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UNITED COMPANY RUSAL PLC

(Incorporated under the laws of Jersey with limited liability)

(Stock Code: 486)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

Key highlights

- Revenue increased by 12.0% to USD12,291 million for the year ended 31 December 2011, as compared to USD10,979 million for the year ended 31 December 2010, outperforming LME aluminium price growth, mainly due to an increase in average realised aluminium prices, including a record level of realised premiums of USD160 per tonne over the LME aluminium price with an increase of 48.1% over the preceding year.

- Increase in the share of value-added products output to 36% of total aluminium production in comparison to 32% for the previous year.

- Sustainable level of costs in the fourth quarter of 2011 in comparison with the previous quarter of the year. Continuing decrease of the average-weighted energy tariff throughout the year (a drop of 12.2% in the fourth quarter of 2011, as compared to that of the first quarter of 2011).

- Adjusted EBITDA[1] for the year ended 31 December 2011 of USD2,512 million is generally in line with USD2,597 million for the year ended 31 December 2010, with the immaterial decrease resulting from the revenue growth being offset by cost increases in energy and raw materials. Adjusted EBITDA margin was 20.4% and 23.7% for the respective periods, maintaining the premier position of United Company RUSAL Plc ("**UC RUSAL**" or "**the Company**") in the industry.

[1] Please refer to page 14.

- Adjusted Net Profit[2], being the major indicator of the Company's core business results, increased for the year ended 31 December 2011 by 24.6% to USD987 million as compared to USD792 million for the previous year, primarily due to the decrease in interest expenses following the Company's successful debt refinancing in 2011 and overall decrease in the outstanding debt of the Company.

- Recurring results of the Company, being Adjusted Net Profit plus effective share of Norilsk Nickel results for the year ended 31 December 2011 increased to USD1,981 million from USD1,683 million for the previous year.

- The reduction in the carrying value of the Company's investment in Norilsk Nickel, which is attributable to the sales and purchases by Norilsk Nickel of its own shares during the year, was a primary reason for the decrease in the net profit to USD237 million for the year ended 31 December 2011 compared to that of USD2,867 million for the year ended 31 December 2010.

- Completed refinancing of the Company's debt portfolio with an extended maturity profile and reduced interest margins, which allowed for improved operational and financial flexibility, including agreement on a covenant holiday. Nominal interest expense reduced by 23.5% in 2011 as compared to 2010.

- Total capital expenditure[3] amounted to USD622 million for the year ended 31 December 2011.

An identical form of this announcement, to which the audited consolidated financial statements of UC RUSAL for the year ended 31 December 2011 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.

2 Please refer to page 19.
3 Please refer to page 21.

Statement of the CEO

In spite of the deterioration of the global economy during the second half of 2011, on-going cost pressures across the whole commodities sector and a particularly challenging fourth quarter in 2011, UC RUSAL delivered a solid financial performance during the year, with revenue and adjusted net profit increasing by 12.0% and 24.6%, respectively. The ability of the Company to maintain its EBITDA margin above 20% throughout the year was a testament to its focus on, and commitment to, operational efficiency and cost control across UC RUSAL.

Given the challenges the aluminium industry has faced over the past year and the uncertain near-term outlook, the successful debt refinancing and overall strengthening of the Company's financial position has had a positive impact on our financial results in 2011. Importantly, the refinanced debt portfolio with an extended maturity profile and reduced interest margins, including an option to introduce a covenant holiday, allows for more operational and financial flexibility in the future. On the production side, in 2011, the Company has continued to modernise its casting facilities in order to increase its share of value-added products, enabling us to meet growing demand from end users, while also ensuring cost efficient production across our smelters.

While the current global economic volatility, in conjunction with excessive stock levels, will continue to put pressure on aluminium prices in the near term, global aluminium demand remains well above 2009 recession levels and we anticipate that the rising influence of developing countries will ensure demand remains robust throughout 2012. The Company is committed to its long term strategic growth paths and we view the current volatility as an opportunity to focus on the development of the most efficient and environmentally-friendly capacities, underpinning UC RUSAL's position as the world's aluminium leader.

Oleg Deripaska
CEO
19 March 2012

Financial and Operating Highlights

	Quarter ended 31 December		Change quarter on quarter, % (4Q to 4Q)	Quarter ended 30 September	Change quarter on quarter, % (4Q to 3Q)	Year ended 31 December		Change year-on-year,
	2011	2010		2011		2011	2010	%
	unaudited	*unaudited*		*unaudited*				
Key operating data								
('000 tonnes)								
Aluminium	1,060	1,050	1.0%	1,041	1.8%	4,123	4,083	1.0%
Alumina	2,082	2,082	0.0%	2,049	1.6%	8,154	7,840	4.0%
Bauxite	3,288	3,101	6.0%	3,560	(7.6%)	13,473	11,798	14.2%
Key pricing and performance data								
('000 tonnes)								
Sales of primary aluminium and alloys	1,006	997	0.9%	1,011	(0.5%)	4,017	4,085	(1.7%)
(USD per tonne)								
Aluminium segment cost per tonne[4]	1,952	1,794	8.8%	1,980	(1.4%)	1,984	1,693	17.2%
Aluminium price per tonne quoted on the LME[5]	2,090	2,343	(10.8%)	2,399	(12.9%)	2,395	2,173	10.2%
Average premiums over LME price	159	131	21.4%	164	(3.0%)	160	108	48.1%
Alumina price per tonne[6]	329	353	(6.8%)	372	(11.6%)	374	333	12.3%
Key selected data from the consolidated statement of income								
(USD million)								
Revenue	2,806	2,950	(4.9%)	3,162	(11.3%)	12,291	10,979	12.0%
Adjusted EBITDA	382	708	(46.0%)	705	(45.8%)	2,512	2,597	(3.3%)
margin (% of revenue)	*13.6%*	*24.0%*	*NA*	*22.3%*	*NA*	*20.4%*	*23.7%*	*NA*
Net (loss)/profit for the period	(974)	1,447	NA	432	NA	237	2,867	(91.7%)
margin (% of revenue)	*(34.7%)*	*49.1%*	*NA*	*13.7%*	*NA*	*1.9%*	*26.1%*	*NA*
Adjusted Net Profit for the period	111	182	(39.0%)	351	(68.4%)	987	792	24.6%
margin (% of revenue)	*4.0%*	*6.2%*	*NA*	*11.1%*	*NA*	*8.0%*	*7.2%*	*NA*

4 For any period, "Aluminium segment cost per tonne" is calculated as aluminium segment revenue less aluminium segment results less amortisation and depreciation divided on sales volume of the aluminium segment.

5 Aluminium price per tonne quoted on the LME representing the average of the daily closing official London Metals Exchange ("**LME**") prices for each period.

6 The average alumina price per tonne provided in this table for 2011 is based on the daily closing spot prices for alumina according to Non-ferrous Metal Alumina Index FOB Australia USD per tonne and for 2010 is based on the daily closing spot prices for alumina according to Alumina Metallurgical Grade MB spot USD per tonne.

Key selected data from the consolidated statement of cash flows

	Year ended 31 December 2011	31 December 2010	Change year-on-year, %
(USD million)			
Net cash flows generated from operating activities	1,781	1,738	2.5%
Net cash flows used in investing activities	(299)	(442)	(32.4%)
of which dividends from Norilsk Nickel	*279*	*295*	*(5.4%)*
of which total capital expenditure	*(622)*	*(367)*	*69.5%*
of which contribution to the BEMO project[7]	—	*(171)*	*(100.0%)*
of which refinancing of the BEMO project[8]	—	*(260)*	*(100.0%)*

7 BEMO project means the Boguchanskoye Energy & Metals project involving the construction of the BEMO HPP (Boguchanskaya hydro power plant) and the BEMO smelter (Boguchansky aluminium smelter). For the year ended 31 December 2011, contribution to the BEMO project was USD nil as a result of obtaining project financing at the end of 2010. The BEMO project companies utilise the project financing proceeds to make necessary contributions to the ongoing construction projects and do not require contributions from the joint venture partners at this time.

8 For the year ended 31 December 2010, the contribution to the BEMO project also included refinancing of the BEMO facility in an amount of USD208 million and repayment of the BEMO loan in an amount of USD52 million out of the IPO proceeds in accordance with the terms of the International Override Agreement.

Key selected data from the consolidated statement of financial position

	Year ended		Change
	31 December 2011	31 December 2010	year-on-year, %
(USD million)			
Total assets	25,345	26,525	(4.4%)
Total working capital[9]	2,367	2,122	11.5%
Net Debt[10]	11,049	11,472	(3.7%)

Selected covenants as per the current credit facility agreement

Selected covenants such as Total Net Debt, Leverage Ratio, Interest Cover Ratio, have the meaning given in the credit facility agreement signed on 29 September 2011. At the end of 2011, UC RUSAL was in full compliance with the financial covenants set forth in the relevant loan agreements.

	31 December 2011
Total Net Debt *(USD million)*	11,445
Leverage Ratio	3.4:1
Interest Cover Ratio	3.1:1

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

10 Net Debt is calculated as Total Debt less cash and cash equivalents as at the end of any period. Total Debt refers to UC RUSAL's loans and borrowings and bonds outstanding at the end of any period.

Overview of trends in the aluminium industry and business environment

Aluminium industry in 2011

Global aluminium consumption in 2011 is estimated at 45.1 million tonnes, 10% higher than in 2010. Global demand for aluminium was stronger in the first half of 2011 due to the economic recovery at the beginning of the year, supported by the continuation of government stimulus programs. A noticeable slowdown in consumption occurred in the second half of 2011, due to the escalation of the crisis in the Eurozone, a slowdown in Chinese growth and the cumulative effects of the supply chain disruptions in Japan and Thailand.

Nevertheless, late in 2011, there were positive signs of recovering demand in the United States and Japan, which stabilised in the second half of 2011 following an increase in consumption driven by the automotive and engineering sectors. Underlying demand for consumer products, including packaging and beverage cans, continued to support the rolled products segment of the aluminium market in the United States and Asia, whilst running flat in Europe.

Global production of primary aluminium in 2011 is estimated at 45.6 million tonnes, 8% higher than in 2010. Aluminium production growth was predominantly driven by capacity increases in China, where output grew to 19.1 million tonnes in 2011 (10% higher than 2010 levels). This was achieved despite production cuts in the second half of 2011 in China to minimise national energy consumption, and the closure of outdated Chinese smelter capacity.

Premiums continued to be well supported above historical averages during 2011, with a slight softening in the fourth quarter. By the end of 2011, the In-Warehouse Duty Paid Premium in Rotterdam was quoted within a range of USD180-190 per tonne and the US Midwest Premium traded at US7.3 cents per lb for the same period. The Asian premium remained firm at USD112-117 per tonne. Metals generally became more readily available in the major markets by the end of the year due to slower economic activity and year end stock adjustments, with large deliveries made to LME warehouses, incentivised by comparatively strong storage premiums and financing terms.

The 2011 average aluminium price was USD2,395 per tonne, 10% higher than that in 2010.

Review of the global aluminium industry in 2012

Despite flat aluminium demand in some regions during the second half of 2011, demand remains well above 2009 recession levels, thereby challenging the prediction of many market participants that there would be a severe contraction in demand. UC RUSAL expects that the uncertainties seen in 2011, namely the current Eurozone crisis and the slowdown or hard landing in Chinese growth, may continue to dominate the outlook for the metal markets in the months to come, with evidence of a potential recovery emerging in the second quarter of 2012.

UC RUSAL expects that in 2012, global primary aluminium consumption will reach 48.2 million tonnes, 7% higher than 2010 global consumption, with China being the largest growing market (11% growth), followed by India (10% growth), Russia/Commonwealth of Independent States (CIS) (6% growth), Japan (5% growth), North America (5% growth) and Latin America (5% growth). It is expected that aluminium consumption in the Eurozone during 2012 will be flat, remaining at 2011 levels.

As a consequence, UC RUSAL forecasts the global aluminium market to be almost balanced in 2012, taking into account the expected loss of 2-3% of global aluminium supply due to announced and anticipated curtailments and closures.

UC RUSAL expects that the supply/demand balance, coupled with positive metal financing conditions, should support LME aluminium prices, as well as regional premiums during 2012.

Norilsk Nickel investment

According to the consensus forecast[11], Norilsk Nickel's net income for the year ended 31 December 2011 is expected to decrease to USD4,693 million from USD5,396 million in 2010. The market value of UC RUSAL's stake in Norilsk Nickel decreased by 51.9% from USD11,186 million as at 31 December 2010 to USD7,365 million as at 31 December 2011, due to negative share price performance in the reported year.

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

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 2011, as Norilsk Nickel's consolidated financial statements for the year ended 31 December 2011 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 of the profits and losses relating to investment in Norilsk Nickel recognised in profit or loss and other comprehensive income, and the related taxation, for the year ended 31 December 2011 and the carrying value of the Group's investment in Norilsk Nickel as at 31 December 2011.

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 2011 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 2011 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 2011 not being available, we were unable to obtain sufficient appropriate audit evidence in relation to the Group's estimate of the Group's share of profits and losses relating to investment in Norilsk Nickel recognised in profit or loss and other comprehensive income of USD336 million and USD193 million, respectively, and the related taxation, for the year ended 31 December 2011, and the carrying value of the Group's investment in Norilsk Nickel of USD9,247 million as at 31 December 2011 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 2011 consolidated financial statements.

Financial Overview

Revenue

	Year ended 31 December 2011			Year ended 31 December 2010		
	USD million	*kt*	*Average sales price (USD/tonne)*	*USD million*	*kt*	*Average sales price (USD/tonne)*
Sales of primary aluminium and alloys	10,414	4,017	2,592	9,208	4,085	2,254
Sales of alumina	664	1,837	361	597	1,845	324
Sales of foil	309	75	4,120	293	79	3,709
Other revenue[12]	904	—	—	881	—	—
Total revenue	**12,291**			**10,979**		

Revenue increased by 12.0% to USD12,291 million in 2011 compared to USD10,979 million in 2010. The increase in revenue was primarily due to increased sales of primary aluminium and alloys, which accounted for 84.7% and 83.9% of UC RUSAL's revenue for the years 2011 and 2010, respectively.

[12] Including chemicals, energy and bauxite.

	Quarterly financial information							
	Quarter ended 31 December		**Quarter ended 30 September**		**Quarter ended 30 June**		**Quarter ended 31 March**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
	unaudited	*unaudited*	*unaudited*	*unaudited*	*unaudited*	*unaudited*	*unaudited*	*unaudited*
Sales of primary aluminium and alloys								
USD million	2,376	2,430	2,700	2,280	2,830	2,557	2,508	1,941
kt	1,006	997	1,011	1,058	1,029	1,157	971	873
Average sales price (USD/t)	2,362	2,436	2,671	2,155	2,750	2,210	2,582	2,223
Sales of alumina								
USD million	156	188	160	140	181	140	167	129
kt	476	552	430	457	467	428	464	408
Average sales price (USD/t)	328	346	372	306	388	327	360	316
Sales of foil (USD million)	80	84	76	74	80	76	73	59
Other revenue (USD million)	194	248	226	214	239	217	245	202
Total revenue (USD million)	**2,806**	**2,950**	**3,162**	**2,708**	**3,330**	**2,990**	**2,993**	**2,331**

Sales of primary aluminium and alloys increased by 13.1%, primarily due to an increase in the weighted-average realised aluminium price per tonne (by 15.0% year-on-year), which was driven by an increase in LME aluminium prices (to an average of USD2,395 per tonne in 2011 from USD2,173 per tonne in 2010) and a record level of premiums over the LME price in the different geographical segments (weighted-average realised premiums over the LME prices have increased by 48.1% from USD108 in 2010 to USD160 per tonne in 2011), despite a slight decrease of 68 thousand metric tonnes in sales volumes, or 1.7%, from 4,085 thousand metric tonnes in 2010 to 4,017 thousand metric tonnes in 2011.

Revenue from sales of alumina increased by 11.2% to USD664 million in 2011 from USD597 million in 2010. The increase in revenue over the comparable periods was primarily attributable to an increase of 11.4% in the average realised price, which was partially offset by a slight decrease of 0.4% in sales volumes. In 2011, UC RUSAL continued to sell alumina to external parties, but only under specific long-term contracts.

Revenue from sales of foil accounted for 2.5% and 2.7% of UC RUSAL's revenue for 2011 and 2010, respectively. Revenue from sales of foil increased from USD293 million in 2010 to USD309 million in 2011 due to an increase in the average realised price.

Revenue from other sales, excluding bauxite, increased slightly to USD892 million, or by 2.9%, in 2011 from USD867 million in 2010. The main factors contributing to the increase in revenue from other sales were increases in prices of various by-products, including silicon, hydrate, soda, aluminium powders, and secondary materials and services, including electricity and transportation.

