average LME aluminium price for the quarter is equal or below a set strike price the price-adjustment feature is nil.

The strike price for one of the contracts has been set at 1,800 USD/tonne (or RUB54,000/tonne) for the entire duration of the contract and for the other two contracts the strike price has been set as follows:

Year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016 and after**
Strike price, USD/tonne	1,949	1,990	2,002	1,998	1,987	1,976	2,000

The Group concluded that the price adjustment feature linked to movements in the LME aluminium price is not clearly and closely related to the host contract and therefore represents an embedded derivative, which shall be separated from the host contract and accounted for at fair value.

The fair value of the embedded derivatives was valued using Monte-Carlo and Black Scholes models.

The fair value of the embedded derivatives at inception of the contracts were measured at nil. Subsequent changes in fair value of the embedded derivatives were derived based on the following significant assumptions which were based on the observable market data and management estimates:

	31 December 2010	**31 December 2009**
LME aluminium price at inception of the contracts	USD1,908/tonne	USD1,908/tonne
LME aluminium price at the reporting date	USD2,351/tonne	USD2,170/tonne
Historical aluminium price annual volatility	14.0% to 29.7%	19.4% to 33.4%
Annual growth rate for aluminium price forward contracts	0.05%	3.4%
Risk-free rate, adjusted for country risk premium of 1.77% at 31 December 2010 (31 December 2009: 1.84%)	1.9% to 5.4%	2.1% to 5.2%

The estimates of the fair value of the embedded derivatives are particularly sensitive to changes in the LME aluminium price. A change in the aluminium price by USD100/tonne would result in a change in fair value estimates of approximately USD237 million.

The following table illustrates the expected expiry of the embedded derivatives and related notional electricity volumes:

	31 December 2010		**31 December 2009**	
31 December	**Notional electricity volumes**	**Derivative financial liability**	**Notional electricity volumes**	**Derivative financial liability**
	KWh million	*USD million*	*KWh million*	*USD million*
2010	—	—	30,920	60
2011	44,418	78	44,418	61
2012	45,401	73	45,401	65
2013	45,353	94	45,353	63
2014	45,531	95	45,531	63
2015 and thereafter	220,663	398	220,663	258
	401,366	738	432,286	570

The revaluation of the embedded derivatives resulted in a loss of USD240 million and loss of USD570 million for the years ended 31 December 2010 and 2009, respectively, and is included in finance expenses. The loss recognised during the year ended 31 December 2010 is related primarily to a sharp increase in the LME price between 31 December 2010 and 31 December 2009 as well as the passage of time.

The contractual commitments to acquire electricity under the contracts have been disclosed in note 31 to the consolidated financial statements and were measured excluding the embedded derivative price-adjustment.

29 TRADE AND OTHER PAYABLES

	31 December 2010	**31 December 2009**
	USD million	*USD million*
Accounts payable to third parties	399	710
Accounts payable to related parties, including:	37	210
Related parties — companies capable of exerting significant influence	*19*	*83*
Related parties — companies under common control	*15*	*115*
Related parties — associates	*3*	*12*
Advances received	236	168
Advances received from related parties, including:	356	485
Related parties — companies capable of exerting significant influence	*292*	*429*
Related parties — companies under common control	*55*	*55*
Related parties — associates	*9*	*1*
Other payables and accrued liabilities	180	189
Other payable and accrued liabilities related parties, including:	23	47
Related parties — companies capable of exerting significant influence	*18*	*31*
Related parties — companies under common control	*—*	*12*
Related parties — associates	*5*	*4*
Other taxes payable	134	98
Non-trade payables to third parties	—	4
	1,365	1,911

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.

	31 December 2010	31 December 2009
	USD million	*USD million*
Due within twelve months or on demand	436	920

The Company

	31 December	
	2010	2009
	USD million	*USD million*
Trade and other payables	772	1,159

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

(a) Fair values

Management believes that, except as set out in the paragraph below, 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.

