ADDRESSING THE CHALLENGES

UC RUSAL ANNUAL REPORT

UC RUSAL

ANNUAL REPORT

Annual Report 2009

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

Net profit of USD821 million 89% higher than pre-IPO net profit forecast

Cost Efficiency Leader initiative resulted in aluminium cash operating costs decreasing by 23% and alumina cash operating costs decreasing by 27%

USDmillion (unless otherwise specified)	2009	2008
Revenue	8,165	15,685
Adjusted EBITDA	596	3,526
Adjusted EBITDA Margin	7.3%	22.5%
EBIT	(63)	(1,228)
Income from Associates	1,417	(3,302)
Pre Tax Profit	839	(6,053)
Net Profit	821	(5,984)
Net Profit Margin	10.1%	-38.2%
Earnings / Loss Per Share (in USD)	0.06	(0.49)
Total Assets	23,886	24,005
Equity Attributable to Shareholders of the Company	6,332	4,488
Net Financial Debt	13,633	13,170

Managed production through the downturn

Aluminium production of 3.9 million tonnes

Alumina production of 7.3 million tonnes

Focus on Cash Operating Costs

- Aluminium Cash Operating Cost reduction of 23%
- Alumina Cash Operating Cost reduction of 27%

Financial performance and debt restructuring

- Net profit of USD821 million
    - 89% higher than pre-IPO net profit forecast of USD434 million
- Cash from operations of USD321 million
- Capital expenditure of USD420 million
- Successful restructuring of USD16.6 billion of indebtedness

CORPORATE PROFILE

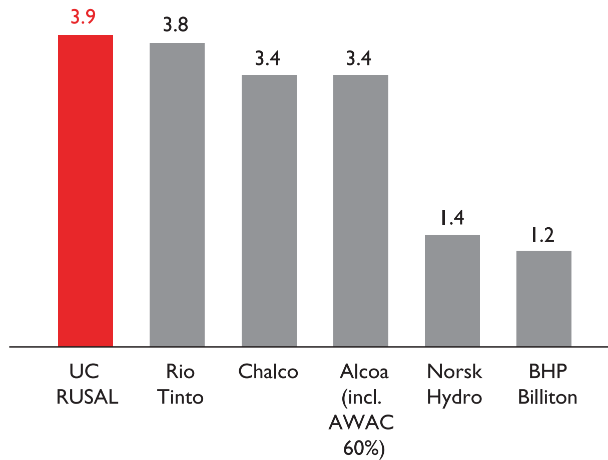
UC RUSAL is one of the lowest cost producers of aluminium globally

UC RUSAL is the world's largest producer of aluminium with a particular focus on the production and sale of primary aluminium, which is the higher margin upstream segment of the industry.

The Company's core smelters are located in Siberia, Russia, that benefit from access to stranded low cost hydro generated electricity

UC RUSAL is the largest aluminium producer…

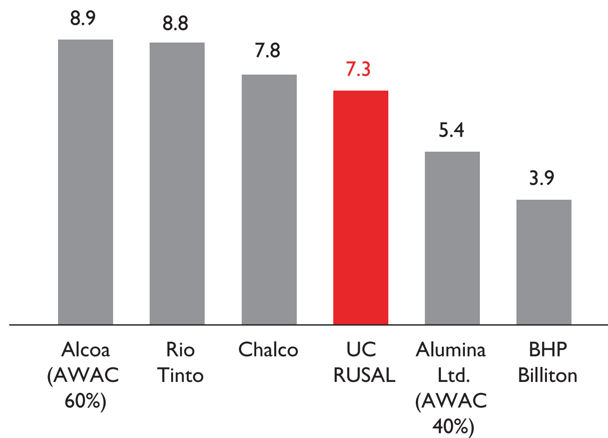
Primary aluminium production 2009, million tonnes



Source: UC RUSAL internal company report

… and one of the industry leaders in alumina production

Alumina production 2009, million tonnes



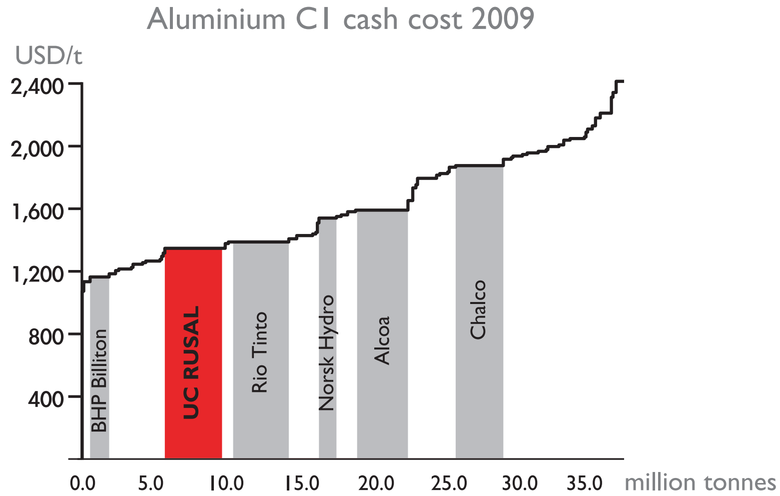
Source: UC RUSAL internal company report

Within its upstream business, UC RUSAL is vertically integrated to a high degree, having secured substantial supplies of bauxite and alumina production capacity. The Company's core smelters are located in Siberia, Russia, that benefit from access to stranded low cost hydro generated electricity. As a consequence, UC RUSAL is one of the lowest cost producers of aluminium globally and has its principal Siberian facilities in close proximity to the important Chinese and Asian markets.