Cost of sales

	Year ended 31 December		**Change year-on-year**	**Share of costs**
	2011	**2010**	**(%)**	**(%)**
(USD million)				
Cost of alumina	1,052	1,120	(6.1%)	12.0%
Cost of bauxite	513	414	23.9%	5.8%
Cost of other raw materials and other costs	3,145	2,605	20.7%	35.8%
Energy costs	2,535	1,972	28.5%	28.8%
Depreciation and amortisation	492	473	4.0%	5.6%
Personnel expenses	860	735	17.0%	9.8%
Repairs and maintenance	149	132	12.9%	1.7%
Change in asset retirement obligations	7	17	(58.8%)	0.1%
Net change in provisions for inventories	33	27	22.2%	0.4%
Total cost of sales	**8,786**	**7,495**	**17.2%**	**100.0%**

Cost of sales increased by USD1,291 million, or 17.2%, to USD8,786 million in 2011, compared to USD7,495 million in 2010. The increase was in line with the overall increase of purchase prices and transportation tariffs for raw materials, the higher cost of energy, which was primarily due to increases in power tariffs, and personnel expenses as a result of the implementation of a new incentive program for main production personnel. In addition, the appreciation of the Rouble/US dollar average exchange rate in 2011, as compared to 2010, negatively affected Rouble-denominated expenses in 2011.

The cost of sales has remained almost unchanged for the fourth quarter of 2011, as compared to the third quarter of 2011, despite the rise in material purchase prices, mainly due to the continuing decrease in the average-weighted energy tariff throughout both periods and depreciation of the average exchange rate of Rouble against US dollar in the fourth quarter as compared to the third quarter of

2011. The cost of other raw materials and other costs increased by USD540 million, or 20.7%, from USD2,605 million in 2010 to USD3,145 million in 2011, primarily due to the overall growth in the purchase prices of raw materials, such as fuel (approximately by 32%), coke (approximately by 40%), caustic soda (by 41% on average) and others.

Energy costs increased by USD563 million, or 28.5%, to USD2,535 million in 2011 compared to USD1,972 million in 2010. The increase in electricity costs over the period resulted primarily from growth in weighted-average electricity tariffs following electricity market liberalisation in January 2011 and Rouble/US dollar fluctuations.

As a result of these factors, the cost of sales as a percentage of revenue increased to 71.5% in 2011 from 68.3% in 2010.

Gross profit

As a result of the foregoing factors, UC RUSAL reported a flat gross profit of USD3,505 million and USD3,484 million in 2011 and 2010, respectively, representing decreased gross profit margins of 28.5% in 2011 from 31.7% in the previous year.

Distribution, administrative and other expenses

Distribution expenses increased by 10.3% to USD610 million in 2011, compared to USD553 million in 2010, mainly due to an increase in transportation tariffs.

Administrative expenses remained flat in 2011 as compared to the previous year, amounting to USD759 million and USD762 million, respectively.

Impairment of non-current assets increased by USD196 million in 2011 to USD245 million due to the reassessment of the timing and extent of site restoration and dismantling activities at one of the Group's subsidiaries and the recognition of an additional impairment charge relating to the Jamaican assets.

Other operating expenses (including loss on disposal of property, plant and equipment) increased by 59.6% to USD142 million in 2011, compared to USD89 million in 2010. The increase was primarily due to the recognition of provisions for certain tax contingencies in 2011.

Results from operating activities and Adjusted EBITDA

UC RUSAL reported a profit from operating activities of USD1,749 million in 2011, as compared to USD2,031 million in 2010, representing positive operating margins of 14.2% and 18.5%, respectively. The decrease in margins resulted mainly from the increase in electricity and transportation tariffs, higher material purchase prices and Rouble appreciation, despite the positive effect of an increase in the LME aluminum price and premiums over the LME price.

Adjusted EBITDA, being results from operating activities adjusted for amortisation and depreciation, impairment charges and loss on disposal of property, plant and equipment, decreased slightly by 3.3% to USD2,512 million in 2011 as compared to USD2,597 million in 2010, with adjusted EBITDA margins of 20.4% and 23.7% respectively, maintaining the Company's premier position in the industry.

The factors that contributed to the decrease in Adjusted EBITDA margin were the same that influenced the operating results of the Company.

	Year ended 31 December		Change year-on-year
	2011	**2010**	**(%)**
(USD million)			
Reconciliation of Adjusted EBITDA			
Results from operating activities	1,749	2,031	(13.9%)
Add:			
Amortisation and depreciation	518	498	4.0%
Impairment of non-current assets	245	49	400.0%
Loss on disposal of property, plant and equipment	—	19	(100.0%)
Adjusted EBITDA	**2,512**	**2,597**	**(3.3%)**

Finance income and expenses

(USD million)	**Year ended 31 December 2011**	**2010**	**Change year-on-year (%)**
Finance income			
Interest income on loans and deposits	7	7	0.0%
Foreign exchange gain	58	25	132.0%
Change in fair value of derivative financial instruments	416	—	100.0%
Change in fair value of embedded derivatives	*499*	—	*100.0%*
Revaluation of financial instruments linked to the share price of Norilsk Nickel	*(97)*	—	*100.0%*
Change in other derivatives instruments	*14*	—	*100.0%*
Interest income on provisions	40	10	300.0%
	521	**42**	**1,140.5%**
Finance expenses			
Interest expense on bank loans and company loans wholly repayable within five years, bonds and other bank charges, including	(1,319)	(1,230)	7.2%
Nominal interest expense	*(664)*	*(868)*	*(23.5%)*
Excess of effective interest rate charge over nominal interest rate charge on restructured debt	*(560)*	*(249)*	*124.9%*
Bank charges	*(95)*	*(113)*	*(15.9%)*
Change in fair value of derivative financial instruments	—	(189)	(100.0%)
Change in fair value of embedded derivatives	—	*(240)*	*(100.0%)*
Revaluation of financial instruments linked to the share price of Norilsk Nickel	—	*57*	*100.0%*
Change in other derivatives instruments	—	*(6)*	*(100.0%)*
Listing and restructuring related expenses	—	(21)	(100.0%)
Loss on disposal of financial investments	—	(12)	(100.0%)
Interest expense on provisions	(17)	(20)	(15.0%)
	(1,336)	**(1,472)**	**(9.2%)**

Finance income increased by USD479 million to USD521 million in 2011, as compared to USD42 million in 2010. Finance income in 2011 was primarily represented by a gain in the fair value of derivative financial instruments of USD416 million. As a percentage of revenue, finance income increased from 0.4% in 2010 to 4.2% in 2011.

Foreign exchange gain results from fluctuations in the exchange rate between the Rouble and USD and their effect on the working capital items of several Group companies denominated in currencies other than functional currencies of those companies.

Finance expenses decreased by 9.2% to USD1,336 million in 2011, as compared to USD1,472 million in 2010, primarily as the result of a change in the valuation of energy embedded derivatives.

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

The LME-linked price-adjusting premiums to counterparties contained in long-term electricity and other supply contracts and realised during the period amounted to USD239 million and USD75 million for the years ended 31 December 2011 and 2010, respectively, and were included in the change in fair value of derivative financial instruments.

The nominal interest expense decreased by 23.5% from USD868 million in 2010 to USD664 million in 2011, as a result of reduction in principal amounts payable to international and Russian lenders and in overall interest margin during the year.

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

(USD million)	Year ended 31 December 2011	2010	Change year-on-year (%)
Share of (losses)/profits of associates			
Share of (losses)/profits of Norilsk Nickel, with	(336)	2,451	NA
Effective shareholding of	30.28%	25.13%	
Share of profits	*1,095*	*891*	*22.9%*
Reversal of impairment	—	*1,399*	*(100.0%)*
Result from changes in the underlying net assets following treasury share transactions	*(1,431)*	*161*	*NA*
Share of losses of other associates	(13)	(16)	(18.8%)
	(349)	**2,435**	**NA**
Share of profits/(losses) of jointly controlled entities	**25**	**(25)**	**NA**

The Company's share of the results of Norilsk Nickel for the years ended 31 December 2011 and 2010 included a loss of USD1,431 million and gain of USD161 million recognised by the Company as a result of the change in the carrying value of the Company's share of the net assets of Norilsk Nickel, respectively. This change in carrying value was attributable to sales and purchases by Norilsk Nickel of its own shares during these periods.

As at the date of this consolidated financial statement, the Group was unable to obtain the consolidated financial statement for Norilsk Nickel for the year ended 31 December 2011. Consequently, the Group estimated its share in the results and other comprehensive income of Norilsk Nickel for the year ended 31 December 2011 based on publicly available information reported by Norilsk Nickel. The information used as a basis for these estimates is incomplete in many respects. Once the consolidated financial statements of Norilsk Nickel for the year ended 31 December 2011 become available, they will be compared to the management's estimates. If there are significant differences, adjustments may be required to restate the Group's share of loss, other comprehensive income and the carrying value of the investment in Norilsk Nickel which has been previously reported.

The Company's share of profits of jointly controlled entities was USD25 million in 2011 as compared to a loss of USD25 million in 2010. This represents UC RUSAL's aggregate share of results and impairment in UC RUSAL's joint ventures - BEMO Project, LLP Bogatyr Komir and the transportation business. In September 2011, the Group sold a 50% interest in its 100% business for transportation of coal from Ekibazstus to the customers in Russia and Kazakhstan for USD47 million and accordingly, as at 31 December 2011, the Group held a 50% interest in the transportation business.

Profit before income tax

UC RUSAL made a profit before income tax of USD610 million for the year ended 31 December 2011, as compared to USD3,011 million for the year ended 31 December 2010 for the reasons set out above.

Income tax

Income tax expense increased by USD229 million to USD373 million in 2011, as compared to an income tax expense of USD144 million in 2010.

Current tax expenses decreased by USD19 million, or 10.2%, to USD166 million as at 31 December 2011, compared to USD185 million as at 31 December 2010. The decrease in current tax expenses was primarily due to the recalculation of tax on property, plant and equipment for prior periods. The deferred tax expense was USD207 million in 2011, as compared to a deferred tax benefit of USD41 million in 2010, primarily due to the revaluation of energy embedded derivative liabilities.

Net profit for the year

As a result of the above, UC RUSAL recorded a net profit of USD237 million for the year ended 31 December 2011, as compared to a net profit of USD2,867 million for the year ended 31 December 2010.

Adjusted and Recurring Net Profit

Adjusted Net Profit for any period is defined as the net profit adjusted for the net effect of the Company's investment in Norilsk Nickel, the net effect of embedded derivative financial instruments, the excess of effective interest rate charges over nominal interest rate charges on restructured debt and the net effect of non-current assets impairment. Adjusted Net Profit increased to USD987 million for the year 2011, as compared to USD792 million for the same period in 2010, due to the decrease in the Company's interest expenses following its successful debt refinancing and the overall decrease in its outstanding debt.

	Year ended 31 December		**Change year-on-year**
	2011	**2010**	**(%)**
(USD million)			
Reconciliation of Adjusted Net Profit			
Net profit for the year	237	2,867	(91.7%)
Adjusted for:			
Share of profits and other gains and losses attributable to Norilsk Nickel, net of tax effect (9%), with	534	(2,508)	NA
Share of profits, net of tax	*(994)*	*(891)*	*11.6%*
Reversal of impairment	—	*(1,399)*	*(100.0%)*
Result from changes in the underlying net assets following treasury share transactions	*1,431*	*(161)*	*NA*
Revaluation of financial instruments linked to the share price of Norilsk Nickel	*97*	*(57)*	*NA*
Change in fair value of embedded derivative financial instruments, net of tax (20%)	(589)	135	NA
Excess of effective interest rate charge over nominal interest rate charge on restructured debt	560	249	124.9%
Impairment of non-current assets, net of tax	245	49	400.0%
Adjusted Net Profit	**987**	**792**	**24.6%**
Add back:			
Share of profits of Norilsk Nickel, net of tax	994	891	11.6%
Recurring Net Profit	**1,981**	**1,683**	**17.7%**

Recurring Net Profit for any period is defined as Adjusted Net Profit plus the Company's effective share in Norilsk Nickel. Management considers that this measurement is an important indicator of the Company's profitability and that it is consistent with the way the market forecasts and evaluates the Company's performance.

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.

	2011		**2010**	
	Aluminium	**Alumina**	**Aluminium**	**Alumina**
USD million				
Segment revenue	10,600	2,444	9,361	1,983
Segment result	2,072	(24)	1,929	151
Segment EBITDA[13]	2,472	76	2,323	237
Segment EBITDA margin	23.3%	3.1%	24.8%	11.9%
Total capital expenditure[14]	416	177	234	115

For the years ended 31 December 2011 and 2010, segment result margins (calculated as the percentage of profit to total segment revenue) from continuing operations were 23.3% and 24.8% for the aluminium segment, and 3.1% and 11.9% for the alumina segment.

Key drivers for the change in main data for both segments are disclosed in "Revenue", "Cost of sales" and "Results from operating activities and Adjusted EBITDA" above. Growth in purchase prices of materials over the comparable periods (mainly fuel oil, bauxite and caustic soda) ahead of the alumina sales price, which is linked to the LME aluminium price, was the key driver for the decrease in the segment margin of the alumina segment.

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

[14] Please refer to page 21.

Assets and liabilities

UC RUSAL's total assets decreased by USD1,180 million, or 4.5%, to USD25,345 million as at 31 December 2011 as compared to USD26,525 million as at 31 December 2010. The decrease in total assets mainly resulted from the decrease in the carrying value of the investment in Norilsk Nickel.

Total liabilities decreased by USD263 million, or 1.8%, to USD14,806 million as at 31 December 2011 as compared to USD15,069 million as at 31 December 2010. The decrease was mainly due to the decrease in the outstanding debt of the Group and change in the fair value of financial derivative instruments which was partially offset by the increase in trade and other payables.

Capital expenditure

UC RUSAL recorded total capital expenditure (being payment for the acquisition of property, plant and equipment and intangible assets) of USD622 million in 2011, with total capital expenditure of the main business segments disclosed above. UC RUSAL's capital expenditure in 2011 was aimed at maintaining existing production facilities, with the exception of the BEMO project.

	Year ended 31 December	
	2011	**2010**
(USD million)		
Growth project		
BEMO HPP	off balance sheet	158
BEMO smelter	off balance sheet	13
Taishet smelter	89	13
	89	**184**
Maintenance		
Pot rebuilds costs	181	140
Re-equipment	352	214
Total capital expenditure and contribution to the BEMO project	**622**	**538**

Consolidated financial statements

The following section contains the audited consolidated financial statements of UC RUSAL for the year ended 31 December 2011 which were approved by the directors of UC RUSAL on 16 March 2012.

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://www.rusal.ru/en/investors/financial_stat.aspx.*

	Note	Year ended 31 December	
		2011	**2010**
		USD million	**USD million**
Revenue	5	12,291	10,979
Cost of sales		(8,786)	(7,495)
Gross profit		**3,505**	**3,484**
Distribution expenses		(610)	(553)
Administrative expenses		(759)	(762)
Loss on disposal of property, plant and equipment		-	(19)
Impairment of non-current assets		(245)	(49)
Other operating expenses	6	(142)	(70)
Results from operating activities		**1,749**	**2,031**
Finance income	7	521	42
Finance expenses	7	(1,336)	(1,472)
Share of (losses)/profits of associates	17	(349)	2,435
Share of profits/(losses) of jointly controlled entities	18	25	(25)
Profit before taxation		**610**	**3,011**
Income tax	8	(373)	(144)
Net profit for the year		**237**	**2,867**
Attributable to:			
Shareholders of the Company		237	2,867
Net profit for the year		**237**	**2,867**
Earnings per share			
Basic and diluted earnings per share (USD)	14	0.02	0.19

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 32 to 125.

		Year ended 31 December	
		2011	**2010**
	Note	**USD million**	**USD million**
Net profit for the year		**237**	**2,867**
Other comprehensive income			
Actuarial losses on post retirement benefit plans	27(a)	(4)	(6)
Share of other comprehensive income of associates	17	(193)	20
Change in fair value of cash flow hedges	26	(42)	-
Foreign currency translation differences for foreign operations		(921)	(50)
		(1,160)	**(36)**
Total comprehensive income for the year		**(923)**	**2,831**
Attributable to:			
Shareholders of the Company		(923)	2,831
Total comprehensive income for the year		**(923)**	**2,831**

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 32 to 125.

	Note	31 December 2011 USD million	31 December 2010 USD million
ASSETS			
Non-current assets			
Property, plant and equipment	15	5,746	5,875
Intangible assets	16	3,905	4,085
Interests in associates	17	9,714	11,151
Interests in jointly controlled entities	18	1,102	1,136
Deferred tax assets	20	66	85
Derivative financial assets	28	21	111
Other non-current assets		98	104
Total non-current assets		**20,652**	**22,547**
Current assets			
Inventories	21	3,002	2,429
Trade and other receivables	22	1,032	1,058
Derivative financial assets	28	13	-
Cash and cash equivalents	23	646	491
Total current assets		**4,693**	**3,978**
Total assets		**25,345**	**26,525**

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 32 to 125.