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 2010

The Group

	Level 1	**Level 2**	**Level 3**	**Total**
	USD million	*USD million*	*USD million*	*USD million*
Assets				
Financial investments	—	—	111	111
	—	—	111	111
Liabilities				
Derivative financial liabilities	—	—	738	738
	—	—	738	738

As at 31 December 2009

The Group

	Level 1	**Level 2**	**Level 3**	**Total**
	USD million	*USD million*	*USD million*	*USD million*
Assets				
Financial investments	—	—	54	54
	—	—	54	54
Liabilities				
Derivative financial liabilities	—	—	570	570
	—	—	570	570

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

Financial investments:	*USD million*
At 1 January 2009	—
Changes in fair value estimation recognised during the year	77
Partial unwind and settlement	(23)
Balance at 31 December 2009/1 January 2010	54
Changes in fair value estimation recognised during the year	57
Balance at 31 December 2010	111

Derivative financial instruments:	*USD million*
At 1 January 2009	—
Changes in fair value estimation recognised during the year	570
Balance at 31 December 2009/1 January 2010	570
Changes in fair value estimation recognised during the year	240
Realised portion of electricity contracts recognised in cost of sales	(75)
Foreign exchange loss	3
Balance at 31 December 2010	738

(b) **Financial risk management objectives and policies**

The Group's principal financial instruments comprise bank loans, overdrafts 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 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.

The Group does not apply hedge accounting in order to manage volatility in the statement of income.

(i) ***Commodity price risk***

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 (see note 28). The long-term contracts set forth maximum amounts of electricity and power to be supplied each year that represent expected volumes to be consumed by certain production companies of the Group which are parties to these contracts.

The estimates of the fair value of the embedded derivatives are particularly sensitive to changes in the London Metal Exchange ("LME") aluminium prices.

Other commodity derivatives

From time to time the Group enters into forward sales and purchase contracts for a portion of its anticipated primary aluminium sales and purchases to reduce the risk of fluctuating prices on these sales. During the years ended 31 December 2010 and 2009 the Group recognised a net loss of USD6 million and nil, respectively, in respect of such forward sales and purchase contracts.

The fair value of such derivative contracts outstanding at 31 December 2010 and 2009 was a net liability of USD3 million and a net asset of USD1 million, respectively.

(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 26). The Group's policy is to manage its interest cost 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.

	31 December 2010		**31 December 2009**	
The Group	**Effective interest rate %**	**USD million**	**Effective interest rate %**	**USD million**
Fixed rate loans and borrowings				
Loans and borrowings	7%-8.5%	1,105	8%-10.25%	5,878
		1,105		5,878
Variable rate loans and borrowings				
Loans and borrowings	1.9%-10.75%	10,827	2.27%-13.58%	7,839
		10,827		7,839
		11,932		13,717

The Company

	31 December 2010		**31 December 2009**	
	Effective interest rate %	**USD million**	**Effective interest rate %**	**USD million**
Fixed rate loans and borrowings				
Loans and borrowings	0%	15	0%-8.49%	4,526
		15		4,526
Variable rate loans and borrowings				
Loans and borrowings	4.8%-5.78%	9,486	7.67%	6,139
		9,486		6,139
		9,501		10,665

The following table demonstrates the sensitivity to cashflow 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 the same basis for all years presented.

The Group

	Increase/ decrease in basis points	**Effect on profit before taxation and equity for the year**
		USD million
As at 31 December 2010		
Basis percentage points	+20	(22)
Basis percentage points	-20	22
As at 31 December 2009		
Basis percentage points	+10	(8)
Basis percentage points	-10	8

(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 RUR, USD and Euros.

Borrowings are primarily denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily USD but also RUR and Euros. 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.

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.