UC RUSAL's scale, upstream focus and position on the cost curve provide unique exposure to the aluminium industry

UC RUSAL has a leading position on the aluminium cost curve

Aluminium C1 cash cost 2009



Source: Brook Hunt*

* The methodology used by Brook Hunt (an independent research and consulting firm specialising in the mining and metals industries) to calculate the C1 costs used in the preparation of the aluminium cost production curve presented differs from the methodology used by UC RUSAL for the calculation of its Cash Operating Cost (FOB basis). Specifically, Brook Hunt does not include in C1 costs corporate overheads (including selling, general and administrative expenses) and casthouse costs.

Vertically Integrated Asset Base

Our scale, upstream focus and position on the cost curve provide unique exposure to the aluminium industry. UC RUSAL operates bauxite and nepheline ore mines, alumina refineries, aluminium smelters, foil mills and packaging production centres along with power-generating facilities. The Company employs more than 75,000 people who work in 19 countries over five continents.

In 2009 UC RUSAL produced the following (measured in million tonnes):

In addition, UC RUSAL produced approximately 67,800 tonnes of aluminium foil and foil-containing packaging materials.

Key facts

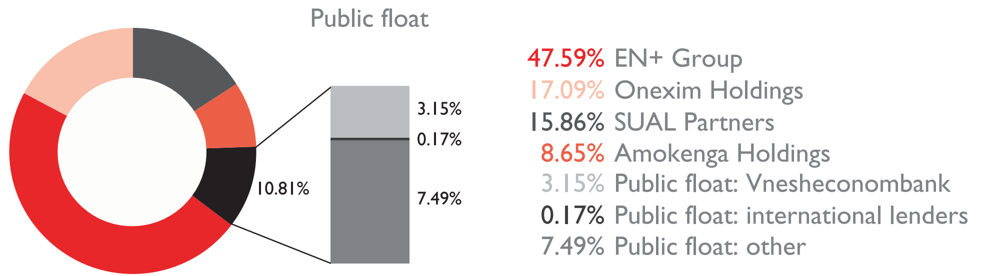
In 2009, UC RUSAL accounted for about 10% of the world's aluminium output and 10% of the world's alumina production generated from the following facilities located throughout the world:

- 16 aluminium smelters
- 12 alumina refineries
- 8 bauxite mines
- 3 foil mills
- 1 cathode plant

UC RUSAL is listed on the Stock Exchange and is also listed on Euronext Paris in the form of Global Depositary Shares.

UC RUSAL developed its own in-house R&D, design and engineering centres and RA-300 and RA-400 smelting technologies

Key shareholders (post – January 2010 IPO)



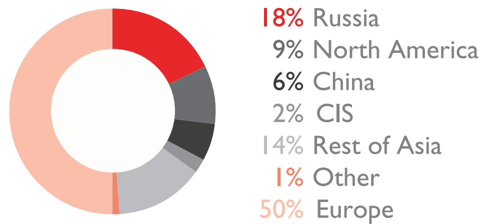
Key customers

UC RUSAL's key assets, which are in Siberia, are favourably located to service Asian markets and China in particular. The key consumers of UC RUSAL products are the transport, construction and packaging industries.

UC RUSAL has customers in approximately 70 countries.

Commodity diversification through significant investments in energy, metals and mining projects such as BEMO, Norilsk Nickel, Samruk-Kazyna

2009 revenue split



Strong technology base

UC RUSAL has developed its own in-house R&D, design and engineering centres and has RA-300 and RA-400 smelting technologies.

Commodity diversification through significant investments

- 25% plus interest in Norilsk Nickel, the world's largest nickel and palladium producer[1] and one of the leading producers of platinum and copper.
- 50/50 LLP Bogatyr Komir coal joint venture in the Ekibastuz coal basin, one of the largest coal basins in the CIS, providing UC RUSAL with a natural energy hedge.

[1] Source: CRU, based on production in 2009

Polevskoy cryolite plant
North Urals bauxite mine
Urals aluminium and alumina complex, Urals Silicon
Bogoslovsk aluminium and alumina complex
Powder metallurgy - Krasnoturyinsk
Urals Foil mill
Timan Bauxite
Engineering and Construction Company
Service Centre Metallurg
Boksitogorsk alumina refinery
Volkhov aluminium smelter
Kandalaksha aluminium smelter
Nadvoitsy aluminium smelter
Krasnoyarsk aluminium smelter
Glinozemservice
Boguchanskoye Energy and Metals Complex
Alukom-Taishet aluminium smelter
Bratsk aluminium smelter
SibVAMI
Aughinish Alumina
Kubal
Powder metallurgy - Shelekhov
Irkutsk aluminium smelter, Silicon
Shanxi RUSAL Cathode
Eurallumina
South Urals cryolite plant
VAMI
Ekibastuz coal basin
Zaporozhye alumina and aluminium complex
Novokuznetsk aluminium smelter
Nikolaev alumina refinery
SAYANAL foil mill, Sayanogorsk aluminium smelter, Khakas aluminium smelter
Volgograd aluminium smelter
Powder metallurgy - Volgograd
ARMENAL foil mill
Achinsk alumina refinery
Engineering and Technology Centre
Friguia bauxite and alumina complex
Compagnie des Bauxites de Kindia
ALSCON
Alpart
Windalco
Bauxite Company of Guayana Inc.
Queensland Alumina

CHAIRMAN'S STATEMENT

Achievements of 2009 laid a solid foundation for delivering value to our shareholders

Dear Shareholders,

I am pleased to present the Annual Report of United Company RUSAL Plc for the year ended 31 December 2009. This is our first Annual Report as a public company, following our successful IPO in early 2010.