	Note	31 December 2011 USD million	31 December 2010 USD million
EQUITY AND LIABILITIES			
Equity	24		
Share capital		152	152
Share premium		15,788	15,782
Other reserves		2,856	3,095
Currency translation reserve		(4,498)	(3,577)
Accumulated losses		(3,759)	(3,996)
Total equity		**10,539**	**11,456**
Non-current liabilities			
Loans and borrowings	25	10,134	10,602
Bonds	26	932	-
Provisions	27	484	402
Deferred tax liabilities	20	595	415
Derivative financial liabilities	28	159	660
Other non-current liabilities		46	22
Total non-current liabilities		**12,350**	**12,101**
Current liabilities			
Loans and borrowings	25	629	1,361
Current taxation	20(e)	16	40
Trade and other payables	29	1,667	1,365
Derivative financial liabilities	28	39	78
Provisions	27	105	124
Total current liabilities		**2,456**	**2,968**
Total liabilities		**14,806**	**15,069**
Total equity and liabilities		**25,345**	**26,525**
Net current assets		**2,237**	**1,010**
Total assets less current liabilities		**22,889**	**23,557**

Approved and authorised for issue by the board of directors on 16 March 2012.

Oleg V. Deripaska
Chief Executive Officer

Evgeny D. Kornilov
Chief Financial Officer

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 32 to 125.

United Company RUSAL Plc
Statement of Financial Position of the Company
as at 31 December 2011

	Note	31 December 2011 USD million	31 December 2010 USD million
ASSETS			
Non-current assets			
Investments in subsidiaries	19	17,813	18,915
Loans to group companies		-	17
Other non-current assets		-	12
Total non-current assets		**17,813**	**18,944**
Current assets			
Loans to group companies		510	1,815
Other receivables	22	29	29
Cash and cash equivalents	23	13	-
Total current assets		**552**	**1,844**
Total assets		**18,365**	**20,788**
EQUITY AND LIABILITIES			
Equity	24		
Share capital		152	152
Reserves		5,949	8,760
Total equity		**6,101**	**8,912**
Non-current liabilities			
Loans and borrowings	25	9,523	8,671
Other non-current liabilities	33(c)	1,383	1,578
Total non-current liabilities		**10,906**	**10,249**
Current liabilities			
Loans and borrowings	25	555	855
Trade and other payables	29	803	772
Total current liabilities		**1,358**	**1,627**
Total liabilities		**12,264**	**11,876**
Total equity and liabilities		**18,365**	**20,788**
Net current (liabilities)/assets		**(806)**	**217**
Total assets less current liabilities		**17,007**	**19,161**

Approved and authorised for issue by the board of directors on 16 March 2012.

Oleg V. Deripaska
Chief Executive Officer

Evgeny D. Kornilov
Chief Financial Officer

The statement of financial position of the Company is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 32 to 125.

	Note	Share capital	Share premium	Other reserves	Currency translation reserve	Accumulated losses	Total equity
		USD million	USD million	USD million	USD million	USD million	USD million
Balance at 1 January 2010		**-**	**13,641**	**3,081**	**(3,527)**	**(6,863)**	**6,332**
Changes in equity for 2010:							
Net profit for the year		-	-	-	-	2,867	2,867
Other comprehensive income for the year		-	-	14	(50)	-	(36)
Total comprehensive income		**-**	**-**	**14**	**(50)**	**2,867**	**2,831**
Capitalisation issuance of shares	24(a)	135	(135)	-	-	-	-
Shares issued upon Global Offering, net of related expenses	24(a)	16	2,172	-	-	-	2,188
Shares issued on conversion of Fee Warrants	24(a)	-	36	-	-	-	36
Issuance of shares in lieu of share-based compensation to management	24(a)	1	68	-	-	-	69
Balance at 31 December 2010		**152**	**15,782**	**3,095**	**(3,577)**	**(3,996)**	**11,456**

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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 32 to 125.

	Note	Share capital	Share premium	Other reserves	Currency translation reserve	Accumulated losses	Total equity
		USD million	USD million	USD million	USD million	USD million	USD million
Balance at 1 January 2011		**152**	**15,782**	**3,095**	**(3,577)**	**(3,996)**	**11,456**
Changes in equity for 2011:							
Profit for the year		-	-	-	-	237	237
Other comprehensive income for the year		-	-	(239)	(921)	-	(1,160)
Total comprehensive income		**-**	**-**	**(239)**	**(921)**	**237**	**(923)**
Share-based compensation	24(b)	-	6	-	-	-	6
Balance at 31 December 2011		**152**	**15,788**	**2,856**	**(4,498)**	**(3,759)**	**10,539**

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 32 to 125.

	Note	Year ended 31 December	
		2011	2010
		USD million	USD million
OPERATING ACTIVITIES			
Net profit for the year		**237**	**2,867**
Adjustments for:			
Depreciation	9(b)	501	481
Amortisation	9(b)	17	17
Impairment of non-current assets		245	49
Loss on disposal of financial investments	7	-	12
Share-based compensation		6	69
Impairment of trade and other receivables	6	18	18
Impairment of inventories	21	33	27
Provision for legal claims	6	10	15
Tax provision/(reversal of tax provision)	6	17	(46)
Site restoration provision		8	15
Reversal of pension provision		(23)	(7)
Change in fair value of derivative financial instruments	7	(416)	189
Foreign exchange gains		(65)	(67)
Loss on disposal of property, plant and equipment		-	19
Loss on disposal of intangible assets		-	1
Interest expense		1,336	1,250
Interest income		(47)	(17)
Income tax expense		373	144
Share of losses/(profits) of associates	17	349	(2,435)
Share of (profits)/losses of jointly controlled entities	18	(25)	25
Cash from operating activities before changes in working capital and provisions		**2,574**	**2,626**
Increase in inventories		(579)	(282)
Increase in trade and other receivables		(20)	(4)
Decrease in prepaid expenses and other assets		11	93
Decrease in trade and other payables		(22)	(480)
Decrease in provisions		(34)	(44)
Cash generated from operations before income tax paid		**1,930**	**1,909**
Income taxes paid		(149)	(171)
Net cash generated from operating activities		**1,781**	**1,738**

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 32 to 125.

	Note	Year ended 31 December	
		2011	**2010**
		USD million	**USD million**
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		20	10
Interest received		7	7
Acquisition of property, plant and equipment		(608)	(361)
Dividends from associates		279	295
Dividends from jointly controlled entities	18	48	28
Acquisition of intangible assets	16	(14)	(6)
Acquisition of jointly controlled operations	34(b)	(46)	-
Effect on cash from disposal of subsidiaries		45	-
Contributions to jointly controlled entities	18	(2)	(431)
Changes in restricted cash	23	(28)	16
Net cash used in investing activities		**(299)**	**(442)**
FINANCING ACTIVITIES			
Proceeds from borrowings		5,867	4,798
Repayment of borrowings		(7,548)	(7,116)
Restructuring fees		(177)	(84)
Listing related expenses		-	(82)
Interest paid		(551)	(623)
Repayment of Fee Warrants		-	(153)
Proceeds from the Global Offering		-	2,236
Proceeds from issuance of Rouble bonds		1,063	-
Net cash used in financing activities		**(1,346)**	**(1,024)**
Net increase in cash and cash equivalents		**136**	**272**
Cash and cash equivalents at beginning of the year	23	486	215
Effect of exchange rate fluctuations on cash and cash equivalents		(9)	(1)
Cash and cash equivalents at the end of the year	23	**613**	**486**

Restricted cash amounted to USD33 million and USD5 million at 31 December 2011 and 31 December 2010, 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 24(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 32 to 125.

1 Background

a. Organisation

United Company RUSAL Plc (the "Company" or "UC RUSAL") was established by the controlling shareholder of RUSAL Limited ("RUSAL") as a limited liability company under the laws of Jersey on 26 October 2006. On 27 January 2010, the Company has successfully completed a dual placing on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Professional Segment of NYSE Euronext Paris ("Euronext Paris") (the "Global Offering") and changed its legal form from a limited liability company to a public limited company.

The Company's registered office is Ogier House, The Esplanade, St. Helier, Jersey, JE4 9WG, Channel Islands.

The Company directly or through its wholly owned subsidiaries controls a number of production and trading entities (refer to note 34) engaged in the aluminium business and other entities, which together with the Company are referred to as "the Group".

Upon successful completion of the Global Offering, the Company issued 1,636,363,646 new shares in the form of shares listed on the Stock Exchange, and in the form of global depositary shares ("GDS") listed on Euronext Paris representing 10.81% of the Company's issued and outstanding shares, immediately prior to the Global Offering.

The shareholding structure of the Company as at 31 December 2011 and 31 December 2010 was as follows:

	31 December 2011	**31 December 2010**
En+ Group Limited ("En+")	47.41%	47.41%
Onexim Holdings Limited ("Onexim")	17.02%	17.02%
SUAL Partners Limited ("SUAL Partners")	15.80%	15.80%
Amokenga Holdings Limited ("Amokenga Holdings")	8.75%	8.75%
Publicly held	11.02%	11.02%
Total	**100%**	**100%**

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

Related party transactions and controlling parties are disclosed in notes 33 and 35 respectively.

b. Operations

The Group operates in the aluminium industry primarily in the Russian Federation, Ukraine, Guinea, Jamaica, Ireland, Italy, Nigeria and Sweden and is principally engaged in the mining and refining of bauxite and nepheline ore into alumina, the smelting of primary aluminium from alumina and the fabrication of aluminium and aluminium alloys into semi-fabricated and finished products. The Group sells its products primarily in Europe, Russia, other countries of the Commonwealth of Independent States ("CIS"), Asia and North America.

c. **Business environment in emerging economies**

The Russian Federation, Ukraine, Jamaica, Nigeria and Guinea have been experiencing political and economic changes that have affected, and may continue to affect, the activities of enterprises operating in these environments. Consequently, operations in these countries involve risks that typically do not exist in other markets, including reconsideration of privatisation terms in certain countries where the Group operates following changes in governing political powers.

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 consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing these consolidated financial statements, the Group has adopted all these new and revised IFRSs (refer to note 2(e)), except for any new standards or interpretations that are not yet effective as at 31 December 2011. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on 1 January 2011 are set out in note 38.

b. **Basis of measurement**

The consolidated financial statements have been prepared in accordance with the historical cost basis except as set out in the significant accounting policy in note 3(c) below.

c. **Functional and presentation currency**

The Company's functional currency is the United States Dollar ("USD") because it reflects the economic substance of the underlying events and circumstances of the Company. The functional currencies of the Group's significant subsidiaries are the currencies of the primary economic environment and key business processes of these subsidiaries and include USD, Russian Roubles ("RUB"), Ukrainian Hryvna and Euros ("EUR"). The consolidated financial statements are presented in USD, rounded to the nearest million, except as otherwise stated herein.

d. **Use of judgements, estimates and assumptions**

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported revenue and costs during the relevant period.

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 2010, except for the following developments:

- IAS 24 (revised 2009), *Related party disclosures*
- Improvements to IFRSs (2010)
- IFRIC 19, *Extinguishing financial liabilities with equity instruments*
- Amendments to IFRIC 14, IAS 19 – *The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement*

The amendments to IFRIC 14 and IAS 19 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. IFRIC 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction.

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's consolidated financial statements. These developments have had no material impact on the contents of these consolidated financial statements. Certain insignificant comparative amounts have been reclassified to conform with the current year's presentation.

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, except as explained in note 2(e), which addresses changes in accounting policies.

a. Basis of consolidation

(i) *Subsidiaries and non-controlling interests*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of income and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling-interests whithin consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in the statement of income. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (refer to note 3(c)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (refer to note 3(a)(iv)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

(ii) ***Acquisitions of non-controlling interests***

The acquisition of an additional non-controlling interest in an existing subsidiary after control has been obtained is accounted for as an equity transaction with any difference between the cost of the additional investment and the carrying amount of the net assets acquired at the date of exchange recognised directly in equity.

(iii) ***Acquisitions from entities under common control***

Business combinations arising from transfers of interests in entities that are under the common control of the shareholder that controls the Company are accounted for as if the acquisition had occurred at the beginning of the earliest period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of the equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of additional paid-in capital.

(iv) ***Associates and jointly controlled entities (equity accounted investees)***

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and which require unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group's investment also includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to, or has made payments on behalf of, the investee.

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the statement of income. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (refer to note 3(c)), or, when appropriate for jointly controlled entities, the cost on initial recognition of an investment in an associate.

When an associate sells equity interests in its subsidaires to its non-controlling shareholders in an equity transaction, this represents a dilution of the Group's indirect interest in the subsidiary of the associate and therefore gives rise to the recognition of a gain or loss in the Group's consolidated financial statements.

(v) ***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. Non-monetary items in a foreign currency are measured based on historical cost are translated using the exchange rate at the date of transaction. Foreign currency differences arising on retranslation are recognised in the statement of income, except for differences arising on the retranslation of qualifying cash flow hedges to the extent the hedge is effective, which is recognised in the statement of comprehensive income.

(ii) ***Foreign operations***

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated from their functional currencies to USD at the exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to USD at exchange rates approximating exchange rates at the dates of the transactions.

Foreign currency differences arising on translation are recognised in the statement of comprehensive income and presented in the currency translation reserve in equity. For the purposes of foreign currency translation, the net investment in a foreign operation includes foreign currency intra-group balances for which settlement is neither planned nor likely in the foreseeable future and foreign currency differences arising from such a monetary item are recognised in the statement of comprehensive income.

When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount of the currency translation reserve is transferred to the statement of income as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the statement of income.

c. **Financial instruments**

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

Non-derivative financial instruments comprise investments in securities, trade and other receivables (exclude prepayments), cash and cash equivalents, loans and borrowings and trade and other payables (excluding advances received).

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Held-to-maturity investments

If the Group has the positive intent and ability to hold securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses (refer to note 3(h)(i)).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities at initial recognition of three months or less that are subject to insignificant risk of changes in their fair values, and are used by the Group in the management of its short-term commitments.

Others

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses (refer to note 3(h)(i)). Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be estimated on a reasonable basis by other means are stated at cost less impairment losses (refer to note 3(h)(i)).

Non-derivative financial liabilities

The Group's non-derivative financial liabilities, subsequent to initial recognition, are measured at amortised cost using the effective interest method.

(ii) ***Derivative financial instruments, including hedge accounting***

The Group enters, from time to time, into various derivative financial instruments to manage its exposure to commodity price risk, foreign currency risk and interest rate risk.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% - 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variation in cash flows that ultimately could affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the statement of income when incurred. Subsequent to initial recognition, derivatives are measured at fair value.

The measurement of fair value of derivative financial instruments, including embedded derivatives, is based on quoted market prices. Where no price information is available from a quoted market source, alternative market mechanisms or recent comparable transactions, fair value is estimated based on the Group's views on relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates. Changes in the fair value therein are accounted for as described below.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in statement of comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of a derivative is recognised in the statement of income.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases, the amount accumulated in equity is reclassified to the statement of income in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to the statement of income.

Changes in the fair value of separated embedded derivatives and derivative financial instruments not designated for hedge accounting are recognised immediately in the statement of income.

d. Property, plant and equipment

(i) *Recognition and measurement*

Items of property, plant and equipment, are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2004, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs (refer to note 3(n)). Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of periodic relining of 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. Any impairment loss is allocated to the carrying amount of the interest in the associate and jointly controlled entity.

When the fair value of the Group's share of identifiable net assets acquired exceeds the cost of acquisition, the difference is recognised immediately in the statement of income.

(ii) *Research and development*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of income when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use and capitalised borrowing costs. Other development expenditure is recognised in the statement of income when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses (refer to note 3(h)(ii)).

(iii) ***Other intangible assets***

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses (refer to note 3(h)(ii)).

(iv) ***Subsequent expenditure***

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of income when incurred.

(v) ***Amortisation***

Amortisation is recognised in the statement of income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives are as follows:

- software 5 years;
- contracts, acquired in business combinations 2-8 years.

The amortisation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

f. **Leased assets**

Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

The corresponding finance lease obligation is included within interest bearing liabilities. The interest element is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

Assets held under other leases (operating leases) are not recognised in the statement of financial position. Payments made under the lease are charged to the statement of income in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the statement of income as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the statement of income in the accounting period in which they are incurred.

g. **Inventories**

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is determined under the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured

inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

The production costs include mining and concentrating costs, smelting, treatment and refining costs, other cash costs and depreciation and amortisation of operating assets.

h. Impairment

(i) *Financial assets*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset occurred after the initial recognition of that asset and the impact can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy and the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

An impairment loss in respect of an investment in an associate or jointly controlled entity is calculated as the difference between its carrying amount after application of the equity method of accounting (refer to note 3(a)(iv)) and its recoverable amount. The recoverable amount of such investment is the greater of its value in use and its fair value less cost to sell. In determining the value in use of the investment the Group estimates: (a) its share of the present value of the estimated future cash flows expected to be generated by the investee, including the cash flows from the operations of the investee and the proceeds on the ultimate disposal of the investment; or (b) the present value of the estimated future cash flows expected to arise from the dividends to be received from the investee and from its ultimate disposal depending on which available information with respect to each investee is more reliable. An impairment loss is reversed to the extent that the recoverable amount of the investment subsequently increases and the resulting carrying amount does not exceed the carrying amount that would have been determined, after application of the equity method, had no impairment loss previously been recognised.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the statement of income.

Impairment losses for trade receivables included within trade and other receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are

reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the statement of income.