	USD-denominated vs. RUR functional currency		RUR-denominated vs. USD functional currency		EUR-denominated vs. USD functional currency		Denominated in other currencies vs. USD functional currency	
As at 31 December	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	USD million	*USD* million	*USD* million	*USD* million	*USD* million	*USD* million	*USD* million	*USD* million
Non-current assets	—	—	11	40	12	—	—	3
Trade and other receivables	—	—	364	321	110	102	22	111
Cash and cash equivalents	6	—	98	22	15	3	12	4
Loans and borrowings	(573)	(719)	(405)	(492)	(163)	(219)	—	—
Provisions	—	—	(140)	(172)	(29)	(34)	(28)	(30)
Derivative financial liabilities	—	—	(535)	(404)	—	—	—	—
Non-current liabilities	(2)	—	—	—	(2)	—	—	—
Income taxation	—	—	(8)	(5)	(1)	(2)	(8)	(33)
Trade and other payables	(2)	(36)	(287)	(308)	(36)	(87)	(72)	(55)
Net exposure arising from recognised assets and liabilities	(571)	(755)	(902)	(998)	(94)	(237)	(74)	—

Foreign currency sensitivity analysis

The following tables indicate the instantaneous change in the Group's profit before taxation (and retained profits/(accumulated losses)) 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.

	Year ended 31 December 2010	
	Change in exchange rates	**USD million Gain/(loss)**
Depreciation of USD vs. RUR	5%	(17)
Depreciation of USD vs. EUR	5%	(5)
Depreciation of USD vs. other currencies	5%	(4)

	Year ended 31 December 2009	
	Change in exchange rates	**USD million Gain/(loss)**
Depreciation of USD vs. RUR	5%	(12)
Depreciation of USD vs. EUR	5%	(12)
Depreciation of USD vs. other currencies	5%	—

Results of the analysis as presented in the above tables represent an aggregation of the instantaneous effects on the Group entities' profit before taxation 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 cashflows (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.

The Group

	31 December 2010 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**TOTAL**	**Carrying amount**
	USD million	*USD million*	*USD million*	*USD million*	*USD million*	*USD million*
Trade and other payables to third parties	815	—	—	—	815	815
Trade and other payables to related parties	416	—	—	—	416	416
Derivative financial liabilities	78	73	285	302	738	738
Loans and borrowings	2,340	2,436	9,887	—	14,663	11,963
	3,649	2,509	10,172	302	16,632	13,932

31 December 2009						
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**TOTAL**	**Carrying amount**
	USD million	*USD million*	*USD million*	*USD million*	*USD million*	*USD million*
Trade and other payables to third parties	1,071	—	—	—	1,071	1,071
Trade and other payables to related parties	742	—	—	—	742	742
Derivative financial liabilities	60	61	190	259	570	570
Loans and borrowings	3,806	1,674	12,539	—	18,019	13,869
	5,679	1,735	12,729	259	20,402	16,252
Financial guarantees issued:						
Maximum amount guaranteed	260	—	—	—	260	—

The Company

	31 December 2010					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**TOTAL**	**Carrying amount**
	USD million	*USD million*	*USD million*	*USD million*	*USD million*	*USD million*
Trade and other payables to third parties	4	—	—	—	4	4
Trade and other payables to related parties	768	—	—	—	768	768
Loans and borrowings, including interest payable	1,657	1,726	8,349	—	11,732	9,526
	2,429	1,726	8,349	—	12,504	10,298

	31 December 2009					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**TOTAL**	**Carrying amount**
	USD million	*USD million*	*USD million*	*USD million*	*USD million*	*USD million*
Trade and other payables to third parties	249	—	—	—	249	249
Trade and other payables to related parties	910	—	—	—	910	910
Loans and borrowings, including interest payable	2,751	1,147	10,190	—	14,088	10,813
	3,910	1,147	10,190	—	15,247	11,972
Financial guarantees issued:						
Maximum amount guaranteed	260	—	—	—	260	—

(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 23. The extent of the Group's credit exposure is represented by the aggregate balance of financial assets and financial guarantees given. Information on financial guarantees is disclosed in note 31(f).

At 31 December 2010 and 2009, the Group has certain concentrations of credit risk as 3.8% and 9.6% of the total trade receivables were due from the Group's largest customer and 4.8% and 13.1% of the total trade receivables were due from the Group's five largest customers, respectively.

With respect to credit risk arising from guarantees, the Group's policy is to provide financial guarantees only to wholly-owned subsidiaries and associates. The details of the guarantees outstanding are disclosed in note 31(f).

(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 within this report.