It is an honour to address you as UC RUSAL enters a new phase of development and leaves some of the most challenging times in its history behind. Despite the recent downturn, UC RUSAL, as the global industry leader, not only survived but emerged stronger than ever to take advantage of new growth opportunities.

The global financial and economic crisis that started in 2008 had a severe impact on the global demand for aluminium, driving prices to historical lows during the first half of 2009. As a result, UC RUSAL's financial performance was severely affected, resulting in a liquidity shortage and breach of financial covenants.

To guide the Company through these testing times, the Board appointed Mr. Oleg Deripaska as Chief Executive Officer in January 2009. His unrivalled experience in the aluminium industry and understanding of the inner workings of UC RUSAL made him an obvious choice for the role. Under Mr. Deripaska's leadership, UC RUSAL rose to the challenge presented by unprecedented market conditions and successfully implemented a number of strategic initiatives to improve efficiency and reduce cost throughout its operations.

With the support of its international and Russian lenders and the global investment community, and thanks to the effort and commitment of its remarkable management team, UC RUSAL successfully restructured its debt obligations in December 2009 and completed an IPO of its Shares in January 2010. The capital provided by the new investors was a major step forward in strengthening UC RUSAL's balance sheet and meeting the targets for the agreed debt restructuring ahead of schedule.

The successful listing of UC RUSAL on the Stock Exchange and Euronext Paris (in the form of Global Depositary Shares) opens a new and exciting chapter in its corporate life. The listing on the Stock Exchange emphasises UC RUSAL's strong relationship with its Chinese customers, as well as the growing importance of the Chinese market for the global aluminium industry and the opportunities China's economic growth is expected to provide. In addition, our important and continuing relationship with European customers who represent the Company's largest existing market is supported through the listing on Euronext Paris.

As the leader in the global aluminium industry, UC RUSAL is acutely aware of its duty to operate in a safe, sound and socially responsible manner

The Board and I would like to welcome UC RUSAL's new shareholders to this most promising period of its corporate life and we would like to thank our investors for their support. We look forward to continuing to work together with you in the future.

The Board is committed to the highest standards of corporate governance in accordance with international practice. This practice has been followed since the creation of the Company to safeguard the interests of minority shareholders through the appointment of independent Directors and the establishment of appropriate Board committees, including the audit, remuneration, corporate governance and nomination committees.

The Board has been further strengthened by the appointments of Ms. Elsie Leung Oi-sie in November 2009 and Mr. Barry Cheung Chun-yuen in January 2010 as independent non-executive Directors. Both have a wealth of experience and knowledge in relation to companies operating in Hong Kong that complement the Board's current skill set and provide it with relevant new perspectives. We would like to welcome them both to the UC RUSAL family.

As the leader in the global aluminium industry, UC RUSAL is acutely aware of its duty to operate in a safe, sound and socially responsible manner. The Company seeks to mitigate its impact on the environment whenever possible. Our commitment to operating in an environmentally and socially responsible way is an important objective for us.

UC RUSAL considers the health and safety of its employees to be one of its key responsibilities and actively engages in the communities in which it operates. Without the support and commitment of the more than 75,000 employees of UC RUSAL and the communities that surround them, it would be significantly more challenging to deliver shareholder value. I personally thank each one of our employees for sharing the Company's plans and vision and their commitment to deliver our shared goals.

As we mentioned in our Prospectus, due to the terms of the debt restructuring agreements, the Company does not expect to be in a position to declare dividends in respect of any year at least until 2013. At the relevant time, we expect to adopt an appropriate dividend policy.

Finally, both the Board and I would like to thank UC RUSAL's many other stakeholders for their extraordinary commitment and hard work during this most challenging and exciting year. We strongly believe that the achievements of 2009 laid a solid foundation for delivering value to our shareholders as a public company. We look into the future with confidence and optimism amid expectations of the continued aluminium market recovery in 2010 and beyond.

Victor Vekselberg
Chairman of the Board

29 April 2010

CEO'S REVIEW

2009 was a momentous year for UC RUSAL

The challenges in 2009 tested the resilience of the aluminium industry and UC RUSAL acted decisively to reduce costs, curtail production and successfully restructure its debts

2009 was a year of transformation for UC RUSAL. It was also one of the toughest on record for the global economy, commodity markets in general and, in particular, the aluminium industry. We took decisive action to counter the adverse effects of the downturn by significantly reducing costs and reshaping the UC RUSAL Group to leave it better placed to benefit from the economic recovery. We reached agreement with our lenders on the terms of a comprehensive debt restructuring, rescheduling USD16.6 billion of debt with 70 banks and other creditors, and completed the preparatory work to enable our IPO to succeed. UC RUSAL ended the year with its market leadership enhanced and competitive position significantly strengthened.