(ii) ***Non-financial assets***

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other asset groups. Impairment losses are recognised in the statement of income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate or a jointly controlled entity is not recognised separately and, therefore, is not tested for impairment separately. Instead, the entire amount of the investment is tested for impairment as a single asset when there is objective evidence that the investment in an associate or a jointly controlled entity may be impaired.

i. Insurance contracts

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies, controlled by the beneficial shareholder of the Group, the Group considers these to be insurance arrangements and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

j. Employee benefits

(i) ***Salaries, annual bonuses, paid annual leave and cost of non-monetary benefits***

Salaries, annual bonuses, paid annual leave and cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) ***Defined benefit pension and other post-retirement plans***

The Group's net obligation in respect of defined benefit pension and other post-retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to

determine its present value and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Where there is a change in actuarial assumptions, the resulting actuarial gains and losses are recognised directly in the statement of comprehensive income.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the statement of income on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately.

(iii) ***State pension fund***

The Group makes contributions for the benefit of employees to Russia's and the Ukrainian State's pension funds. The contributions are expensed as incurred.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and past service costs that had not previously been recognised.

k. **Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

(i) ***Site restoration***

The mining, refining and smelting activities of the Group can give rise to obligations for site restoration and rehabilitation. Restoration and rehabilitation works can include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation, and site restoration. The extent of work required and the associated costs are dependent on the requirements of law and the interpretations of the relevant authorities.

Provisions for the cost of each restoration and rehabilitation program are recognised at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass obligated and reasonably estimable restoration and rehabilitation activities expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances at the reporting date. Routine operating costs that may impact the ultimate restoration and rehabilitation activities, such as waste material handling conducted as an integral part of a mining or production process, are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognised as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation.

Restoration and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. Discount rates used are specific to the country in which the operation is located. Significant judgements and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements.

When provisions for restoration and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of restoration and rehabilitation activities is amortised over the estimated economic life of the operation on a units of production or straight-line basis. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognised as part of finance expenses.

Restoration and rehabilitation provisions are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the unamortised capitalised cost, in which case the capitalised cost is reduced to nil and the remaining adjustment is recognised in the statement of income. Changes to the capitalised cost result in an adjustment to future amortisation charges. Adjustments to the estimated amount and timing of future restoration and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved. Factors influencing those changes include revisions to estimated reserves, resources and lives of operations; developments in technology; regulatory requirements and environmental management strategies; changes in the estimated costs of anticipated activities, including the effects of inflation and movements in foreign exchange rates; and movements in general interest rates affecting the discount rate applied.

(ii) ***Restructuring***

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

l. Revenue

Goods sold

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably 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.

m. Other expenses

Social expenditure

To the extent that the Group’s contributions to social programs benefit the community at large and are not restricted to the Group’s employees, they are recognised in the statement of income as incurred.

n. **Finance income and expenses**

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses and changes in the fair value of financial assets at fair value through profit or loss. All borrowing costs are recognised in the statement of income using the effective interest method, except for borrowing costs related to the acquisition, construction and production of qualifying assets which are recognised as part of the cost of such assets.

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

o. **Income tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liability. Such changes to tax liabilities will impact tax expenses in the period that such a determination is made. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group has both the right and the intention to settle its current tax assets and liabilities on a net or simultaneous basis.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividends is recognised.

p. **Non-current assets held for sale and discontinued operations**

Non-current assets (or disposal groups comprising assets and liabilities), that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRSs. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except

that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Group's accounting policies.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that has been abandoned may also qualify.

q. **Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance and for which discrete consolidated financial statements are available.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

r. **Related parties**

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

4 Segment reporting

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 meet any of the quantitative thresholds for determining reportable segments in 2011 and 2010.

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.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets other than goodwill.

(i) ***Reportable segments***

Year ended 31 December 2011

	Aluminium	Alumina	Energy	Mining and Metals	Total segment result
	USD million	USD million	USD million	USD million	USD million
Revenue from external customers	10,414	676	159	-	**11,249**
Inter-segment revenue	186	1,768	-	-	**1,954**
Total segment revenue	**10,600**	**2,444**	**159**	**-**	13,203
Segment profit/(loss)	**2,072**	**(24)**	**87**	**(336)**	**1,799**
Impairment of non-current assets	(37)	(208)	-	-	**(245)**
Share of losses of associates	-	(13)	-	-	**(13)**
Share of profits of jointly controlled entities	-	-	25	-	**25**
Depreciation/amortisation	(400)	(100)	(5)	-	**(505)**
Non-cash expense other than depreciation	(35)	(44)	-	-	**(79)**
Additions to non-current segment assets during the year	416	223	3	-	**642**
Non-cash additions to non-current segment assets related to site restoration	18	112	-	-	**130**
Segment assets	11,945	2,157	35	9,247	**23,384**
Interests in associates	-	458	-	-	**458**
Interests in jointly controlled entities	-	-	1,102	-	**1,102**
Total segment assets					**24,944**
Segment liabilities	(2,040)	(777)	(36)	-	**(2,853)**
Total segment liabilities					**(2,853)**

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	153	1,372	-	-	**1,525**
Total segment revenue	**9,361**	**1,983**	**209**	**-**	**11,553**
Segment profit	**1,929**	**151**	**48**	**2,451**	**4,579**
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/(expenses) 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)**

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

	Year ended 31 December	
	2011	**2010**
	USD million	**USD million**
Revenue		
Reportable segment revenue	13,203	11,553
Elimination of inter-segment revenue	(1,954)	(1,525)
Unallocated revenue	1,042	951
Consolidated revenue	**12,291**	**10,979**

	Year ended 31 December	
	2011	**2010**
	USD million	**USD million**
Profit		
Reportable segment profit	1,799	4,579
Impairment of non-current assets	(245)	(49)
Share of losses of associates	(13)	(16)
Share of profits/(losses) of jointly controlled entities	25	(25)
Finance income	521	42
Finance expenses	(1,336)	(1,472)
Unallocated expenses	(141)	(48)
Consolidated profit before taxation	**610**	**3,011**

	31 December 2011	**31 December 2010**
	USD million	**USD million**
Assets		
Reportable segment assets	24,944	26,255
Elimination of inter-segment receivables	(516)	(463)
Unallocated assets	917	733
Consolidated total assets	**25,345**	**26,525**

	31 December 2011	**31 December 2010**
	USD million	**USD million**
Liabilities		
Reportable segment liabilities	(2,853)	(2,843)
Elimination of inter-segment payables	516	463
Unallocated liabilities	(12,469)	(12,689)
Consolidated total liabilities	**(14,806)**	**(15,069)**

(iii) ***Geographic information***

The Group's operating segments are managed on a worldwide basis, but operate in four principal geographical areas: the CIS, Europe, Africa and the Americas. In the CIS, production facilities operate in Russia and Ukraine. In Europe, production facilities are located in Italy, Ireland and Sweden. African production facilities are represented by bauxite mines and an alumina refinery in Guinea and an aluminium plant in Nigeria. In the Americas the Group operates two production facilities in Jamaica, one in Guyana and a trading subsidiary in the United States of America.

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets and interests in associates and jointly controlled entities ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset. Unallocated specified non-current assets comprise mainly goodwill and interests in associates and jointly controlled entities.

	Revenue from external customers Year ended 31 December	
	2011	**2010**
	USD million	**USD million**
Netherlands	2,839	2,770
Russia	2,585	2,283
Turkey	1,171	867
Japan	782	663
USA	739	626
South Korea	710	427
Norway	431	605
Italy	326	266
Sweden	269	204
Greece	241	250
Germany	218	139
United Kingdom	179	181
Other countries	1,801	1,698
	12,291	**10,979**

	Specified non-current assets	
	31 December	**31 December**
	2011	**2010**
	USD million	**USD million**
Russia	4,682	4,754
Ireland	320	312
Ukraine	274	270
Guinea	199	210
Sweden	138	147
Armenia	61	65
Guyana	49	28
Unallocated	14,929	16,761
	20,652	**22,547**

5 Revenue

	Year ended 31 December	
	2011	**2010**
	USD million	**USD million**
Sales of primary aluminium and alloys	**10,414**	**9,208**
Third parties	*6,359*	*4,798*
Related parties – companies capable of exerting significant influence	*3,745*	*4,117*
Related parties – companies under common control	*310*	*293*
Sales of alumina and bauxite	**676**	**611**
Third parties	*495*	*363*
Related parties – companies capable of exerting significant influence	*177*	*241*
Related parties – companies under common control	*4*	*7*
Sales of foil	**309**	**293**
Third parties	*300*	*283*
Related parties – companies under common control	*9*	*10*
Other revenue including energy and transportation services	**892**	**867**
Third parties	*642*	*589*
Related parties – companies capable of exerting significant influence	*16*	*15*
Related parties – companies under common control	*34*	*22*
Related parties – associates	*200*	*241*
	12,291	**10,979**

6 Other operating expenses

	Year ended 31 December	
	2011	**2010**
	USD million	**USD million**
Impairment loss on trade and other receivables	(18)	(18)
Provision for legal claims	(10)	(15)
(Tax provision)/reversal of tax provision	(17)	46
Charitable donations	(15)	(9)
Other operating expenses	(82)	(74)
	(142)	**(70)**

7 Finance income and expenses

	Year ended 31 December	
	2011	**2010**
	USD million	**USD million**
Finance income		
Interest income on third party loans and deposits	3	4
Interest income on loans to related parties – *companies under common control*	4	3
Foreign exchange gain	58	25
Change in fair value of derivative financial instruments (refer to notes 28,30(c)(i))	416	-
Interest income on provisions	40	10
	521	**42**
Finance expenses		
Interest expense on bank loans wholly repayable within 5 years, bonds and other bank charges (b)	(1,227)	(1,157)
Change in fair value of derivative financial instruments (refer to notes 28,30(c)(i))	-	(189)
Interest expense on company loans from related parties - *companies capable of exerting significant influence* (b)	(92)	(73)
Listing and restructuring related expenses	-	(21)
Loss on disposal of financial investments (a)	-	(12)
Interest expense on provisions	(17)	(20)
	(1,336)	**(1,472)**

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) During the year ended 31 December 2011, the Group has completed the refinancing of its outstanding debts and the excess of effective interest rate charges over nominal interest rate charges on restructured debt of USD560 million has been recognised directly as finance expenses, including USD320 million recognised as at the date of refinancing.

8 Income tax

	Year ended 31 December	
	2011	**2010**
	USD million	**USD million**
Current tax – overseas		
Current tax for the year	179	200
Over-provision in respect of prior years	(13)	(15)
Deferred tax		
Origination and reversal of temporary differences	207	(41)
Actual tax expense	**373**	**144**

The Company is a tax resident of Cyprus with an 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 23% (31 December 2010 - 25%); Guinea of 0%; China of 25%; Kazakhstan of 20%; Australia of 31.3%; Jamaica of 33.3%; Ireland of 12.5% (31 December 2010 – 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 differs 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 for 2011 were 9.4% and 15.40% for different subsidiaries (31 December 2010: 9.92% and 15.65%). 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 2011 were the same as for the year ended 31 December 2010 except as noted above.

	Year ended 31 December			
	2011		**2010**	
	USD million	**%**	**USD million**	**%**
Profit before taxation	610	100%	3,011	100%
Income tax at tax rate applicable to the tax residence of the Company	61	10.0%	301	10.0%
Financial expenses non-deductable for tax purposes	127	20.8%	93	3.1%
Other non-deductible expenses	3	0.5%	2	0.1%
Effect of changes in investment in Norilsk Nickel	131	21.5%	(193)	(6.4%)
Change in unrecognised deferred tax assets	32	5.2%	(20)	(0.7%)
Over-provision in prior years	(13)	(2.1%)	(15)	(0.5%)
Effect of different income tax rates	32	5.2%	(24)	(0.7%)
Actual tax expense	**373**	**61%**	**144**	**5%**

9 Profit for the year

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

(a) Personnel costs

	Year ended 31 December	
	2011	**2010**
	USD million	**USD million**
Contributions to defined contribution retirement plans	205	116
Contributions to defined benefit retirement plans	12	10
Total retirement costs	217	126
Wages and salaries	980	990
Share-based compensation (refer to note 24(b))	9	-
	1,206	**1,116**

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	
	2011	**2010**
	USD million	**USD million**
Amortisation of intangible assets	17	17
Depreciation (net of amount included in inventories)	501	481
Impairment losses/(reversal of impairment losses) in respect of:		
- property, plant and equipment	250	37
- interests in associates	-	(1,399)
Mineral restoration tax	27	21
Increase/(decrease) in provisions (including provisions for legal claims)	120	(11)
Auditors' remuneration	10	11
Operating lease charges in respect of property	11	8
Cost of inventories (refer to note 21)	8,279	7,125

10 Directors' remuneration

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

	Year ended 31 December 2011		
	Directors' fees	**Salaries, allowances, benefits in kind and discretionary bonuses**	**Total**
	USD thousand	**USD thousand**	**USD thousand**
Executive Directors (d)			
Oleg Deripaska	-	8,091	8,091
Vladislav Soloviev	-	6,921	6,921
Petr Sinshinov (a)	-	3,231	3,231
Tatiana Soina	-	2,937	2,937
Vera Kurochkina	-	1,342	1,342
Alexander Livshits	-	1,001	1,001
Non-executive Directors			
Victor Vekselberg (Chairman)	432	-	432
Dmitry Afanasiev	209	-	209
Len Blavatnik	209	-	209
Ivan Glasenberg	242	-	242
Alexander Popov (b)	191	-	191
Dmitry Troshenkov (c)	17	-	17
Dmitry Razumov	241	-	241
Anatoly Tikhonov	193	-	193
Artem Volynets	261	-	261
Petr Sinshinov (a)	47	-	47
Independent Non-executive Directors			
Nigel Kenny	271	-	271
Philip Lader	354	-	354
Elsie Leung Oi-Sie	209	-	209
Barry Cheung Chun-Yuen	287	-	287
	3,163	**23,523**	**26,686**

a. Petr Sinshinov resigned as the Company's Deputy CEO's position in September 2011 which has resulted in him becoming a Non-executive Director of the Company from that date.

b. Alexander Popov resigned from his position as a member of the Board of Directors in November 2011.

c. Dmitry Troshenkov was appointed as a member of the Board of Directors in November 2011.

d. Compensation of Executive Directors in the form of shares of the Company relates to a share-based long-term incentive plan (hereinafter LTIP) (refer to note 24(b)). The fair value of the share-based compensation was recognised as an employee expense during the vesting period. The fair value is determined at the grant date by reference to the quoted share price on that date.

	Number of shares awarded	**Number of shares vested on 21 November 2011**	**Value of share-based compensation vested USD thousand**
Oleg Deripaska	2,503,597	834,532	727
Vladislav Soloviev	1,311,629	262,326	228
Petr Sinshinov	815,474	163,095	142
Tatiana Soina	703,274	140,655	122
Vera Kurochkina	354,346	70,869	62
Alexander Livshits	340,506	68,101	59

	Year ended 31 December 2010		
	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**

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

The remuneration of the executive directors disclosed above includes compensation received starting from the date of the appointment and/or for the period until their termination as a member of the Board of Directors.

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

11 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two and two were directors during the years ended 31 December 2011 and 2010, 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	
	2011	**2010**
	USD thousand	**USD thousand**
Salaries and bonuses(*)	20,976	24,241

(*) Included in salaries and bonuses is remuneration in the form of shares of the Company for the year ended 31 December 2011 in relation to a share-based long-term incentive plan (hereinafter LTIP) (refer to note 24(b)). For the year ended 31 December 2010 the amount included remuneration for services performed in connection with the Global Offering. Such bonus amounted to approximately USD5,384 thousand.

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

	Year ended 31 December	
	2011	**2010**
	Number of individuals	**Number of individuals**
HK$45,000,001-HK$50,000,000 (US$ 5,800,001 – US$ 6,400,000)	-	1
HK$50,000,001-HK$55,000,000 (US$ 6,400,001 – US$ 7,100,000)	1	-
HK$55,000,001-HK$60,000,000 (US$ 7,100,001 – US$ 7,700,000)	2	1
HK$80,000,001-HK$85,000,000 (US$ 10,300,001 – US$ 10,900,000)	-	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 dislcosed 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 2011 and 2010.

The Company is subject to external capital requirements as described in note 36.

13 (Loss)/profit attributable to equity shareholders of the Company

The (loss)/profit attributable to equity shareholders of the Company includes a loss of USD2,754 million for the year ended 31 December 2011 (2010: a profit of USD996 million) which relates to the financial statements of the Company.

14 Earnings per share

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of shares in issue during the years ended 31 December 2011 and 31 December 2010.

Weighted average number of shares:

	Year ended 31 December	
	2011	**2010**
Issued ordinary shares at beginning of the year	15,193,014,862	1,237,000
Effect of capitalisation issue (refer to note 24(a))	-	13,498,763,000
Issuance of shares on the Global Offering (refer to note 24(a))	-	1,491,175,287
Issuance of shares on warrant conversion (refer to note 24(a))	-	24,213,707
Effect of shares issued as compensation to management	-	52,460,578
Weighted average number of shares at end of the year	**15,193,014,862**	**15,067,849,572**
Net profit for the year (USD million)	**237**	**2,867**
Earnings per share (USD)	**0.02**	**0.19**

There were no outstanding dilutive instruments during the years ended 31 December 2011 and 2010.

On 27 January 2010 the Company issued 1,610,292,840 ordinary shares upon the Global Offering and 26,070,806 ordinary shares on conversion of Fee Warrants (refer to note 24(a)).