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 USD2,051 million by the end of 2015 (31 December 2009: USD1,778 million). As at 31 December 2010 the outstanding commitment of the Group for construction of the aluminium plant was approximately USD856 million to be committed by the end of 2015 (31 December 2009: USD708 million) and the outstanding commitment for the hydropower station construction was USD279 million to be committed by the end of 2012 (31 December 2009: USD373million).

In July 2010, VEB had approved project financing of RUR50 billion (approximately USD1.7 billion) for the completion of the construction of the BEMO Project. In December 2010, project financing agreements were signed between VEB and the companies of the BEMO Project in the total amount of RUR50 billion. As part of the financing arrangement the Group pledged the following shares of the companies within the BEMO Project: 50% of BALP Limited, 49% of CJSC ZS BoAZ, 51% of CJSC OS BoAZ, 49% of CJSC OS BoGES, 51% of CJSC ZS BoGES. The project financing is also secured by the pledge of 93.72% of OJSC BoGES, 100% of CJSC BoAZ and certain items of property, plant and equipment and other assets of the above companies. These companies are held by the Group and OJSC RusHydro through a number of jointly controlled entities. Under the terms of financing, the hydropower station and the aluminium plant receive funds directly from VEB. In December 2010 and subsequent to the year end the companies of the BEMO project have drawn USD88 million of the project financing.

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 2010 and 2009 approximated USD524 million and USD599 million, respectively. These commitments are due over a number of years.

(b) **Purchase commitments**

Commitments with third parties for purchases of alumina in 2011-2016 under supply agreements are estimated from USD3,782 million to USD3,905 million at 31 December 2010 (31 December 2009: USD4,477 million to USD5,019 million) depending on the actual purchase volumes and applicable prices.

Commitments with related parties for purchases of alumina, bauxite and other raw materials in 2011 under supply agreements are estimated as USD30 million at 31 December 2010 (31 December 2009: USD5 million to USD6 million). These commitments will be settled at the market price at the date of delivery. Commitments with third parties for the purchase of transportation services in 2011 — 2012 under long-term agreements are estimated from USD192 million to USD218 million at 31 December 2010 (31 December 2009: USD146 million to USD167 million). Commitments with related parties for purchases of transportation services in 2011 are estimated as nil at 31 December 2010 (31 December 2009: USD14 million).

The Group has committed to purchase electricity during the years 2011 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 2010 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	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Volumes, KWh million	44,418	45,894	45,898	46,128	46,384	46,735	46,900	46,952	18,300	18,300
timated value, USD million	357	378	381	386	391	397	401	406	100	104

(c) **Sale commitments**

Commitments with third parties for sales of alumina, bauxite and other raw materials in 2011 - 2014 are estimated from USD1,348 million to USD1,581 million at 31 December 2010 (31 December 2009: USD1,684 million to USD1,807 million) and will be settled at market prices at the date of delivery. Commitments with related parties for sales of alumina, bauxite and other raw materials in 2011 — 2012 are estimated from USD305 million to USD306 million at 31 December 2010 (31 December 2009: USD480 million).

Commitments with related parties for sales of primary aluminium in 2011 - 2016 are estimated to range from USD4,730 million to USD6,056 million at 31 December 2010 (31 December 2009: USD3,249 million to USD4,243 million). Commitments with third parties for sales of primary aluminium in 2011 - 2016 are estimated to range from USD1,210 million to USD1,478 million at 31 December 2010 (31 December 2009: USD43 million to USD53 million). These commitments will be settled at market price at the date of delivery.

(d) **Operating lease commitments**

Non-cancellable operating lease rentals are payable as follows:

	31 December 2010	**31 December 2009**
	USD million	*USD million*
Less than one year	3	5
Between one and five years	18	22
	21	27

(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.

(f) **Guarantees**

The Group is a guarantor of indebtedness of several non-Group controlling shareholder related entities. At 31 December 2010 the Group, either directly or indirectly, has guaranteed promissory notes payable of USD34 million (31 December 2009: USD38 million).

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 2010 and 2009 is USD403 million and USD439 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.

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 the consolidated financial statements (see note 27(c)).