The Group's revenue and net profit were USD8,165 million and USD821 million respectively for the year ended 31 December 2009, a credible result considering the onset of the global economic downturn in 2008. We achieved these results against a turbulent and demanding market backdrop. In 2009, the average price of aluminium dropped by 35% compared to 2008 reaching its minimum of USD1,289 per tonne in late February and then gradually climbing upwards throughout the year to reach its maximum of USD2,284 per tonne by mid December. The first half of the year proved particularly challenging despite the support from a growing Chinese economy, which was aided by a USD685 billion stimulus programme boosting major infrastructure projects and a range of measures to help stimulate demand for industrial products. Ultimately, these initiatives, in combination with the improved conditions in developed economies initiated restocking throughout the aluminium production chain, further supporting demand in late 2009.

Operational improvements

The challenges in 2009 tested the resilience of the aluminium industry and challenged many companies in responding to the downturn. UC RUSAL acted decisively to reduce costs, curtail production and successfully restructure its debts. Key measures we undertook to combat the impact of the downturn included:

- Aluminium - total attributable aluminium output was reduced to 3.9 million tonnes in 2009, a decrease of 11% from 2008. The lower volume was achieved by the cut of production at the least cost-efficient smelters, namely the Novokuznetsk, Bogoslovsk and Urals aluminium smelters in Russia and the Zaporozhye aluminium smelter in the Ukraine.

- Alumina - total attributable alumina output was reduced to 7.3 million tonnes in 2009, a decrease of 36% from 2008. Production was cut at relatively high cost alumina facilities, such as Aughinish (Ireland) and the Zaporozhye alumina refinery (Ukraine). Production was also mothballed temporarily at the Eurallumina (Italy), Windalco (Jamaica) and Alpart (Jamaica) facilities.

- Bauxite - the Company's overall bauxite production was reduced by 41% to 11.3 million tonnes in 2009 due to weakened demand.

The principal objective in negotiating the debt restructuring was to give UC RUSAL greater time and flexibility to meet its debt obligations in anticipation of a recovery in the aluminium price

These output reduction measures effectively balanced the Group in terms of its alumina requirements, helping to optimise financial performance and lay a solid foundation for the further sustainable development of the Company.

In addition, the Company undertook strong measures to reduce operating costs. These included re-negotiation of raw material supply contracts, optimisation of logistics processes and overhead cost reduction. As a result, we achieved a decrease in the aluminium Cash Operating Costs from USD1,915 per tonne in 2008 to USD1,471 per tonne in 2009. These measures have strengthened the competitive position of UC RUSAL on the global cost curve and facilitated a strong rebound in the Company's financial performance in the second half of the year. More importantly, the realised cost advantages are broadly sustainable and we plan to enhance them further in the long term.

In order to secure electricity supply for our Bratsk, Krasnoyarsk and Irkutsk aluminium smelters in Siberia, which in total account for in excess of 50% of the Company's aluminium production, we entered into long term electricity contracts in November and December 2009 with a duration of between 8 to 11 years, depending on the smelter, ensuring the continued supply of low cost electricity to our principal assets and maintaining these smelters' competitive advantage.

Debt restructuring

As a result of the global economic downturn and the sharp decline in aluminium prices we faced the need to reach a comprehensive restructuring of the Group's USD16.6 billion[2] of indebtedness to its international, Russian and Kazakh lenders and other creditors.

The principal objective in negotiating the debt restructuring was to give the Company greater time and flexibility to meet its debt obligations in anticipation of a recovery in the aluminium price. This was achieved by linking the debt repayment obligations to the Company's ability to generate excess operating cash flow, allowing for a portion of interest charges to be capitalised under a pay-in-kind arrangement and converting into equity a substantial obligation to Onexim, one of the Company's creditors. This conversion reduced the total indebtedness of the Company to approximately USD13.9 billion[3] at the end of 2009.

Funds raised in the course of the IPO were used to repay creditors which further reduced the Company's debt to USD12.0 billion as at 1 February 2010, and allowed us to exceed our targeted debt repayment schedule for 2010. These repayments allowed the Company to make progress towards meeting its next debt repayment targets ahead of schedule, with USD3.3 billion remaining to be paid to lenders by the end of 2013. Given the positive medium-term outlook for the aluminium price, we anticipate that the Company should be in a position to continue to meet its debt reduction targets.

The Company is also intending to explore refinancing options via a potential bond issue in the near future.

As evidence of economic recovery emerges, UC RUSAL is using this recovery to recommence previously suspended production capacity to take advantage of improving market conditions

Prospects and future

Outlook for 2010

We expect to see considerable growth in the aluminium market in 2010, generated by rising demand from the automotive and packaging sectors. The continued economic development in China and India due to growing urbanisation coupled with support from the major developed countries as the global economy revives should add significant impetus to aluminium consumption. We believe that in 2010 the global demand for aluminium will increase by 12.6%, which is well above the historical long-term trend.

Production increases

As evidence of economic recovery emerges, the Group is using this recovery to recommence previously suspended production capacity to take advantage of improving market conditions. For example, in early 2010 the Company restarted production at Site #1 of the Novokuznetsk aluminium smelter, which was suspended in March 2009. The restart has already brought back online 183 pots resulting in a total of 264 pots operational by early April 2010. As a result, the output from the Novokuznetsk aluminium smelter is expected to reach approximately 253,000 tonnes in 2010, 10% more than in 2009.