The weighted average number of shares for the year ended 31 December 2010 includes the effect of the shares issued as compensation (refer to note 24(a)) from the date of Global Offering, 27 January 2010. Approval of the Group's lenders and the actual issuance of shares to the Group's management and the CEO took place in April 2010.

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 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**
Balance at 1 January 2011	3,607	5,728	1,677	121	668	1,240	13,041
Additions	131	47	181	1	-	424	784
Disposals	(20)	(89)	-	(2)	-	(5)	(116)
Transfers	34	216	7	(11)	3	(249)	-
Foreign currency translation	(69)	(56)	(26)	(3)	(29)	(25)	(208)
Balance at 31 December 2011	**3,683**	**5,846**	**1,839**	**106**	**642**	**1,385**	**13,501**
Accumulated depreciation and impairment losses							
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**
Balance at 1 January 2011	1,502	3,444	1,172	59	642	347	7,166
Depreciation charge	97	258	166	11	1	-	533
Impairment loss (note (a))	125	62	-	-	4	59	250
Disposals	(6)	(44)	-	(1)	-	-	(51)
Foreign currency translation	(43)	(36)	(18)	-	(28)	(18)	(143)
Balance at 31 December 2011	**1,675**	**3,684**	**1,320**	**69**	**619**	**388**	**7,755**

Net book value							
At 31 December 2010	2,105	2,284	505	62	26	893	5,875
At 31 December 2011	**2,008**	**2,162**	**519**	**37**	**23**	**997**	**5,746**

Depreciation expense of USD492 million (2010: USD473 million) has been charged to cost of goods sold, USD5 million (2010: USD6 million) to distribution expenses and USD21 million (2010: USD20 million) to administrative expenses.

During the years ended 31 December 2011 and 2010, 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 2011 and 2010 are advances to suppliers of property, plant and equipment of USD105 million and USD112 million, respectively.

(a) Impairment

At 31 December 2011, management analysed changes in the economic environment and developments in the aluminium industry and the Group's operations since 31 December 2010 and 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 relating to assets that are no longer in use and therefore considered not recoverable amounting to USD250 million and USD37 million at 31 December 2011 and 31 December 2010, respectively.

(b) Security

The carrying value of property, plant and equipment subject to lien under loan agreements was USD316 million as at 31 December 2011 (31 December 2010: USD1,393 million), refer to note 25.

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

The Group	**31 December 2011**	**31 December 2010**
	USD million	**USD million**
Owned properties		
In the Russian Federation	1,799	1,882
Outside the Russian Federation	209	223
	2,008	**2,105**
Representing		
Land and buildings	**2,008**	**2,105**

16 Intangible assets

	Goodwill	Other intangible assets	Total
	USD million	**USD million**	**USD million**
Cost			
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**
Balance at 1 January 2011	3,993	522	4,515
Additions	-	14	14
Disposals	(3)	(49)	(52)
Foreign currency translation	(125)	-	(125)
Balance at 31 December 2011	**3,865**	**487**	**4,352**
Amortisation and impairment losses			
Balance at 1 January 2010	(67)	(346)	(413)
Amortisation charge	-	(17)	(17)
Balance at 31 December 2010	(67)	(363)	(430)
Balance at 1 January 2011	(67)	(363)	(430)
Amortisation charge	-	(17)	(17)
Balance at 31 December 2011	**(67)**	**(380)**	**(447)**
Net book value			
At 31 December 2010	3,926	159	4,085
At 31 December 2011	**3,798**	**107**	**3,905**

(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 certain businesses of SUAL Partners and Glencore.

(c) Impairment testing of goodwill and other intangible assets

For the purposes of impairment testing, the entire amount of goodwill is allocated to the aluminium segment of the Group's operations. The aluminium segment represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The recoverable amount represents value in use as determined by discounting the future cash flows generated from the continuing use of the plants within the Group's aluminium segment.

At 31 December 2011, management analysed changes in the economic environment and developments in the aluminium industry and the Group's operations since 31 December 2010 and performed an impairment test for goodwill at 31 December 2011 using the following assumptions to determine the recoverable amount of the segment:

- Total production was estimated based on average sustainable production levels of 4.2 million metric tonnes of primary aluminium, of 7.7 million metric tonnes of alumina and of 13.3 million metric tonnes of bauxite. Bauxite and alumina will be used primarily internally for production of primary aluminium;
- Sales prices were based on the long-term aluminium price outlook derived from available industry and market sources at USD2,240 per tonne for primary aluminium in 2012, USD2,483 in 2013, USD2,540 for 2014, USD2,576 for 2015, USD2,600 for 2016, USD2,662 for 2017, USD2,748 for 2018 and USD2,809 for 2019 and thereafter. Operating costs were projected based on the historical performance of each cash generating unit;
- Nominal foreign currency exchange rates applied to convert operating costs of the Group denominated in RUB into USD were RUB30.0 for one USD in 2012, RUB30.1 in 2013 and 2014, RUB29.6 in 2015, RUB28.8 in 2016, RUB29.5 in 2017, RUB30.3 in 2018 and RUB 31.1 in 2019 and thereafter. Inflation of 4.8% – 5.9% in RUB and 2.2% in USD was assumed in determining recoverable amounts;
- The post-tax discount rate was estimated in nominal terms based on the weighted average cost of capital basis and was 11% ;
- A terminal value was derived following the forecast period assuming a 2.2% annual growth rate.

Values assigned to key assumptions and estimates used to measure the units' recoverable amounts were consistent with external sources of information and historic data for each cash-generating unit. Management believes that the values assigned to the key assumptions and estimates represented the most realistic assessment of future trends. The results were particularly sensitive to the following key assumptions:

- A 5% reduction in the projected aluminium price level would have resulted in a decrease in the recoverable amount by 33% and would lead to an impairment of USD3,423 million;
- A 5% increase in the projected level of electricity and alumina costs in the aluminium production would have resulted in a 15% decrease in the recoverable amount and would lead to an impairment of USD1,506 million;
- A 1% increase in the discount rate would have resulted in a 11% change in the recoverable amount and would not lead to impairment.

Based on results of impairment testing, management concluded that no impairment should be recorded in the consolidated financial statements as at 31 December 2011.

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 USD2,502 per tonne for primary aluminium in 2011, USD2,583 in 2012, USD2,520 for 2013, USD2,483 for 2014, USD2,553 for 2015, USD2,657 for 2016, USD2,732 for 2017 and USD2,808 for 2018 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;
- Nominal foreign currency exchange rates applied to convert operating costs of the Group denominated in RUB into USD were RUB30.5 for one USD in 2011, RUB30.4 in 2012, RUB30.1 in 2013, RUB30.0 in 2014, RUB29.6 in 2015, RUB30.4 in 2016, RUB31.3 in 2017 and RUB32.2 in 2018 and thereafter. Inflation of 5.7% - 8.3% in RUB and 2.8% in USD was assumed in determining recoverable amounts;
- The post-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 impairment.

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

17 Interests in associates

	31 December	
	2011	**2010**
	USD million	**USD million**
Balance at the beginning of the year	11,151	8,968
Group's share of (losses)/profits and other gains and losses attributable to associates	(349)	2,435
Dividends	(306)	(295)
Group's share of other comprehensive income	(193)	20
Foreign currency translation	(589)	23
Balance at the end of the year	**9,714**	**11,151**
Goodwill included in interests in associates	5,315	5,602

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.

				Proportion of ownership interest		
Name of associate	**Form of business structure**	**Place of incorporation and operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Group's nominal interest**	**Principal activity**
OJSC MMC Norilsk Nickel	Incorporated	Russian Federation	190,627,747 shares, RUB1 par value	30.28%	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	Liabilities	Revenues	Profit
	USD million	USD million	USD million	USD million
31 December 2011				
100 per cent	21,766	9,809	15,406	4,198
Group's effective interest including post acquisition adjustments	13,445	3,249	4,085	(349)
31 December 2010				
100 per cent	24,893	6,759	13,596	3,298
Group's effective interest including post acquisition adjustments	13,711	2,086	3,497	1,036

(a) OJSC MMC Norilsk Nickel

The carrying value and market value of the Group's investment in Norilsk Nickel as at 31 December 2011 and 31 December 2010 were as follows:

	31 December 2011	31 December 2010
	USD million	USD million
Carrying value	9,247	10,671
Market value (a)	7,365	11,186

a. Market value is determined by multiplying the quoted bid price per share on the Moscow Interbank Currency Exchange on the year-end date by the number of shares held by the Group.

The market value of the Group's investment in Norilsk Nickel recovered in the first quarter of 2012 and amounted to USD9,341 million as at 12 March 2012.

The carrying value of the investment in Norilsk Nickel is affected by the entity's sales and purchases of its own shares.

The impact of changes in the net assets of Norilsk Nickel, following a series of transactions with treasury shares, as well as the estimation of the recoverable amount of the investment is that the Group has recognised a loss of USD 1,431 million (a gain of USD 161 million in 2010) in addition to the Group's share of the associate's profit for the year.

The recoverable amount of the investment at 31 December 2011 was determined based on the underlying value in use of its businesses based on the following significant assumptions.

- The long term commodity price forecasts for nickel, copper and other by-products, are management's estimates based on their experience of the specific commodities markets as at the date of the impairment test, and are within the range of external market forecasts. The prices used were as follows:

Metal	Units	2011	2012	2013	2014	2015	2016	2017
Nickel	USD/tonne	22,987	19,543	19,613	19,535	19,385	19,811	20,247
Copper	USD/tonne	8,871	8,190	8,191	8,113	8,022	8,198	8,379
Platinum	USD/oz	1,721	1,530	1,540	1,574	1,609	1,644	1,680
Palladium	USD/oz	733	657	670	685	700	716	731

- Total production volume was based on existing production levels for 2010 adjusted for a growth rate of 1.5-3.0% per year.
- The nominal foreign currency exchange rates applied to convert operating costs denominated in RUB into USD were RUB31.1 for one USD in 2011, RUB32.5 for one USD in 2012, RUB33.8 for one USD in 2013, RUB34.7 for one USD in 2014, RUB35.6 for one USD in 2015, RUB36.6 for one USD in 2016 and RUB37.6 for one USD in 2017 and thereafter. . Inflation of 5.0% - 6.9% in RUB and 2.2% in USD was assumed in determining recoverable amounts

The post-tax discount rate was estimated in nominal terms based on the weighted average cost of capital and was 11.8%.

Management concluded that no further impairment is required to be recognised as a result of impairment testing. Values assigned to key assumptions and estimates used to measure the units' recoverable amounts were consistent with external sources of information and historic data. Management believes that the values assigned to the key assumptions and estimates represented the most realistic assessment of future trends. The results were particularly sensitive to the following key assumptions:

- A 5% reduction in the projected price level of main metals for a five-year period would have resulted in a decrease in the recoverable amount by 8% and would result in impairment of USD367 million;
- A 1% increase in the discount rate would have resulted in a 13% change in the recoverable amount and would result in impairment of USD982 million.

In 2010 the Group fully reversed remaining amount of previously recognised impairment and recorded a gain of USD1,399 million.

On the date these consolidated financial statements were issued, the Group was unable to obtain the consolidated financial statements of Norilsk Nickel as at 31 December 2011. Consequently the Group has estimated its share in the losses and other comprehensive income of Norilsk Nickel for the year ended 31 December 2011 based on publicly available information reported by Norilsk Nickel. The information used as a basis for these estimates is incomplete in many aspects. Once the consolidated financial statements for Norilsk Nickel become available, the financial information will be compared to management's estimates. If there are significant differences, adjustments may be required to restate the Group's share of profit, other comprehensive income and the carrying value of the investment in Norilsk Nickel which are reported in these financial statements.

18 Interests in jointly controlled entities

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

	31 December	
	2011	**2010**
	USD million	**USD million**
Balance at the beginning of the year	1,136	778
Acquisitions	32	-
Contributions to jointly controlled entities	2	441
Group's share of profits/(losses)	25	(25)
Dividends	(48)	(28)
Foreign currency translation	(45)	(30)
Balance at the end of the year	**1,102**	**1,136**

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	Proportion of ownership 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
Mega Business & Alliances B.V. and its companies	Incorporated	Netherlands/ Russian Federation/ Kazakhstan	18,000 shares, EUR1	50%	50%	Transportation business

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

	31 December 2011 USD million	31 December 2010 USD million
Non-current assets	1,413	1,183
Current assets	101	99
Non-current liabilities	(323)	(73)
Current liabilities	(89)	(73)
Net assets	**1,102**	**1,136**
Income	455	377
Expenses	(430)	(402)
Profits/(losses) for the year	**25**	**(25)**
Foreign currency translation differences for foreign operations	(45)	(30)

As a result of obtaining project financing at the end of 2010, the BEMO project companies utilised the project financing proceeds to make necessary contributions to the ongoing construction projects and do not require contributions from the joint venture partners at this time.

On 28 September 2011 the Group sold a 50% interest in several wholly owned subsidiaries engaged in the transportation business in Kazakhstan and Russia to an unrelated party for USD47 million. The transaction resulted in a gain of USD15 million and the recognition of an investment in a jointly controlled entity of USD32 million. The consideration related to the sale agreement was received on 4 October 2011 in full.

19 Investments in subsidiaries

The Company

	31 December	
	2011	**2010**
	USD million	**USD million**
Unlisted shares, at cost	26,248	25,821
Less: impairment	(8,435)	(6,906)
	17,813	**18,915**

Details of the principal subsidiaries are set out in note 34 to the consolidated financial statements. The decrease in the amount of impairment loss relates to partial reversal of previously recorded impairment of the Company's investments in subsidiaries.

20 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
USD million	**31 December 2011**	**31 December 2010**	**31 December 2011**	**31 December 2010**	**31 December 2011**	**31 December 2010**
Property, plant and equipment	61	50	(597)	(599)	(536)	(549)
Inventories	20	25	(5)	(3)	15	22
Trade and other receivables	6	8	(2)	(5)	4	3
Derivative financial liabilities	4	147	(5)	-	(1)	147
Others	126	102	(137)	(55)	(11)	47
Deferred tax assets/(liabilities)	217	332	(746)	(662)	(529)	(330)
Set off of deferred taxation	(151)	(247)	151	247	-	-
Net deferred tax assets/(liabilities)	**66**	**85**	**(595)**	**(415)**	**(529)**	**(330)**

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

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
Trade and other receivables	4	(1)	-	3
Derivative financial liabilities	114	33	-	147
Other items	37	13	(3)	47
Total	**(368)**	**41**	**(3)**	**(330)**

USD million	1 January 2011	Recognised in the statement of income	Foreign currency translation	31 December 2011
Property, plant and equipment	(549)	13	-	(536)
Inventories	22	(7)	-	15
Trade and other receivables	3	1	-	4
Derivative financial liabilities	147	(148)	-	(1)
Other items	47	(66)	8	(11)
Total	**(330)**	**(207)**	**8**	**(529)**

(c) Unrecognised deferred tax assets

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

	31 December 2011 USD million	31 December 2010 USD million
Deductible temporary differences	241	369
Tax loss carry-forwards	513	353
	754	**722**

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 2011 USD million	31 December 2010 USD million
Without expiry	378	292
2021	21	-
2020	20	3
2019	12	9
2018	41	13
2017	13	3
2016	8	2
2015	5	22
2014	7	7
2013	6	-
2012	2	2
	513	**353**

(d) **Unrecognised deferred tax liabilities**

Retained earnings of the Group's subsidiaries where dividend distributions are subject to taxation included USD4,975 million and USD3,952 million as at 31 December 2011 and 31 December 2010, 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 2011 USD million	31 December 2010 USD million
Net income tax payable at the begining of the year	20	29
Income tax for the year	166	185
Income tax paid	(176)	(171)
Translation difference	(31)	(23)
	(21)	**20**
Represented by:		
Income tax payable	16	40
Prepaid income tax (note 22)	(37)	(20)
Net income tax (recoverable)/payable	**(21)**	**20**

21 Inventories

The Group

	31 December 2011	31 December 2010
	USD million	USD million
Raw materials and consumables	1,333	1,099
Work in progress	797	690
Finished goods and goods held for resale	1,033	768
	3,163	2,557
Provision for inventory obsolescence	(161)	(128)
	3,002	**2,429**

Inventories at 31 December 2011 and 31 December 2010 are stated at cost.

Inventories with a carrying value of USD545 million were pledged as collateral for secured bank loans at 31 December 2010. This pledge was released during the year ended 31 December 2011 upon the refinancing of certain loans (refer to note 25).