In May 2009, the Government of the Republic of Guinea filed a claim against one of the Group's subsidiaries of USD1,000 million contesting the terms of privatisation of the Group's subsidiaries in Guinea. Subsequent to 31 December 2009, the Group 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. Management continues to believe that the claim has no merit and the risk of any cash outflow in connection with this claim is low and therefore no provision has been recorded in this regard in these 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+. Neither the Company nor any of its subsidiaries is a party to this dispute which is entirely between two individuals, Mr. Cherney and Mr. Deripaska. The Company has not had access to non-public information about the case and is not privy to the litigation strategy of either party or the prospects of settlement. The claim relates to the alleged breach or repudiation by Mr. Deripaska of certain alleged contractual commitments to sell for Mr. Cherney's benefit 20% of Russian Aluminium ("RA"), an entity that the claim does not formally identify, but which may be Rusal Limited, now a wholly-owned direct subsidiary of the Company.

Proceedings with respect to the merits of the claim have not yet commenced. At present, there is considerable uncertainty as to the possible scope and the potential outcomes in the case and how, if at all, the Company and/or its subsidiaries and/or its or their respective assets might be affected by any decision against Mr. Oleg V. Deripaska. However since neither the Company nor any of its subsidiaries or investees, nor any direct shareholders in the Company, is currently a party in this case and Mr. Oleg V. Deripaska has informed the Company that he strongly denies and will vigorously resist Mr. Cherney's claim, the Company believes that the risk of outflow of any significant economic benefits or any significant adverse impact on the Group's financial position or results of its operations as a result of this claim is low.

(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 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	
	2010	**2009**
	USD million	*USD million*
Salaries and bonuses	73	46
Share-based and cash compensation to management in connection with the Global Offering	72	—
	145	46

(b) Transactions with associates and joint ventures

Sales to associates are disclosed in note 5, trade receivables from associates are disclosed in note 23 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 AG 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 23, cash and cash equivalents are disclosed in note 24, 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 25.

Purchases of raw materials and services from related parties and interest income and expense are recurring and for the year were as follows:

	Year ended 31 December	
	2010	**2009**
	USD million	*USD million*
Purchases of raw materials — companies under common control	165	124
Purchases of alumina, bauxite and other raw materials — companies capable of exerting significant influence	142	133
Purchases of raw materials — associates	1	—
Energy costs — companies under common control	520	408
Energy costs — companies capable of exerting significant influence	153	206
Other costs — companies under common control	6	5
Other costs — associates	141	112
	1,128	988

The Company

	31 December	
	2010	**2009**
	USD million	*USD million*
Investments in subsidiaries	18,915	14,687
Loans to related parties (group companies) *(i)*	1,832	2,657
Trade and other receivables from related parties	15	15
Loans and borrowings from related parties	650	900
Trade and other payables to related parties	768	910
Other non-current liabilities *(ii)*	1,578	—

(i) Loans given to group companies are unsecured and bear interest at rates ranging from 0% to Libor + 0.9% - 4.5% per annum. Of the total balance, USD1,815 million of loans to related parties was repayable on demand with the remaining balance repayable in 2012.

(ii) Included in other non-current liabilities is a payable for 1,600 ordinary shares newly 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. Upon initial recognition the fair value of the payable was determined by discounting at applicable current interest rates at USD1,057 million with a resultant difference between nominal and fair value recorded directly in equity of the Company. The carrying value of the payable balance as at 31 December 2010 is USD1,158 million.

The remainder of non-current liabilities represents a promissory note payable issued by the Company to a subsidiary in amount of USD553 million, bearing zero interest and repayable on demand but not earlier than 10 December 2013. 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 2010 approximates the fair value upon initial recognition.

(d) **Related parties balances**

At 31 December 2010 included in non-current assets are balances of USD38 million related to companies which are related parties (31 December 2009: USD41 million).

At 31 December 2010 and 31 December 2009, the amount of unsecured company loans including interest payable of USD2 million and USD70 million to a related party amounted to USD635 million and USD870 million, respectively (refer to note 26).

(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.