Assuming the gradual recovery of the market in 2010, the Company plans to increase its production of aluminium by 3% in 2010. It is expected this will comprise of increases in production at plants in Siberia, Nigeria and Sweden and potline 5 at the Irkutsk aluminium smelter in Russia reaching its full production capacity.

In 2010, the Company also intends to expand sales of alloys and value-added products from 46% (including 18% of alloys) in 2009 to 60% (including 35% of alloys) in 2010.

The Company also expects to raise alumina output by 11% in 2010, by stabilisation of production at the Achinsk alumina refinery, Bogoslovsk and Urals aluminium smelters, as well as increasing production at the Boksitogorsk alumina refinery in Russia and the alumina refinery in Ireland.

The Board has also announced that a decision has been taken to restart operations at the Ewarton Works Plant, an alumina refinery in Jamaica owned by West Indies Alumina Company, a subsidiary of the Company and the Jamaican government, with effect from 1 June 2010, subject to the approval of the Company's international lenders. The total capacity of Ewarton plant is approximately 650,000 tonnes of alumina per annum. In 2010, the production of the Ewarton plant is planned to be approximately 321,000 tonnes of alumina.

Investment projects

In the long run, UC RUSAL expects to pursue a number of growth options, including the completion of the Taishet and Boguchansky aluminium smelters in Russia with maximum capacity of 750 kilotonnes per annum and 588 kilotonnes per annum respectively. The Company will continue implementing its core investment project - the construction of the Boguchanskaya hydro power plant in Russia which will assist the Company to maintain abundant hydro-power source for its smelters in Siberia.

Declaration

I declare, to the best of my knowledge, that the financial statements contained in this Annual Report have been prepared in accordance with applicable accounting principles and give a true and fair view of the business, results of operations and financial condition of the Company and the other entities to which the financial statements apply, and that the Business Overview, Management, Discussion and Analysis and Directors' Report sections of this Annual Report include a fair review of the development in the business, results of operations and financial conditions of the Company and the other entities to which the financial statements apply, as well as a description of the main risks and uncertainties that they are facing.

Thank you for your support

In conclusion, 2009 was a momentous year for UC RUSAL. We restructured our balance sheet, lowered our cost base and laid the groundwork for a successful IPO, which, coupled with the signs of a recovery in demand, leave us well positioned for future growth. UC RUSAL's strategy is focussed on continued industry leadership both in terms of global market share and cost competitiveness, as well as establishing new standards of excellence in addressing the challenges of sustainable development.

I would like to thank all of the people within the Company who make up the UC RUSAL team for the contribution made by each of them to the Company's achievements in 2009. I know the Company and its stakeholders can rely on them for their continuing support and efforts for what lies ahead.

I would also like to extend our particular gratitude to our new shareholders, whose participation in the Company's IPO was a vote of confidence in its strong fundamentals. Together, we will succeed in delivering the best value to our customers, employees, communities, and, of course, our investors.

Oleg Deripaska
Chief Executive Officer

29 April 2010

[2] Does not include USD0.2bn of contingent liabilities under payment instruments, including, without limitation, undrawn letters of credit.

[3] Includes fair value adjustments and excludes the BEMO Project.

We are uniquely positioned to benefit from the attractive fundamentals of the industry

UC RUSAL is the world's largest producer of aluminium, producing 3.9 million tonnes in 2009 and accounting for approximately 10% of global output.

The Group's business is focused on the upstream segment of the industry — the production and sale of primary aluminium (including alloys and value-added products, such as aluminium sheet ingot and aluminium billet). Within its upstream business, the Group is vertically integrated to a high degree, having secured substantial supplies of bauxite and having the capacity to produce alumina in excess of its current requirements. The Group's own bauxite production was sufficient to cover approximately 74% of its alumina production in 2009, with additional bauxite being purchased under medium-term and long-term contracts. The Group is the world's 4th largest producer of alumina, producing approximately 7.3 million tonnes in 2009 and accounting for 10% of global output, according to CRU. To produce 3.9 million tonnes of aluminium in 2009, the Group required approximately 7.6 million tonnes of alumina. The Group's revenue was USD8,165 million for the year ended 31 December 2009.

With more than 80% of its total aluminium production located in Siberia, UC RUSAL's production base is in direct proximity to China and other key Asian markets

With more than 80% of its total aluminium production located in Siberia, UC RUSAL's production base is in direct proximity to China and other key Asian markets. The location of the Company's smelters and its competitive cost structure positions it to become one of the main external suppliers to China, where demand for aluminium has been growing consistently. The Company benefits from a number of key strategic advantages that places it in a favourable position vis-à-vis the growing Chinese market. These include:

- low-cost large production capacity based on stranded clean hydro power in Siberia, whereas most Chinese producers rely mainly on more expensive thermal-powered operation units; and
- existing and prospective capacity is concentrated in direct proximity to China and provides the Company with the ability to transport large volumes of products by rail or sea to the key aluminium consumer markets in China.

Such competitive advantages also apply to other attractive Asian markets in which the Company intends to continue developing, such as India. The Company already supplies a sizeable proportion of its products to the Asian market and one of its objectives is to expand sales to China to at least 10% of revenue by 2015.