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

	Year ended 31 December	
	2011	2010
	USD million	USD million
Carrying amount of inventories sold	8,246	7,098
Write-down of inventories	33	27
	8,279	**7,125**

22 Trade and other receivables

The Group

	31 December 2011 USD million	31 December 2010 USD million
Trade receivables from third parties	200	241
Impairment loss on trade receivables	(41)	(63)
Net trade receivables from third parties	**159**	**178**
Trade receivables from related parties, including:	**40**	**35**
Companies capable of exerting significant influence	*32*	*35*
Impairment loss	*(8)*	*(10)*
Net trade receivables from companies capable of exerting significant influence	*24*	*25*
Companies under common control	*8*	*7*
Related parties – associates	*8*	*3*
VAT recoverable	529	474
Impairment loss on VAT recoverable	(56)	(49)
Net VAT recoverable	**473**	**425**
Advances paid to third parties	102	185
Impairment loss on advances paid	(4)	(6)
Net advances paid to third parties	**98**	**179**
Advances paid to related parties, including:	**68**	**66**
Related parties – companies capable of exerting significant influence	-	*1*
Related parties – companies under common control	-	*2*
Related parties – associates	*68*	*63*
Prepaid expenses	**42**	**20**
Prepaid income tax	**37**	**20**
Prepaid other taxes	**14**	**17**
Other receivables from third parties	100	101
Impairment loss on other receivables	(24)	(19)
Net other receivables from third parties	**76**	**82**
Other receivables from related parties, including:	**25**	**36**
Related parties – companies capable of exerting significant influence	*1*	*1*
Related parties – companies under common control	*11*	*19*
Related parties – associates	*13*	*16*
	1,032	**1,058**

All of the trade and other receivables are expected to be settled or recognised as an expense within one year or are repayable on demand.

The specific allowance for doubtful trade and other receivables and the uncollectible amount of trade and other receivables written off during the year ended 31 December 2011 amounted USD18 million and USD32 million respectively (31 December 2010: USD18 million and nil).

As at 31 December 2010, USD51 million of VAT recoverable of a Group subsidiary domiciled in Ukraine was reclassified from current to non-current assets as the Group did not expect to recover those amounts within the next 12 months. Impairment of the related carrying value of the outstanding VAT recoverable of USD12 million is 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 2011	**31 December 2010**
	USD million	**USD million**
Current	137	183
Past due 0-90 days	52	22
Past due 91-365 days	8	6
Past due over 365 days	2	2
Amounts past due	62	30
	199	**213**

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 2011 USD million	Year ended 31 December 2010 USD million
Balance at the beginning of the year	(73)	(56)
Impairment loss recognised	(2)	(17)
Uncollectible amounts written off	26	-
Balance at the end of the year	**(49)**	**(73)**

As at 31 December 2011 and 31 December 2010, the Group's trade receivables of USD49 million and USD73 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 2011 USD million	31 December 2010 USD million
Other receivables	29	29

23 Cash and cash equivalents

The Group

	31 December 2011	31 December 2010
	USD million	USD million
Bank balances, USD	292	329
Bank balances, RUB	39	106
Bank balances, other currencies	49	36
Cash in transit	3	-
Short-term bank deposits	230	15
Cash and cash equivalents in the consolidated statement of cash flows	613	486
Restricted cash	33	5
Cash and cash equivalents in the statement of financial position	**646**	**491**

As at 31 December 2011 and 31 December 2010 included in cash and cash equivalents was restricted cash of USD33 million and USD5 million, respectively, for letters of credit pledged with the banks.

The Company

	31 December 2011	31 December 2010
	USD million	USD million
Restricted cash	13	-
Cash and cash equivalents in the statement of financial position	**13**	**-**

Cash and cash equivalents as at 31 December 2011 represented cash pledged under a Swiss Law Pledged Agreement with BNP Paribas (Suisse) SA and Banca Nazionale Del Lavoro S.p.A .

24 Equity

(a) Share capital

	31 December 2011		31 December 2010	
	USD	**Number of shares**	**USD**	**Number of shares**
Ordinary shares at the end of the year, authorised	200 million	20 billion	200 million	20 billion
Ordinary shares at 1 January	151,930,148	15,193,014,862	12,370	1,237,000
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 conversion of Fee Warrants	-	-	260,708	26,070,806
Issuance of shares as compensation to management	-	-	566,512	56,651,216
Ordinary shares at the end of the year of USD0.01 each, issued and paid	**151,930,148**	**15,193,014,862**	**151,930,148**	**15,193,014,862**

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 was 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.

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.

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.

(b) Share-based compensation

On 11 May 2011 the Board of Directors of the Company approved a share-based long-term incentive plan (hereinafter "LTIP") that regulates share-based compensation for eligible employees of the Group. On an annual basis, the Board of Directors considers and approves eligible employees for participation in the LTIP. The number of awarded shares is determined by the Company and approved by the Board of Directors on the grant date. The vesting period for the currently approved eligible employees is as follows:

- CEO: awarded shares vest over a 3-year period in equal installments
- Other eligible employees: awarded shares vest over a 5-year period in equal installments.

The vesting period started on 11 November 2010.

During 2011, some 14,603,764 shares were granted under the plan with a fair value of USD11 million, of which 3,254,566 shares vested on 11 November 2011 with a corresponding value of USD5 million.

(c) Other reserves

The acquisition of RUSAL Limited by the Company has been accounted for as a non-substantive acquisition. The consolidated share capital and share premium represent only the share capital and share premium of the Company and the share capital and other paid in capital of RUSAL Limited prior to the acquisition has been included in other reserves. In addition other reserves include the cumulative unrealised actuarial gains and losses on the Group's defined post retirement benefit plans, the effective portion of the accumulative net change in fair value of cash flow hedges and the Group's share of other comprehensive income.

(d) Distributions

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

(e) Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(b).

(f) Movement in components of equity within the Company

USD million	Share capital	Reserves	Total
Balance at 1 January 2010	-	5,433	5,433
Profit and total comprehensive income for the year	-	996	996
Capitalisation issuance of shares	135	(135)	-
Shares issued upon Global Offering, net of related expenses	16	2,172	2,188
Shares issued on conversion of Fee Warrants	-	36	36
Issuance of shares as compensation to management	1	68	69
Other changes resulting from transactions under common control	-	190	190
Balance at 31 December 2010	**152**	**8,760**	**8,912**
Balance at 1 January 2011	152	8,760	8,912
Loss and total comprehensive income for the year	-	(2,754)	(2,754)
Other changes resulting from transactions under common control	-	(57)	(57)
Balance at 31 December 2011	**152**	**5,949**	**6,101**

25 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk refer to notes 30(c)(ii) and 30(c)(iii), respectively.

	31 December 2011	31 December 2010
	USD million	USD million
Non-current liabilities		
Secured bank loans	9,505	10,071
Unsecured bank loans	629	-
Unsecured company loans	-	531
	10,134	**10,602**
Current liabilities		
Secured bank loans	574	1,228
Unsecured company loans	-	102
Accrued interest	55	31
	629	**1,361**

Terms and debt repayment schedule as at 31 December 2011

	TOTAL	2012	2013	2014	2015	2016	Later years
	USD million	USD million	USD million	USD million	USD million	USD million	USD million
Secured bank loans							
Variable							
USD – Libor + 1.6%	66	33	33	-	-	-	-
USD – 3M Libor + 2.6%	3,658	481	793	793	793	798	-
USD – 3M Libor + 3.85%	975	-	-	-	-	-	975
USD – 1Y Libor + 4.5%	4,944	-	-	-	-	4,944	-
RUB – refinancing rate of RCB + 2.5%	436	60	376	-	-	-	-
	10,079	**574**	**1,202**	**793**	**793**	**5,742**	**975**
Unsecured bank loans							
Variable							
USD – 3M Libor + 4.5%	450	-	90	120	120	120	-
EURO – 3M Libor + 4.5%	179	-	36	48	48	47	-
Total	**629**	**-**	**126**	**168**	**168**	**167**	**-**
Accrued interest	55	55	-	-	-	-	-
Total	**10,763**	**629**	**1,328**	**961**	**961**	**5,909**	**975**

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

- 25% + 1 share of Rusal Novokuznetsk
- 36% + 1 share of SUAL
- 25% + 1 share of Rusal Sayanogorsk
- 25% + 1 share of Rusal Bratsk
- 25% + 1 share of Rusal Krasnoyarsk
- 100% of Albaco

The secured bank loans are also secured by pledges of shares of associate:

- 25% + 1 share of Norilsk Nickel

The secured bank loans are also secured by the following:

- Properties, plant and equipment with a carrying amount of USD316 million.

As at 31 December 2011 rights, including all monies and claims, arising out of certain sales contracts between the Group's trading subsidiaries and ultimate customers, were assigned to secure the new facility agreement.

The nominal value of the Group's loans and borrowings was USD10,928 million at 31 December 2011 (31 December 2010: USD12,566 million).

Debt refinancing during the year ended 31 December 2011

On 23 September 2011, the Group and Sberbank of Russia signed an amendment to the USD4.58 billion loan agreement effective immediately. This amendment includes extension of the maturity of the loan until September 2016, change of the interest rate to one year LIBOR + 4.5% and the cancellation of the Vnesheconombank (VEB) guarantee and the relevant release from pledge of 5% of the Company's shares.

On 29 September 2011, the Group entered into a new facility agreement with Russian and international lenders up to USD4.75 billion. The facility proceeds were used to refinance the outstanding debt under the International Override Agreement and Onexim liabilities on 5 October 2011.

According to the agreement the facility will be provided in two tranches:

- Tranche A amounting to USD3.75 billion is to be repaid in equal quarterly instalments starting from the 15th month after the first drawdown and with a final maturity falling 60 months after the first drawdown with USD500 million to be repaid during the first 12 months from the date of the first drawdown. Loans under tranche A will bear interest at the rate of 3-month LIBOR plus margin based on Total Net Debt/EBIDTA ratio which is revised quarterly.

Total Net Debt/EBITDA	**Tranche A Margin**
Greater than 4:1	2.85 per cent. per annum
Greater than 3.5:1 but less than or equal to 4:1	2.60 per cent. per annum
Greater than 3:1 but less than or equal to 3.5:1	2.35 per cent. per annum
Greater than 2.5:1 but less than or equal to 3:1	2.10 per cent. per annum
Less than or equal to 2.5:1	1.75 per cent. per annum

- Tranche B amounting to USD1 billion to be repaid in equal quarterly instalments starting from the 63rd month after the first drawdown with a final maturity date falling 84 months after the date of the facility documentation. Loans under tranche B will bear interest at the rate of 3-month LIBOR plus 3.85% per annum.

In addition, the Group has completed the refinancing of Sberbank of Russia loans of USD453 million with a five year maturity and 1-year LIBOR plus 4.5% interest rate and signed an agreement with Gazprombank on a new loan facility up to USD455 million and EURO140 million with a five year maturity and a 3-month LIBOR plus 4.5% interest rate.

On 1 December 2011 the Group signed an agreement with Sberbank of Russia on a new loan facility up to RUB18.3 billion with a five year maturity and 9.7% interest rate (refer to note 36).

The refinancing agreements have imposed certain obligations on the Group, including standard financial covenants and restrictions on dividend distributions.

In the end of 2011, the Group has entered into an interest rate swap to convert the floating 1Y Libor rate into a fixed rate of 2.4795% on a portion of USD4.58 billion facility with Sberbank of Russia. The notional amount of facility subject to this swap is USD3.3 billion and the swap is effective from 30 September 2012 until the maturity of the underlying loans.

In December 2011 the Group commenced negotiations with its International and Russian lenders to obtain an optional 12-month covenant holiday starting from any quarter in 2012. In case the covenant holiday option is exercised the extended margin grid will be applied. The option was approved by lenders in January 2012 (refer to note 36).

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
RUB – 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 was based on the expected repayments forecast by the Company using the Group's financial model which considered 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:

- 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% of Bauxite & Alumina Mining Ventures Limited
- 100% of Limerick Alumina Refining Limited
- 100% of Auginish Alumina Limited
- 100% of Eurallumina SpA
- 100% of UC Rusal Jamaica Limited
- 100% of UC Rusal Jamaica II Limited
- 100% of UC RUSAL Energy Limited
- 100% of UC RUSAL BOAZ Limited
- 100% of Kubal
- 100% of RUSAL Armenal
- 90% of 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 were also secured by pledges of shares of associates:

- 25% + 1 share of Norilsk Nickel

The secured bank loans were 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 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 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) 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.

The Company

	31 December	
	2011	**2010**
	USD million	**USD million**
Non-current liabilities		
Secured bank loans	9,096	8,140
Unsecured company loans	-	531
Unsecured loans from related parties	427	-
	9,523	**8,671**
Current liabilities		
Secured bank loans	481	713
Unsecured company loans	-	102
Unsecured loans from related parties	15	15
Accrued interest	59	25
	555	**855**

Terms and debt repayment schedule as at 31 December 2011

	TOTAL	**2012**	**2013**	**2014**	**2015**	**2016**	**Later years**
	USD million	**USD million**	**USD million**	**USD million**	**USD million**	**USD million**	**USD million**
Secured bank loans							
Variable							
USD – 1Y Libor + 4.5%	4,944	-	-	-	-	4,944	-
USD – 3M Libor + 2.6%	3,658	481	793	793	793	798	-
USD – 3M Libor + 3.85%	975	-	-	-	-	-	975
	9,577	**481**	**793**	**793**	**793**	**5,742**	**975**
Unsecured loans from related parties							
Interest free	15	15	-	-	-	-	-
RUB – fixed 8.31%-8.51%	427	-	-	427	-	-	-
	10,019	**496**	**793**	**1,220**	**793**	**5,742**	**975**
Accrued interest	59	59	-	-	-	-	-
Total	**10,078**	**555**	**793**	**1,220**	**793**	**5,742**	**975**

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

- 25% + 1 share of Rusal Bratsk;
- 25% + 1 share of Rusal Krasnoyarsk;
- 25% + 1 share of Rusal Sayanogorsk;
- 25% + 1 share of Novokuznetsk.
- 25% + 1 share of SUAL.

The secured bank loans are also secured by pledges of shares of associate:

- 25% + 1 share of Norilsk Nickel

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:

- 5% of the Company’s shares by the Company’s four major shareholders pro rata to their shareholdings in the Company.

The secured bank loans are also secured by pledges of shares of associate:

- 25% + 1 share of Norilsk Nickel

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

26 Bonds

On 3 March and 18 April 2011, one of the Group's subsidiaries issued two tranches of rouble denominated bonds, each including 15 million bonds, with a par value of 1,000 roubles each on MICEX. Maturity of the first tranche is seven years subject to a put option exercisable in three years. Maturity of the second tranche is ten years subject to a put option exercisable in four years.

Simultaneously, the Group entered into cross-currency swaps with an unrelated financial institution in relation to each tranche whereby the first tranche with semi-annual coupon payments of 8.3% p.a. was transformed into a USD obligation with a matching maturity of USD530 million bearing interest at 5.13% per annum and the second tranche with semi-annual coupon payments of 8.5% p.a. was transformed into a USD obligation with a matching maturity of USD533 million bearing interest at 5.09% per annum. The proceeds of the bond issues were used for repayment of part of the Group's outstanding debts. The closing market price at 31 December 2011 was 934.2 roubles and 898.0 roubles per bond for the first and second tranches respectively.

27 Provisions

USD million	**Pension liabilities**	**Site restoration**	**Provisions for legal claims**	**Tax provisions**	**Total**
Balance at 1 January 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**
Balance at 1 January 2011	134	322	40	30	526
Provisions made during the year	17	138	12	44	211
Provisions reversed during the year	(30)	(32)	(2)	(27)	(91)
Actuarial loss	4	-	-	-	4
Provisions utilised during the year	(15)	(5)	(14)	-	(34)
Foreign currency translation	(5)	(22)	-	-	(27)
Balance at 31 December 2011	**105**	**401**	**36**	**47**	**589**
Non-current	***91***	***393***	***-***	***-***	***484***
Current	***14***	***8***	***36***	***47***	***105***
	105	**401**	**36**	**47**	**589**

(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 2011 and 2010 was 64,861 and 63,451, respectively. The number of pensioners as at 31 December 2011 and 2010 was 34,933 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 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 2011	31 December 2010
	USD million	USD million
Current service cost	8	7
Past service costs recognised during the year	4	3
Interest cost	17	20
Actuarial expected return on plan assets	(8)	(10)
Curtailment/settlement	(33)	(14)
Net (expense)/income recognised in the statement of income	**(12)**	**6**

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 2011	31 December 2010
	USD million	USD million
Present value of defined benefit obligations	243	272
Fair value of plan assets	(136)	(132)
Present value of obligations	107	140
Unrecognised past service cost	(2)	(6)
Net liability in the statement of financial position	**105**	**134**

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

	31 December 2011	31 December 2010
	USD million	USD million
Net liability at beginning of the year	134	138
Net expense recognised in the statement of income	(12)	6
Contributions paid into the plan by the employers	(15)	(15)
Actuarial losses charged directly to equity	4	6
Foreign currency translation	(6)	(1)
Net liability at end of the year	**105**	**134**

The change of the present value of the defined benefit obligations ("DBO") is as follows:

	31 December 2011	31 December 2010
	USD million	USD million
Present value of defined benefit obligations at beginning of the year	272	315
Service cost	8	7
Interest cost	17	20
Actuarial (gains)/losses	(4)	11
Currency exchange losses	(9)	(11)
Contributions by employees	3	3
Benefits paid	(12)	(13)
Translation difference	1	(1)
Settlement and curtailment gain	(33)	(59)
Present value of defined benefit obligations at the end of the year	**243**	**272**

Movement in fair value of plan assets:

	31 December 2011	31 December 2010
	USD million	USD million
Fair value of plan assets at the beginning of the year	132	189
Actuarial expected return on plan assets	8	10
Contributions paid into the plans by the employers	15	15
Contributions paid into the plans by the employees	3	3
Benefits paid by the plan	(12)	(13)
Settlements	-	(66)
Investment gains	(6)	5
Currency exchange losses	(4)	(11)
Fair value of plan assets at the end of the year	**136**	**132**

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

	Year ended 31 December 2011	Year ended 31 December 2010
	USD million	USD million
Cumulative amount at beginning of the year	19	25
Recognised during the year	(4)	(6)
Cumulative amount at the end of the year	**15**	**19**

At 31 December 2011 the fair value of plan assets comprised investments in different asset categories as follows:

Asset class	USD million	%
Equity	44	32
Fixed income	76	56
Real estate	-	-
Cash equivalents	16	12
Total plan assets	**136**	**100**

The Group expects to pay the defined benefit retirement plans an amount of USD14 million during the 12 month period beginning on 1 January 2012.