34 PARTICULARS OF SUBSIDIARIES

As at 31 December 2010 and 2009, 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
Guinea Investing Company Limited, Ltd.	British Virgin Islands	16 July 1999	600 shares of USD 1 each	100.0%	Bauxite mining and alumina
OJSC RUSAL Achinsk	Russian Federation	20 April 1994	4,188,531 shares of RUR 1 each	100.0%	Alumina

Name	Place of incorporation and operation	Date of incorporation	Particulars of issued and paid up capital	Attributable equity interest	Principal activities
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 RUR 1 each	100.0%	Alumina
Eurallumina 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 RUR 0.2 each	100.0%	Smelting
OJSC RUSAL Krasnoyarsk	Russian Federation	16 November 1992	85,478,536 shares of RUR 20 each	100.0%	Smelting
OJSC RUSAL Novokuznetsk	Russian Federation	26 June 1996	53,997,170 shares of RUR 0.1 each	100.0%	Smelting
OJSC RUSAL Sayanogorsk	Russian Federation	29 July 1999	59,902,661,099 shares of RUR 0.068 each	100.0%	Smelting
Khakas Aluminium Smelter Ltd	Russian Federation	23 July 2003	charter fund of RUR10,077,594,515.7	100.0%	Smelting
CJSC Alu c om-Taishet	Russian Federation	18 September 2000	8,804 shares of RUR 15,000 each	100.0%	Smelting
RUSAL Resal Ltd	Russian Federation	15 November 1994	charter fund of RUR27,951,217.29	100.0%	Processing
OJSC RUSAL SAYANAL	Russian Federation	29 December 2001	59,902,661,099 shares of RUR 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 RUR2,026,200,136.37	100.0%	Repairs and maintenance
OJSC Russian Aluminium	Russian Federation	25 December 2000	23,124,000,000 shares of RUR 1 each	100.0%	Holding company
Investment and management Ltd	Russian Federation	6 December 2002	charter fund of RUR881,939,909.75	100.0%	Management company
Rusal Global Management B.V.	Russian Federation	8 March 2001	charter fund of RUR50,000	100.0%	Management company
OJSC United Company RUSAL Trading House	Russian Federation	15 March 2000	163,660 shares of RUR 100 each	100.0%	Trading
Rusal America Corp.	USA	29 March 1999	1,000 shares of USD 0.01 each	100.0%	Trading

Name	Place of incorporation and operation	Date of incorporation	Particulars of issued and paid up capital	Attributable equity interest	Principal activities
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 Aluminii	Russian Federation	13 February 2003	1,703,000,000 shares of RUR 1 each	100.0%	Alumina
OJSC Bauxite-Timana	Russian Federation	29 December 1992	44,500,000 shares of RUR 10 each	80.0%	Bauxite mining
OJSC Severo-Uralsky Bauxite Mine	Russian Federation	24 October 1996	2,386,254 shares of RUR 275.85 each	100.0%	Bauxite mining
OJSC SUAL	Russian Federation	26 September 1996	2,542,941,932 shares of RUR 1 each	100.0%	Primary aluminum and alumina production
OJSC Zaporozhye Aluminum Combine (“ZALK”)	Ukraine	30 September 1994	622,729,120 shares of RUR 0.25 each	98.0%	Primary aluminum and alumina production
SUAL-PM LLC	Russian Federation	20 October 1998	charter fund of RUR56,300,959	100.0%	Aluminum powders production
CJSC Kremniy	Russian Federation	3 August 1998	320,644 shares of RUR 1,000 each	100.0%	Silicon production
SUAL-Kremniy-Ural LLC	Russian Federation	1 March 1999	charter fund of RUR 8,763,098	100.0%	Silicon production
Aluminium Silicon Marketing GmbH	Switzerland	20 November 2000	1 share of CHF2,000,000	100.0%	Trading
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

Trading entities are engaged in the sale of products to and from the production entities.

(a) owns a 93% interest in the Windalco jointly owned mine and refinery.

(b) owns a 65% interest in the Alpart jointly owned mine and refinery.