Our strengths

UC RUSAL is uniquely positioned to benefit from the attractive fundamentals of the global aluminium industry:

Business Units

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

Aluminium

UC RUSAL operates 16 aluminium smelters which are located in four countries: Russia (13 plants), Ukraine (one plant), Sweden (one plant) and Nigeria (one plant). The Company's core asset base is located in Siberia, Russia, accounting for some 85% of the Company's aluminium output. Among those, Bratsk and Krasnoyarsk smelters together account for nearly half of UC RUSAL's aluminium production and are the largest aluminium smelters in the world.

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

As a result of the Company's competitive advantage in accessing low cost captive power, UC RUSAL's aluminium production was placed in the first quartile of Brook Hunt's 2009 C1 cash cost curve (refer to the chart at page 6).

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

To support the sustainability of the Company's operations during the global economic downturn, in February 2009, UC RUSAL implemented a comprehensive program designed to reduce costs, optimise the production process and strengthen the Company's position as one of the world's most cost-efficient aluminium producers.

The table below provides an overview of UC RUSAL's aluminium smelters.

Asset	Location	% ownership	Nameplate capacity, kt	Commissioning	Technology
Siberia					
Bratsk aluminium smelter	Russia	100%	1,006	1966	VSS
Krasnoyarsk aluminium smelter	Russia	100%	1,008	1964	VSS/PFPB
Sayanogorsk aluminium smelter	Russia	100%	542	1985	PFPB
Novokuznetsk aluminium smelter	Russia	100%	322	1943/1959	HSS/VSS
Khakas aluminium smelter	Russia	100%	297	2007	PFPB
Irkutsk aluminium smelter	Russia	100%	360	1962	VSS
Alukom Taishet aluminium smelter	Russia	100%	11	2003	PFPB
Other Russia					
Bogoslovsk aluminium smelter	Russia	100%	187	1945	HSS
Urals aluminium smelter	Russia	100%	134	1939	HSS/SWPB
Volgograd aluminium smelter	Russia	100%	168	1959	VSS
Volkhov aluminium smelter	Russia	100%	24	1932	SWPB
Nadvoitsy aluminium smelter	Russia	100%	81	1954	HSS/PFPB
Kandalaksha aluminium smelter	Russia	100%	76	1951	HSS
Other countries					
Kubal	Sweden	100%	128	1943	VSS/PFPB
ALSCON	Nigeria	85%	96	1997	PFPB
Zaporozhye aluminium smelter	Ukraine	97.6%	114	1949	HSS

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

BEMO and Taishet smelter projects will increase production capacity by an additional 1.3 million tonnes per annum post completion

- BEMO Project - involves the construction of the 3,000 megawatt BEMO HPP and the Boguchansky aluminium smelter in the Krasnoyarsk region which will produce approximately 588,000 tonnes of aluminium per annum. The project is divided into two stages, with the first start-up complex scheduled for completion by 2013 and the second by the end of 2015. The capital expenditure for the Boguchansky aluminium smelter is currently estimated at approximately USD1,434 million[4], excluding VAT, of which approximately USD278 million, excluding VAT, had been incurred as of 31 December 2009.
- Taishet aluminium smelter - located in Irkutsk, Russia, will be constructed in the medium term. The smelter's design capacity is 750,000 tonnes per annum. The total capital expenditure for the smelter (excluding construction of the anode plant) is currently estimated at approximately USD1,987 million[5], excluding VAT, of which USD518 million, excluding VAT, had been spent as of 31 December 2009. Construction of the smelter has been temporarily suspended as the debt restructuring agreements generally prohibit the Company from incurring capital expenditure in relation to this project until the end of the Override Period but permit the Company to fund development of the project on a project finance (non-recourse) basis or through certain equity investments in the project. The Company is in the process of negotiating project financing from various international lenders, including with support from export credit agencies in Japan and Korea and potential participation of Korean and Japanese equity investors in the project. The Company is also considering integration of the project with the BEMO Project.

Alumina

The Group operates 12 alumina refineries. In recent years, the Company has substantially increased its refining capacities by means of new acquisitions and increased holdings in existing assets. UC RUSAL's alumina refineries are located in six countries: Ireland (one plant), Jamaica (two plants), Ukraine (two plants), Italy (one plant), Russia (four plants) and Guinea (one plant). In addition, the Company holds a 20% equity stake in QAL, the second largest alumina refinery in the world in terms of production capacity. Most of the Group's refineries have ISO 9001 certified quality control systems, ten refineries and QAL have been ISO 14001 certified for their environmental management and three have received OHSAS18001 certification for their health and safety management system.

UC RUSAL's six largest alumina refineries in terms of production accounted for 85% of its aggregate alumina production for the year ended 31 December 2009.

The Company's long position in alumina capacity helps ensure security of supply for the potential expansion of the Company's aluminium production capacity in the future as well as allowing the Company to take advantage of favorable market conditions through third-party alumina sales.