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 2011, 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 2011	31 December 2010
	% per annum	% per annum
Discount rate	6.3	6.5
Expected return on plan assets	4.9	5.5
Future salary increases	5.1	6.1
Future pension increases	0.6	2.2
Staff turnover	4.0	3.0
Mortality	USSR population table for 1985, Ukrainian population table for 2000	USSR population table for 1985, Ukrainian population table for 2000
Disability	70% Munich Re for Russia; 40% of death probability for Ukraine	70% Munich Re for Russia; 40% of death probability for Ukraine

The market value of plan assets as at the date of their valuation is as follows:

	31 December 2011	31 December 2010
	USD million	USD million
Present value of defined benefit obligations	243	272
Fair value of plan assets	(136)	(132)
Deficit in plan	107	140

The actuarial valuation shows that the Group's obligations are 56 % covered by the plan assets held as at 31 December 2011 (31 December 2010: 49%). 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 2011	31 December 2010
Timing of cash outflows	2012: USD8 million 2013 -2017: USD150million 2018-2028: USD280 million 2029–2095:USD170 million	2011: USD38 million 2012 -2016: USD153million 2017-2027: USD73 million 2028–2095:USD342 million
Risk free discount rate before adjusting for inflation (a)	2.95%	2.06%

(a) the risk free rate for the year 2011 represents an effective rate, which comprises rates differentiated by years of obligation settlement and by currencies in which the provisions was calculated

At each reporting date the Directors have assessed the provisions for site restoration and environmental matters and concluded that the provisions and disclosures are adequate.

As at 31 December 2011, management reassessed the timing and extent of site restoration and dismantling activities at Eurallumina and RUSAL Bratsk and recalculated the related asset retirement obligation. The resulting increase in impairment of non-current assets of USD130 million including USD 112 related to Eurallumina was recorded in the statement of income. The amount of provision is estimated by discounting the expected expenditures to their present value

based on risk free discount rate of 2.87% over 10 year period for Eurallumina and on risk free discount rate of 2.11% over 4 year period for RUSAL Bratsk.

(c) **Provisions for legal claims**

The Group's subsidiaries are subject to a variety of lawsuits and claims in the ordinary course of its business. As at 31 December 2011, 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 USD36 million (31 December 2010: USD40 million). The amount of claims, where management assesses outflow as possible approximates USD164 million (31 December 2010: USD18 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 2011, management of the Group reassessed certain tax claims with high probability of outflow and increased the provision by USD44 million relating to excise tax obligation at Eurallumina which was partially set-off by the reversal of a provision of USD27 million related to thin capitalisation rules. At each reporting date the Directors have assessed the provisions for taxation and concluded that the provisions and disclosures are adequate.

28 Derivative financial assets/liabilities

	31 December 2011 USD million		31 December 2010 USD million	
	Derivative assets	**Derivative liabilities**	**Derivative assets**	**Derivative liabilities**
Cross-currency swaps	-	164	-	-
Petroleum coke supply contracts and other raw materials	25	16	-	-
Interest rate swaps	-	9	-	-
Structured investment	9	-	111	-
Electricity contracts	-	9	-	738
Total	**34**	**198**	**111**	**738**

Cross-currency swaps

During the year ended 31 December 2011, the Group entered into cross-currency swaps to transform the two tranches of its rouble bonds into USD obligations of USD530 million and USD533 million respectively (refer to note 26). The terms of the swaps are 3 and 4 year respectively. The forward exchange rate applied to value the swaps is 33.05 in 2012, 34.79 in 2013, 36.57 in 2014 and 38.29 in 2015.

Petroleum coke supply contracts and other raw materials

In May and September 2011, the Group entered into long-term petroleum coke supply contracts where the price of coke is determined with reference to the LME aluminium price and the Brent oil price. The strike price for aluminium is set at USD2,403.45 per tonne and USD2,497.72 per tonne

respectively, while the strike price for oil is set at USD61.10 per barrel and USD111.89 per barrel respectively.

The forward price of aluminium as LME Al cash and oil as Platt's FOB Brent used for derivative measurement are as follows:

	2012	**2013**	**2014**	**2015**	**2016**
LME Al Cash, USD per tonne	2,048	2,150	2,260	2,346	2,402
Platt's FOB Brent, USD per barrel	106	101	97	94	93

Interest rate swap

During the year ended 31 December 2011, the Group has entered into an interest rate swap to convert the floating 1Y Libor rate into a fixed rate of 2.4795% on a portion of USD4.58 billion facility with Sberbank of Russia. The notional amount of facility subject to this swap is USD3.3 billion and the swap is effective from 30 September 2012 until the maturity of the underlying loans (refer to note 25(a)). The forward one year LIBOR rate applied to value the swap is 0.68% in 2012, 0.7% in 2013, 0.77% in 2014, 0.94% in 2015 and 1.13% in 2016.

Structured investment

The structured investement is a derivative financial instrument linked to the share price of Norilsk Nickel which expires in 2012.

Electricity contracts

In November 2009, the Group entered into long-term electricity contracts for 9 to 11 years for electricity and power supply with related parties controlled by the immediate parent company of the Group. The 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 fair value of the embedded derivatives during 2010 was valued using Monte-Carlo and Black Scholes models.

In the beginning of 2011, the rules and regulations of the wholesale electricity and capacity market in the Russian Federation were significantly modified. In particular and amongst other changes, the regulators obligated electricity generating companies to provide electricity to the retail sector on a subsidised basis. Further, a guaranteed capacity supply concept was introduced for generating companies that do not qualify in competitive bidding whereby the customers are obligated to pay a higher tariff to compensate such generating companies. In addition to this all participants of wholesale market are now required to participate in guaranteed capacity supply through Agreements on Provision of Capacity. All these initiatives resulted in a partial replacement of capacity purchases that were previously supplied to the Company under other agreements, including long-term electricity and capacity supply contracts.

As a result of the changes in the regulatory environment in the electricity and capacity market, the Company and its related companies reassessed their approach to purchases and sales of electricity and capacity. Starting from January 2011 companies have to submit and register notifications for purchase and sale of electricity and capacity under the long-term electricity and capacity supply contracts with the administrator of trading system ("ATS") on a monthly or quarterly basis. The Company believes that at this time these long-term contracts represent an intention to purchase electricity and capacity of up to a stated volume at a pre-agreed price.

As a result, the Company revalued the embedded derivatives based on the contractually committed volumes of electricity and capacity stated in the notices submitted to the ATS and recognised a gain of USD501 million and a related tax effect of USD146 million at 31 December 2011.

29 Trade and other payables

	31 December 2011 USD million	31 December 2010 USD million
Accounts payable to third parties	**537**	**399**
Accounts payable to related parties, including:	**87**	**37**
Related parties – companies capable of exerting significant influence	*53*	*19*
Related parties – companies under common control	*29*	*15*
Related parties – associates	*5*	*3*
Advances received	**262**	**236**
Advances received from related parties, including:	**453**	**356**
Related parties – companies capable of exerting significant influence	*394*	*292*
Related parties – companies under common control	*57*	*55*
Related parties – associates	*2*	*9*
Other payables and accrued liabilities	**168**	**180**
Other payable and accrued liabilities related parties, including:	**5**	**23**
Related parties – companies capable of exerting significant influence	*-*	*18*
Related parties – associates	*5*	*5*
Other taxes payable	**153**	**134**
Non-trade payables to third parties	**2**	**-**
	1,667	**1,365**

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 2011 USD million	31 December 2010 USD million
Due within twelve months or on demand	624	436

The Company

	31 December 2011 USD million	31 December 2010 USD million
Trade and other payables	803	772

30 Financial risk management and fair values

(a) Fair values

Management believes that the fair values of financial assets and liabilities approximate their carrying amounts.

The methods used to estimate the fair values of the financial instruments are as follows:

Trade and other receivables, cash and cash equivalents, current loans and borrowings and trade and other payables: the carrying amounts approximate fair value because of the short maturity period of the instruments.

Long-term loans and borrowings, other non-current liabilities: the fair values of other non-current liabilities are based on the present value of the anticipated cash flows and approximate carrying value, other than bonds issued. Fair value of bonds issued at 31 December 2011 was USD854 million.

Derivatives: the fair value of derivative financial instruments, including embedded derivatives, is based on quoted market prices. Where no price information is available from a quoted market source, alternative market mechanisms or recent comparable transactions, fair value is estimated based on the Group's views on relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates. Option-based derivatives are valued using Black-Scholes models and Monte-Carlo simulations. The derivative financial instruments are recorded at their fair value at each reporting date.

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in IFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

As at 31 December 2011

The Group

	Level 1	Level 2	Level 3	Total
	USD million	USD million	USD million	USD million
Assets				
Derivative financial assets	-	-	34	34
	-	**-**	**34**	**34**
Liabilities				
Derivative financial liabilities	-	-	198	198
	-	**-**	**198**	**198**

As at 31 December 2010

The Group

	Level 1	Level 2	Level 3	Total
	USD million	**USD million**	**USD million**	**USD million**
Assets				
Derivative financial assets	-	-	111	111
	-	**-**	**111**	**111**
Liabilities				
Derivative financial liabilities	-	-	738	738
	-	**-**	**738**	**738**

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

Derivative financial instruments:	**USD million**
At 1 January 2010	516
Changes in fair value estimation recognised during the year	183
Realised portion of electricity contracts recognised in cost of sales	(75)
Foreign exchange loss	3
Balance at 31 December 2010/1 January 2011	627
Changes in fair value estimation recognised during the year	(224)
Realised portion of electricity, coke and raw materials contracts recognised in cost of sales	(239)
Balance at 31 December 2011	**164**

(b) Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans and trade payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. Management reviews and agrees policies for managing each of these risks which are summarised below.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a risk management group within its Department of Internal Control, which is responsible for developing and monitoring the Group's risk management policies. The Department reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk

management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by the Group's Internal Audit function which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

(i) Commodity price risk

During the years ended 31 December 2011 and 2010, the Group has entered into certain long term electricity contracts and other commodity derivatives contracts in order to manage its exposure of commodity price risks. Details of the contracts are disclosed in note 28.

(ii) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates (refer to note 25). The Group's policy is to manage its interest costs by monitoring changes in interest rates with respect to its borrowings.

The following table details the interest rate profile of the Group's and the Company's borrowings at the reporting date.

	31 December 2011		31 December 2010	
The Group	Effective interest rate %	USD million	Effective interest rate %	USD million
Fixed rate loans and borrowings				
Loans and borrowings	5.09%-5.8%	4,301	7%-8.5%	1,105
		4,301		**1,105**
Variable rate loans and borrowings				
Loans and borrowings	1.88%-10.5%	7,470	1.9%-10.75%	10,827
		7,470		**10,827**
		11,771		**11,932**

The Company

	31 December 2011		31 December 2010	
	Effective interest rate %	**USD million**	**Effective interest rate %**	**USD million**
Fixed rate loans and borrowings				
Loans and borrowings	0%-8.51%	442	0%	15
		442		**15**
Variable rate loans and borrowings				
Loans and borrowings	3.53%-5.8%	9,577	4.8%-5.78%	9,486
		9,577		**9,486**
		10,019		**9,501**

The Group's fixed rate loans and borrowings for the year ended 31 December 2011 include a USD obligation of USD530 million bearing interest at 5.13% per annum and a USD obligation of USD533 million bearing interest at 5.09% per annum. These obligations represent the hedged amount of rouble bonds (for detailed information, refer to note 26). Also, it includes a USD3.3 billion of credit facility, which is hedged with an interest rate swap.

The following table demonstrates the sensitivity to cash flows from interest rate risk arising from floating rate non-derivative instruments held by the Group at the reporting date in respect of a reasonably possible change in interest rates, with all other variables held constant. The impact on the Group's profit before taxation and equity and retained profits/accumulated losses is estimated as an annualised input on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis for all years presented.

The Group

	Increase/ decrease in basis points	**Effect on profit before taxation for the year**	**Effect on equity for the year**
		USD million	**USD million**
As at 31 December 2011			
Basis percentage points	+24	(18)	15
Basis percentage points	-24	18	(15)
As at 31 December 2010			
Basis percentage points	+20	(22)	-
Basis percentage points	-20	22	-

(iii) *Foreign currency risk*

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of group entities, primarily USD but also the Russian Rouble, Ukrainian Hryvna and Euros. The currencies in which these transactions primarily are denominated are RUB, USD and Euros.

Borrowings are primarily denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily USD but also RUB and 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 or entering into currency swap arrangements.

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. RUB functional currency		**RUB-denominated vs. USD functional currency**		**EUR-denominated vs. USD functional currency**		**Denominated in other currencies vs. USD functional currency**	
As at 31 December	**2011 USD million**	**2010 USD million**	**2011 USD million**	**2010 USD million**	**2011 USD million**	**2010 USD million**	**2011 USD million**	**2010 USD million**
Non-current assets	-	-	2	11	-	12	48	39
Trade and other receivables	-	-	392	364	109	110	78	74
Cash and cash equivalents	-	6	165	98	29	15	14	12
Derivative financial assets	-	-	25	-	-	-	-	-
Loans and borrowings	(227)	(573)	(327)	(405)	(179)	(163)	-	-
Provisions	-	-	(102)	(140)	(40)	(29)	(18)	(28)
Derivative financial liabilities	-	-	(24)	(535)	-	-	-	-
Non-current liabilities	-	(2)	(1)	-	-	(2)	-	-
Income taxation	-	-	(6)	(8)	(1)	(1)	(6)	(8)
Trade and other payables	(1)	(2)	(380)	(287)	(43)	(36)	(85)	(72)
Net exposure arising from recognised assets and liabilities	**(228)**	**(571)**	**(256)**	**(902)**	**(125)**	**(94)**	**31**	**17**

Foreign currency sensitivity analysis

The following tables indicate the instantaneous change in the Group's profit before taxation (and accumulated losses) and other comprehensive income that could arise if foreign exchange rates to which the Group has significant exposure at the reporting date had changed at that date, assuming all other risk variables remained constant.

	Year ended 31 December 2011		
	Change in exchange rates	**USD million Effect on profit before taxation for the year**	**USD million Effect on equity for the year**
Depreciation of USD vs. RUB	5%	(1)	(4)
Depreciation of USD vs. EUR	5%	(6)	-
Depreciation of USD vs. other currencies	5%	2	-

	Year ended 31 December 2010	
	Change in exchange rates	**USD million Gain/(l oss)**
Depreciation of USD vs. RUB	5%	(17)
Depreciation of USD vs. EUR	5%	(5)
Depreciation of USD vs. other currencies	5%	1

Results of the analysis as presented in the above tables represent an aggregation of the instantaneous effects on the Group entities' profit before taxation and other comprehensive income measured in the respective functional currencies, translated into USD at the exchange rates ruling at the reporting date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the reporting date. The analysis excludes differences that would result from the translation of other financial statements of foreign operations into the Group's presentation currency. The analysis has been performed on the same basis for all years presented.

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The group policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its operating and financial commitments.

The following tables show the remaining contractual maturities at the reporting date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted 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 2011 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	707	-	-	-	707	707
Trade and other payables to related parties	92	-	-	-	92	92
Bonds	54	54	1,102	-	1,210	932
Loans and borrowings	1,157	1,874	9,153	1,048	13,232	10,763
	2,010	**1,928**	**10,255**	**1,048**	**15,241**	**12,494**

	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	579	-	-	-	579	579
Trade and other payables to related parties	60	-	-	-	60	60
Derivative financial liabilities	78	73	285	302	738	738
Loans and borrowings	2,340	2,436	9,887	-	14,663	11,963
	3,057	**2,509**	**10,172**	**302**	**16,040**	**13,340**

The Company

	31 December 2011 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	2	-	-	-	2	2
Trade and other payables to related parties	801	-	-	-	801	801
Loans and borrowings, including interest payable	1,038	1,303	9,039	1,048	12,428	10,078
	1,841	**1,303**	**9,039**	**1,048**	**13,231**	**10,881**

	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**

(e) Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The majority of the Group's third party trade receivables represent balances with the world's leading international corporations operating in the metals industry. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Goods are normally sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables. The details of impairment of trade and other receivables are disclosed in note 22. The extent of the Group's credit exposure is represented by the aggregate balance of financial assets and financial guarantees given. Information on financial guarantees is disclosed in note 31(f).