35 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2010, 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

On 3 March 2011, one of the Group's subsidiaries issued 15 million rouble denominated bonds with a par value of 1,000 roubles each on MICEX. Maturity of the bonds is seven years subject to a put option exercisable in three years. Simultaneously, the Group entered into a cross-currency swap with an unrelated financial institution whereby the RUB-denominated bonds with semi-annual coupon payments of 8.3% p.a. were transformed into a USD obligation with a matching maturity of USD530 million bearing interest at 5.13% per annum. The proceeds of the bond issue were used for repayment of part of the Group's outstanding debts.

On 31 December 2010 several aluminium producing subsidiaries of the Group domiciled in Russia entered into Agreements on Provision of Capacity ("APCs") with the Center of Financial Settlements ("CFS"), the System Operator of the United Energy System ("SO"), the Administrator of the Wholesale Energy Trading System ("ATS") and the Market Council on Organization of effective Wholesale and Retail trading of Electricity and Capacity (the "Market Council").

The APCs represent a new form of providing long-term access to guaranteed generation capacity on the wholesale market in Russia. The APCs represent a commitment from generators to construct and provide new capacity over next 10-30 years, and for wholesale customers to contract for such capacity. APCs will partially replace the short-term capacity contracts currently entered into by the Company where the pricing is determined on the basis of available bids and offers. The pricing for APCs is approved by the regulator in a uniform manner for all participants in the wholesale market whereby the prices for future capacity are calculated by reference to the suppliers' operating and capital expenditure and a certain pre-defined margin.

The Group expects that the capacity purchased under the APCs will be utilised in the regular production process and estimates that the purchase commitments will not exceed USD54 million in 2011, partially replacing capacity that would otherwise be purchased on a short-term basis. The estimate is derived based on the information currently available from ATS.

The Group is also evaluating available alternatives to the APCs and is currently in discussion with the relevant governmental authorities regarding a possibility to replace the commitments arising under the APCs by construction projects whereby the Group would act as the investor and ultimately the owner of the newly constructed capacity. The Group expects the discussions to conclude in 2011.

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 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 (see '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. 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 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 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 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, provisions — in note 27 and financial investments — in note 19. 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.

	Effective for accounting periods beginning on or after
Revised IAS 24, Related party disclosures	1 January 2011
IFRS 9, Financial Instruments	1 January 2013
Amendment to IAS 12, Income taxes	1 January 2012
Improvements to IFRS	1 January 2011

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

There has been no purchase, sale or redemption of UC RUSAL's listed securities during 2010 by UC RUSAL and any of its subsidiaries.

Code of Corporate Governance Practice

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

UC RUSAL formally adopted a corporate governance code which is based on the Code on Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules ("CG Code") on 11 November 2010. The directors consider that save as set out below, UC RUSAL has complied with the code provisions of the CG Code during the period commencing 27 January 2010 and ending on the date of this announcement.

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 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 UC RUSAL with no fixed term agreed. However, UC RUSAL has substantially addressed these requirements by enshrining a term in its Articles of Association ("Articles"). 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.

A1.8 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 not be dealt with by way of circulation or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a board meeting) but a board meeting should be held. Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meetings."

Due to the size and nature of the Board, physical meetings are scheduled approximately every two months where significant business is discussed and decided upon and, in particular, efforts are made at each meeting to include, discuss and resolve upon connected transactions and transactions in which directors may be interested due to their affiliation with major shareholders. However, UC RUSAL transacts on a regular, and usually daily, basis with affiliated entities of certain of its major shareholders and, accordingly, requires the Board to make decisions on certain matters before a next scheduled physical meeting of the Board. This is due, in large part, to the fact that the Group was born out of a merger of the aluminium and alumina assets of En+[24], SUAL Partners[25] and Glencore[26], who remain major players in those and other connected industries and continue to transact with the Group. In order to continue its business, UC RUSAL needs to continue to regularly transact with these major shareholders and entities affiliated to them and, accordingly, directors may have corresponding interests by virtue of their directorships or beneficial ownership of those major shareholders. If all decisions on such transactions were dealt with by physical meetings of the Board, UC RUSAL would struggle to continue to operate which would be detrimental to the Group and the shareholders as a whole. As a result, in 2010, there were several instances where written resolutions were circulated involving business in which directors or substantial shareholders had interests that were considered material by the Board.