The table below provides an overview of UC RUSAL's alumina refineries:

Asset	Location	% ownership	Nameplate capacity	Process
			kt	
Achinsk alumina refinery	Russia	100%	1,044	Nepheline
Boksitogorsk alumina refinery	Russia	100%	143	Sinter
Bogoslovsk alumina refinery	Russia	100%	1,074	Bayer & Sinter
Urals alumina refinery	Russia	100%	730	Bayer & Sinter
Friguia alumina refinery	Guinea	100%	618	Bayer
QAL	Australia	20%	4,020	Bayer
Eurallumina	Italy	100%	1,085	Bayer
Aughinish Alumina	Ireland	100%	1,890	Bayer
Alpart	Jamaica	65%	1,673	Bayer
Windalco	Jamaica	93%	1,240	Bayer
Zaporozhye alumina and aluminium complex	Ukraine	97.6%	260	Bayer & Sinter
Nikolaev alumina refinery	Ukraine	100%	1,500	Bayer

The long position in alumina capacity is supported by the Company's bauxite and nepheline syenite resource base

Mining

UC RUSAL's mining assets comprise 16 mines and mine complexes, including eight bauxite mines, two quartzite mines, one fluorite mine, two coal mines, one nepheline syenite mine and two limestone mines. The Company jointly operates two coal mines with Samruk-Kazyna under a 50/50 joint venture, LLP Bogatyr Komir.

The long position in alumina capacity is supported by the Company's bauxite and nepheline syenite resource base.

Bauxite

The aggregate attributable bauxite production from the Group's mines for the year ending 31 December 2009 was 11.3 million tonnes. At 31 December 2009 the Group had aggregate JORC bauxite Mineral Resources of 1,830 million tonnes, of which 607.2 million tonnes were Measured, 624.8 million tonnes were Indicated and 598 million tonnes were Inferred. Included in these Mineral Resources are JORC Proved and Probable Ore Reserves of bauxite of 370 million tonnes (dry), of which 143.2 million tonnes were Proved and 236.8 million tonnes were Probable.

Security of supply of high quality bauxite at adequate volumes and cost competitive prices for its alumina facilities is an important task for the Company. Additional exploratory work is being undertaken to find new deposits of bauxite in the existing operational bauxite mining areas of the Group and new project areas. Each of the Group's mining assets is operated under one or more licences. The table below provides an overview of the Company's bauxite mines:

Asset	Location	% ownership	Mineral resources (1), (2), (3), (4)				Annual capacity
			Measured	Indicated	Inferred	Total	
			mt	mt	mt	mt	mt
Timan Bauxite	Russia	80%	112	67	—	179	2.5
North Urals bauxite mine	Russia	100%	10	180	114	304	3.4
Compagnie des Bauxites de Kindia	Guinea	100%	—	37	62	98	3.2
Friguia Bauxite and Alumina Complex	Guinea	100%	36	142	153	331	2.1
Bauxite Company of Guyana, Inc.	Guyana	90%	4	41	4	49	2.2
Alpart	Jamaica	65%	15	41	38	94	4.9
Windalco	Jamaica	93%	29	46	12	86	4.0
Dian-Dian Project	Guinea	100%	402	70	217	689	—
Total			607	625	598	1,830	

(1) Mineral Resources are recorded on an unattributable basis, equivalent to 100% ownership.

(2) Mineral Resources tonnages include Ore Reserve tonnages.

(3) Mineral Resources are reported as dry weight (excluding moisture).

(4) Data presented as of 01 January 2010.

Energy assets

BEMO Project

In May 2006, UC RUSAL and RusHydro, a company controlled by the Russian Government, entered into a cooperation agreement jointly to construct the BEMO Project. To date, only capital expenditure relating to the BEMO HPP up to a certain threshold is permitted under the terms of the Company's debt restructuring agreements.

UC RUSAL's proportion of capital expenditure for the BEMO Project is 50%, with total 100% capital expenditure for the BEMO HPP currently estimated at approximately USD1,450 million[6], excluding VAT, of which USD921 million had been spent as of 31 December 2009. The debt restructuring agreements permit the Group to incur capital expenditure, within certain limits, during the Override Period in relation to this project. The Russian Federation's Investment Fund will finance the necessary infrastructure (whose costs are not included in the project budget).

LLP Bogatyr Komir

LLP Bogatyr Komir, which is located in Kazakhstan, is a 50/50 joint venture between the Company and Samruk-Energo. LLP Bogatyr Komir produces approximately 35-40 million tonnes of coal annually, has approximately 829 million tonnes of JORC Proved and Probable Ore Reserves and has Measured Mineral Resources and Indicated Mineral Resources together of approximately 2.0 billion tonnes as at 31 December 2009. LLP Bogatyr Komir generated sales of USD685 million in 2008 and USD422 million in 2009. Sales are divided evenly between Russia and Kazakhstan in terms of physical volumes.

Group wide initiatives

One of UC RUSAL's most significant competitive advantages are its in-house EPCM structure, which incorporates over 70 years of Russian know-how in aluminium

ECD

One of UC RUSAL's most significant competitive advantages are its in-house EPCM structure, embodied by the ECD, which incorporates over 70 years of Russian know-how in aluminium.

The key advantage of UC RUSAL's in-house EPCM structure is its ability to provide comprehensive R&D and engineering and construction services, resulting in the reduction of capital expenditure at all stages of planning and implementation of the Company's investment projects.

The major functional areas of the ECD are as follows:

- extensive R&D activities and development of advanced aluminium and alumina production technologies;
- implementation of complex engineering and construction projects; and
- maintenance, repair and replacement of process equipment at all UC RUSAL's facilities.

The ECD develops process solutions for new production assets, as well as for facilities undergoing modernisation and expansion. The ECD has the ETC in Krasnoyarsk, the ETC for alumina production in St. Petersburg and a centre specialising in design in Irkutsk.