At 31 December 2011 and 2010, the Group has certain concentrations of credit risk as 0.1% and 3.8% of the total trade receivables were due from the Group's largest customer and 16.1% and 4.8% 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 USD1,946 million by the end of 2015 (31 December 2010: USD2,051 million). As at 31 December 2011 the outstanding commitment of the Group for construction of the aluminium plant was approximately USD738 million to be committed by the end of 2015 (31 December 2010: USD856 million) and the outstanding commitment for the hydropower station construction was USD12 million to be committed by the end of 2012 (31 December 2010: USD279 million).

The Group has entered into contracts that result in contractual obligations primarily relating to various construction and capital repair works. The commitments at 31 December 2011 and 2010 approximated USD388 million and USD524 million, respectively. These commitments are due over a number of years.

(b) Purchase commitments

Commitments with third parties for purchases of alumina in 2012-2016 under supply agreements are estimated from USD3,012 million to USD3,088 million at 31 December 2011 (31 December 2010: USD3,782 million to USD3,905 million) depending on the actual purchase volumes and applicable prices.

Commitments with related parties for purchases of alumina, bauxite and other raw materials in 2012-2016 under supply agreements are estimated from USD339 million to USD393 million at 31 December 2011 (31 December 2010: USD30 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 2012 under long-term agreements are estimated from USD8 million to USD12 million at 31 December 2011 (31 December 2010: from USD192 million to USD218 million).

(c) Sale commitments

Commitments with third parties for sales of alumina, bauxite and other raw materials in 2012 - 2014 are estimated from USD1,738 million to USD2,021 million at 31 December 2011 (31 December 2010: from USD1,348 million to USD1,581 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 2012 approximated USD115 million at 31 December 2011 (31 December 2010: from USD305 million to USD306 million).

Commitments with related parties for sales of primary aluminium in 2012 - 2016 are estimated to range from USD4,208 million to USD4,935 million at 31 December 2011 (31 December 2010: from USD4,730 million to USD6,056 million). Commitments with third parties for sales of primary aluminium in 2012 are estimated to range from USD220 million to USD269 million at 31 December 2011 (31 December 2010: from USD1,210 million to USD1,478 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 2011	31 December 2010
	USD million	USD million
Less than one year	5	3
Between one and five years	15	18
	20	**21**

(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

At 31 December 2010 the Group was a guarantor of indebtedness of several non-Group controlling shareholder related entities and had guaranteed promissory notes payable of USD34 million. The guarantee was released as at 31 December 2011.

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 2011 and 2010 is USD278 million and USD403 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 (refer to 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	
	2011	**2010**
	USD million	**USD million**
Salaries and bonuses	81	73
Share-based compensation	8	-
Share-based and cash compensation to management in connection with the Global Offering	-	72
	89	**145**

(b) Transactions with associates and joint ventures

Sales to associates are disclosed in note 5, trade receivables from associates are disclosed in note 22 and accounts payable to associates are disclosed in note 29.

(c) Transactions with other related parties

The Group

The Group transacts with other related parties, the majority of which are entities under common control with the Group or under the control of SUAL Partners Limited or its controlling shareholders or Glencore International Plc or entities under its control or Onexim Holdings Limited or its controlling shareholders.

Sales to related parties for the year are disclosed in note 5, trade receivables from related parties are disclosed in note 22, cash and cash equivalents are disclosed in note 23, accounts payable to related parties are disclosed in note 29, commitments with related parties are disclosed in note 31 and other transactions with shareholders are disclosed in note 24.

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

	Year ended 31 December	
	2011	**2010**
	USD million	**USD million**
Purchases of raw materials – companies under common control	135	165
Purchases of alumina, bauxite and other raw materials – companies capable of exerting significant influence	246	142
Purchases of raw materials – associates	29	13
Energy costs – companies under common control	782	520
Energy costs – companies capable of exerting significant influence	190	153
Other costs – companies under common control	9	6
Other costs – associates	191	141
Distribution expenses - companies under common control	3	-
	1,585	**1,140**

Electricity contracts

The Group has indicated the intention to purchase electricity during the years 2012 through 2020 under long-term agreements with related parties. The estimated value of this commitment for each year is presented in the table below and is based on the expected 2011 T(basic) component, as defined in the notes 28 and 30(c)(i), excluding the impact of embedded derivatives recognised in these consolidated financial statements.

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
Volumes, KWh million	45,894	45,898	46,128	46,384	46,735	46,900	46,952	18,300	18,300
Estimated value, USD million	383	386	391	395	401	406	410	95	99

In the beginning of 2011, the rules and regulations of the wholesale electricity and capacity market in the Russian Federation changed. Amongst all the changes, companies are required to submit and register notifications for purchase and sale of electricity and capacity under the long-term electricity and capacity supply contracts on a monthly and quarterly basis. Please refer to note 28 for details.

The Company

	31 December	
	2011	2010
	USD million	USD million
Investments in subsidiaries	17,813	18,915
Loans to related parties (group companies) *(i)*	510	1,832
Trade and other receivables from related parties	15	15
Loans and borrowings from related parties	463	650
Trade and other payables to related parties	801	768
Other non-current liabilities *(ii)*	1,383	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. The total balance of loans to related parties in the amount of USD510 million is repayable on demand.

(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. The fair value of the payable at initial recognition amounted to USD1,057 million was determined by discounting at applicable current interest rates and the resultant difference between nominal and fair value was recorded directly in equity of the Company. The carrying value of the payable balance as at 31 December 2011 is USD1,284 million (31 December 2010: USD1,158 million).

The remainder of non-current liabilities represents a promissory note payable issued by the Company to a subsidiary in an amount of USD553 million, bearing zero interest and repayable on demand. Upon initial recognition the fair value of the payable was determined by discounting at applicable interest rates at USD420 million, with the resultant difference between nominal and fair value recorded directly in equity. The carrying value of the payable balance as at 31 December 2011 is USD99 million (31 December 2010: USD420 million).

(d) Related parties balances

At 31 December 2011 included in non-current assets are balances of USD30 million related to companies which are related parties (31 December 2010: USD38 million).

At 31 December 2011 and 31 December 2010, the amount of unsecured company loans including interest payable of USD nil and USD2 million to a related party amounted to USD nil and USD635 million, respectively (refer to note 25).

(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 2011 and 2010, 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
OJSC RUSAL Achinsk	Russian Federation	20 April 1994	4,188,531 shares of RUB 1 each	100.0%	Alumina
RUSAL Mykolaev Ltd	Ukraine	16 September 2004	1,332,226 shares of UAH 720 each	100.0%	Alumina
OJSC RUSAL Boxitogorsk Alumina	Russian Federation	27 October 1992	1,012,350 shares of RUB 1 each	100.0%	Alumina
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 RUB 0.2 each	100.0%	Smelting
OJSC RUSAL Krasnoyarsk	Russian Federation	16 November 1992	85,478,536 shares of RUB 20 each	100.0%	Smelting
OJSC RUSAL Novokuznetsk	Russian Federation	26 June 1996	53,997,170 shares of RUB 0.1 each	100.0%	Smelting
OJSC RUSAL Sayanogorsk	Russian Federation	29 July 1999	59,902,661,099 shares of RUB 0.068 each	100.0%	Smelting
Khakas Aluminium Smelter Ltd	Russian Federation	23 July 2003	charter fund of RUB10,077,594,515.7	100.0%	Smelting
RUSAL Resal Ltd	Russian Federation	15 November 1994	charter fund of RUB27,951,217.29	100.0%	Processing
OJSC RUSAL SAYANAL	Russian Federation	29 December 2001	59,902,661,099 shares of RUB 0.006 each	100.0%	Foil
CJSC RUSAL ARMENAL	Armenia	17 May 2000	3,140,700 shares of AMD 1,000 each	100.0%	Foil
RUS-Engineering Ltd	Russian Federation	18 August 2005	charter fund of RUB2,026,200,136.37	100.0%	Repairs and maintenance
OJSC Russian Aluminium	Russian Federation	25 December 2000	23,124,000,000 shares of RUB 1 each	100.0%	Holding company
Investment and management Ltd	Russian Federation	6 December 2002	charter fund of RUB881,939,909.75	100.0%	Management company
Rusal Global Management B.V.	Russian Federation	8 March 2001	charter fund of RUB50,000	100.0%	Management company
OJSC United Company RUSAL Trading House	Russian Federation	15 March 2000	163,660 shares of RUB 100 each	100.0%	Trading
Rusal America Corp.	USA	29 March 1999	1,000 shares of USD 0.01 each	100.0%	Trading
RS International GmbH	Switzerland	22 May 2007	1 share with nominal value of CHF 20,000	100.0%	Trading
Rusal Marketing GmbH	Switzerland	22 May 2007	Capital quota of CHF2,000,000	100.0%	Trading
RTI Limited	Jersey	27 October 2006	2 shares of USD 1 each	100.0%	Trading
Alumina & Bauxite Company Limited	British Virgin Islands	3 March 2004	50,000 shares of USD 1 each	100.0%	Trading
CJSC Komi Aluminii	Russian Federation	13 February 2003	1,703,000,000 shares of RUB 1 each	100.0%	Alumina
OJSC Bauxite-Timana	Russian Federation	29 December 1992	44,500,000 shares of RUB 10 each	80.0%	Bauxite mining

Name	Place of incorporation and operation	Date of incorporation	Particulars of issued and paid up capital	Attributable equity interest	Principal activities
OJSC Severo-Uralsky Bauxite Mine	Russian Federation	24 October 1996	2,386,254 shares of RUB 275.85 each	100.0%	Bauxite mining
OJSC SUAL	Russian Federation	26 September 1996	2,542,941,932 shares of RUB 1 each	100.0%	Primary aluminum and alumina production
OJSC Zaporozhye Aluminum Combine ("ZALK")	Ukraine	30 September 1994	622,729,120 shares of RUB 0.25 each	98.0%	Primary aluminum and alumina production
SUAL-PM LLC	Russian Federation	20 October 1998	charter fund of RUB56,300,959	100.0%	Aluminum powders production
CJSC Kremniy	Russian Federation	3 August 1998	320,644 shares of RUB 1,000 each	100.0%	Silicon production
SUAL-Kremniy-Ural LLC	Russian Federation	1 March 1999	charter fund of RUB 8,763,098	100.0%	Silicon production
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) owned a 65% interest in the Alpart jointly owned mine and refinery as at 31 December 2010. On 16 September 2011 UC RUSAL entered into a share purchase agreement with Norway's Norsk Hydro ASA to acquire the remaining 35% stake in the Alumina Partners of Jamaica ("Alpart") for cash consideration of USD46 million and the company became a wholly-controlled operation thereafter.

35 Immediate and ultimate controlling party

At 31 December 2011 and 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 2 February 2012 UC RUSAL entered into an agreement with Russian Mining Company ("RGRK") to acquire 50% of OOO "Yaroslavsk GRK" ("YGRK") for cash consideration of USD9 million. Following the completion of the deal, YGRK became a wholly owned subsidiary of the Group.

In January 2012 the Group successfully completed negotiations with its international and Russian lenders to obtain an optional 12-month covenant holiday starting from any quarter in 2012. As a result any potential failure by the Group to comply with certain of its financial covenants at the required level during the covenant holiday period would not result in a breach provided the option to use the covenant holiday is exercised. To obtain such flexibility the Group has accepted certain additional restrictions in respect of its activities, including acquisitions, dividends and capital expenditure.

In addition, the definition of the interest cover ratio has been amended to bring it in line with the standard market approach to this definition and financial ratio.

In case of utilisation of the covenant holiday option the extended margin grid will be applied.

Leverage Ratio	Supplemental Margin
Greater than 5:1	1.4 per cent. per annum
Greater than 4.5:1 but less than or equal to 5:1	0.95 per cent. per annum
Greater than 4:1 but less than or equal to 4.5:1	0.55 per cent. per annum
Less than or equal to 4:1	0 per cent. per annum

The Group benefits from an additional 12 months recovery period after covenant holiday period. The Group has the right to terminate the covenant holiday period at its discretion as soon as the Group is in compliance with its financial covenants again.

The Group also agreed to accelerate the initial USD500 million prepayment of Tranche A loans under the new facility agreement and, on 30 January 2012, made this prepayment using proceeds of a new Sberbank facility raised in January 2012 with the credit limit of up to RUB18.3 billion (refer to note 25).

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 (refer to 'Bauxite reserve estimates' below), operating costs, restoration and rehabilitation costs and future capital expenditure. This policy requires management to make these estimates and assumptions which are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged against the statement of income.

Inventories – net realisable value

The Group recognises write-downs of inventories based on an assessment of the net realisable value of the inventories. A write-down is applied to the inventories where events or changes in circumstances indicate that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact the carrying value of the inventories and the write-down of inventories charged to the statement of income in the periods in which such estimate has been changed.

Goodwill – recoverable amount

In accordance with the Group's accounting policies, goodwill is allocated to the Group's Aluminium segment as it represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is tested for impairment annually by preparing a formal estimate of the recoverable amount. The recoverable amount is estimated as the value in use of the Aluminium segment.

Similar considerations to those described above in respect of assessing the recoverable amount of property, plant and equipment apply to goodwill.

Investments in associates and jointly controlled entities – recoverable amount

In accordance with the Group's accounting policies, each investment in an associate or jointly controlled entity is evaluated every reporting period to determine whether there are any indications of impairment after application of the equity method of accounting. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds the recoverable amount. 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 and provisions – in note 27. Other assets and liabilities acquired including provisions are evaluated in accordance with the Group's applicable accounting policies disclosed in note 3.

38 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year

The IASB has issued the following amendments, new standards and interpretations which are not yet effective in respect of the financial years included in these consolidated financial statements, and which have not been adopted in these consolidated financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application but is not yet in a position to state whether these amendments, new standards and interpretations would have a significant impact on the Group's results of operations and financial position.

	Effective for accounting periods beginning on or after
Amendments to IFRS 7, *Financial Instruments: Disclosures – Transfers of financial assets*	1 July 2011
Amendments to IAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
IFRS 10, *Consolidated financial statements*	1 January 2013
IFRS 11, *Joint arrangements*	1 January 2013
IFRS 12, *Disclosure of interests in other entities*	1 January 2013
IFRS 13, *Fair value measurement*	1 January 2013
IAS 27, *Separate financial statements* (2011)	1 January 2013
IAS 28, *Investments in associates and joint ventures*	1 January 2013
IFRIC 20, *Stripping costs in the production phase of surface mine*	1 January 2013
Revised IAS 19, *Employee benefits*	1 July 2013
IFRS 9, *Financial instruments*	1 January 2015

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 2011 by UC RUSAL or any of its subsidiaries.

Code of Corporate Governance Practices

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 1 January 2011 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.

A.1.8 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 during which significant business is discussed and decided upon and, in particular, efforts are made at each meeting to include, discuss and resolve connected transactions and transactions in which directors may be interested due to, inter alia, 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+[15], SUAL Partners[16] and Glencore[17], 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 2011, 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 year ended 31 December 2011, UC RUSAL has sought to comply with the spirit of A.1.8 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 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

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

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

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

otherwise), their signature (if any) is not counted in the majority 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 A.1.8 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. As at the date of this announcement, the audit committee consists of three independent non-executive directors, being Dr. Peter Nigel Kenny (Chairman), Mr. Philip Lader, Ms. Elsie Leung Oi-sie and two non-executive Directors, Mr. Dmitry Troshenkov and Mr. Dmitry Razumov.

The audit committee has reviewed the financial results of UC RUSAL for the year ended 31 December 2011.

Material events since the end of the year

18 January 2012	UC RUSAL announced an update on the refinancing facility disclosed in the Announcement on 30 September 2011. According to the revised terms and conditions of the Refinancing facility, the Company will have an option to introduce a 12-month covenant holiday starting from any quarter in 2012.
13 February 2012	UC RUSAL announced production results for the year ended 31 December 2011.
16 March 2012	UC RUSAL announced the decisions of the Board including the appointment of the Chairman of the Board.

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 herein and in the prospectus for UC RUSAL. In addition, past performance of UC RUSAL cannot be relied on as a guide to future performance. UC RUSAL makes no representation on the accuracy and completeness of any of the forward-looking statements, and, except as may be required by applicable law, assumes no obligations to supplement, amend, update or revise any such statements or any opinion expressed to reflect actual results, changes in assumptions or in UC RUSAL's expectations, or changes in factors affecting these statements. Accordingly, any reliance you place on such forward-looking statements will be at your sole risk.

By Order of the board of directors of
United Company RUSAL Plc
Vladislav Soloviev
Director

19 March 2012

As at the date of this announcement, the executive Directors are Mr. Oleg Deripaska, Mr. Vladislav Soloviev, Mr. Alexander Livshits, Ms. Vera Kurochkina, Mr. Maxim Sokov and Mr. Petr Sinshinov, the non-executive Directors are Mr. Maksim Goldman, Mr. Dmitry Afanasiev, Mr. Len Blavatnik, Mr. Ivan Glasenberg, Mr. Dmitry Razumov, Mr. Anatoly Tikhonov, Mr. Artem Volynets and Mr. Dmitry Troshenkov, and the independent non-executive Directors are Dr. Peter Nigel Kenny, Mr. Philip Lader, Mr. Barry Cheung Chun-yuen (Chairman) and Ms. Elsie Leung Oi-sie.

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