Where written resolutions have been passed during the financial year, UC RUSAL has sought to comply with the spirit of A1.8 of the CG Code by adopting the following procedures: directors have declared interests by having them noted in written resolutions and either (a) pursuant to the Articles, where their interests have been determined by the Board, acting by the independent non-executive directors, to be not material (in other words, not to be expected to materially conflict with the interests of UC RUSAL), those interested directors have not been prohibited from voting on and counting in the quorum in relation to the resolution (and circulation of the written resolution in such a situation would comply with the strict wording of A1.8 of the CG Code); or (b) where the Board, acting by the independent non-executive directors, has not made such a determination, UC RUSAL has sought to ensure that interested directors do not sign the written resolution and that, if they do (by error or otherwise), their signature (if any) is not counted in the majority

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[24] En+ means En+ Group Limited, a company incorporated in Jersey and which is a shareholder of UC RUSAL.

[25] SUAL Partners means SUAL Partners Limited, a company incorporated under the laws of the Bahamas, which is a shareholder of UC RUSAL.

[26] Glencore means Glencore International AG a company incorporated in Switzerland and which is an indirect shareholder of UC RUSAL.

necessary to pass that resolution. This is possible because the Articles allow the Board to pass resolutions in writing by a majority of directors signing the resolution and therefore materially interested directors can be excluded from the decision-making process.

UC RUSAL has therefore endeavoured to follow the spirit of A1.8 of the CG Code, whilst having regard to not limiting the operational effectiveness of the Board, by seeking to ensure that, where written resolutions are passed by the Board, directors who have interests which the Board considers may materially conflict with the interests of UC RUSAL are excluded from the decision-making process. UC RUSAL intends to continue to monitor its compliance with the CG Code, in this and every area, and will strive to make improvements to its corporate governance practices where it believes improvements are necessary.

Audit committee

The board of directors of UC RUSAL ("Board") has established an audit committee to assist the Board in providing an independent view of the effectiveness of UC RUSAL's financial reporting process, internal control and risk management systems and to oversee the audit process. The audit committee consists of a majority of independent non-executive directors. They are as follows: three independent non-executive directors, being Dr. Nigel Kenny (Chairman), Mr. Philip Lader, Ms. Elsie Leung and two non-executive Directors, Mr. Alexander Popov and Mr. Dmitry Razumov.

The audit committee has reviewed the financial results of UC RUSAL for the year ended 31 December 2010.

Forward-looking statements

This announcement contains statements about future events, projections, forecasts and expectations that are forward-looking statements. Any statement in this announcement that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks and uncertainties include those discussed or identified in the prospectus for UC RUSAL. In addition, past performance of UC RUSAL cannot be relied on as a guide to future performance. UC RUSAL makes no representation on the accuracy and completeness of any of the forward-looking statements and, except as may be required by applicable law, assumes no obligations

to supplement, amend, update or revise any such statements or any opinion expressed to reflect actual results, changes in assumptions or in UC RUSAL's expectations, or changes in factors affecting these statements. Accordingly, any reliance you place on such forward-looking statements will be at your sole risk.

By Order of the board of directors of
United Company RUSAL Plc
Tatiana Soina
Director

30 March 2011

As at the date of this announcement, our executive Directors are Mr. Oleg Deripaska, Mr. Vladislav Soloviev, Mr. Petr Sinshinov, Ms. Tatiana Soina, Mr. Alexander Livshits and Ms. Vera Kurochkina, our non-executive Directors are Mr. Victor Vekselberg (Chairman), Mr. Dmitry Afanasiev, Mr. Len Blavatnik, Mr. Ivan Glasenberg, Mr. Alexander Popov, Mr. Dmitry Razumov, Mr. Anatoly Tikhonov and Mr. Artem Volynets and our independent non-executive Directors are Dr. Peter Nigel Kenny, Mr. Philip Lader, Mr. Barry Cheung Chun-Yuen and Ms. Else Leung Oi-sie.

All announcements and press releases published by United Company RUSAL Plc are available on its website under the links http://www.rusal.ru/en/stock_fillings.aspx and http://www.rusal.ru/en/press-center.aspx, respectively.