The ETC in Krasnoyarsk was established in 2002 and is responsible for the development of new aluminium production technologies, reduction pre-bake technologies, such as RA-300, RA-400 and RA-500, and for improving the Group's Söderberg technology and developing technologies aimed at reducing the cost of production. The Company is installing advanced pre-bake, cleaner technology in certain of its smelters, particularly in its new projects.

For example, the Khakas aluminium smelter, the first aluminium production facility to be built in Russia in the last 20 years, was designed and constructed by the ECD. The division also developed and successfully implemented a modernisation project for the Krasnoyarsk smelter. The project helps Söderberg smelting facilities, built several decades ago, to improve their environmental performance to an acceptable level. ECD also developed and is currently testing the "Clean Söderberg" technology, which is environmentally at par with modern pre-bake anode smelters.

Cost Efficiency Leader initiative

In February 2009, UC RUSAL launched its "Cost Efficiency Leader" initiative targeting a reduction in costs, optimisation of production processes and reorganisation of the management structure. Ambitious targets were set for each of these elements with the aim of UC RUSAL being the most cost effective aluminium producer in the world. As a result of implementing the Cost Efficiency Leader initiative, UC RUSAL's aluminium cash operating costs have been reduced by 23% and alumina cash operating costs by 27% in 2009 compared with 2008.

UC RUSAL's strategic objective is to maintain its leadership in the global aluminium industry in terms of market share and its leading position on the cost curve

Corporate Strategy

UC RUSAL's corporate strategy is predicated on a number of goals which are outlined below, subject to the restrictions placed on the Company by the debt restructuring agreements.

- Maintaining its leadership in the global aluminium industry in terms of market share and its leading position on the cost curve
- Maintaining sustainable low-cost production, which is achieved through, amongst other things:
  - improving energy efficiencies by utilising enhanced technologies developed in-house
  - securing low cost electricity supply through long term contracts
  - developing new smelter capacity in low cost captive energy regions, such as Boguchansky and Taishet in Siberia
  - hedging energy requirements by investing in coal and power generating facilities
- In order to meet any changes in aluminium demand on a timely basis, focusing on maintaining a flexible and responsive production platform, as demonstrated in the downturn when the Company reduced production at higher cost facilities
  - the Company is able to increase production in a timely manner as demand increases
- Debt reduction through cash flow management. This is a key priority of the Company in the near term, which includes cost management programmes and reviewing opportunities to refinance the Company's debt obligations under more favourable terms
- In the medium term, subject to the Company meeting its debt obligations, the completion of advanced projects with attractive fundamentals:
  - this includes resuming the construction of the Boguchansky and Taishet smelters in Siberia and other green and brownfield opportunities globally.

UC RUSAL's long term strategy includes greenfield bauxite, alumina, aluminium and power opportunities in South East Asia, Guinea and Libya, as well as growth options through mergers and acquisitions that would enhance the Company's position as a low-cost vertically integrated primary aluminium producer. The Company is currently not contemplating any near term material acquisitions, and its ability to pursue such opportunities is limited by the debt restructuring agreements, except if certain restrictive conditions are met.

The Company considers the health and safety of its employees a fundamental responsibility that is central to its business.

UC RUSAL is actively participating in the International Aluminium Institute's activities related to greenhouse gas emissions and energy efficiency.

Environmental and safety policies

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

The Group considers the health and safety of its employees a fundamental responsibility that is central to its business. To this end, the Group has formulated a series of health and safety principles, policies and guidelines and established a health and safety management system. Ten of the Group's sites and facilities are already OHSAS 18001 certified and it is the objective of the Group to acquire OHSAS 18001 certification for all of its operating facilities.

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

The Group has also taken steps to lessen the environmental impact of its operations and comply with all applicable environmental laws and regulations. The Group's mines, refineries, smelters and other plants located in Russia are subject to statutory limits on air emissions and the discharge of liquids and other substances. Russian authorities may permit, in accordance with the relevant Russian laws and regulations, a particular Group facility to exceed statutory emission limits, provided that the Group develops a plan for the reduction of the emissions or discharge and pays a levy based on the amount of contaminants released in excess of the limits. Fees are assessed on a sliding scale in accordance with the relevant laws and regulations: the lowest fees are imposed for pollution within the statutory limits, intermediate fees are imposed for pollution within the individually approved limits, and the highest fees are imposed for pollution exceeding such limits.

In 2007, the Company signed a memorandum of understanding with the United Nations Development Program. The aim of the memorandum is to implement measures to minimise the impact on climate by reducing greenhouse gas emissions. The Group is actively participating in the International Aluminium Institute's activities related to greenhouse gas emissions and energy efficiency. The Group has achieved significant improvements in greenhouse gas emission reductions. For instance, the Group's aluminium smelters reduced greenhouse gas emissions in 2008 by more than 30% compared to 1990.

The Group is a member of the National Carbon Union in Russia, a partnership of leading businesses created in July 2003. The National Carbon Union aims to create a regulatory structure for the control of greenhouse gas emissions and to develop a strategy for the application of the Kyoto protocol in Russia. The Group also participates in activities conducted by the Russian Ministry for Economic Development concerning the development of Russia's carbon market.

The Group's social performance is guided by the ten universal social and environmental principles of the UN Global Compact to which the Company is a signatory. The Company measures its social performance in accordance with the requirements of the Global Reporting Initiative's Business Guide to the Sustainability Reporting Guidelines. The principles of the Global Reporting Initiative's reporting system are fully compatible with the principles of the UN Global Compact. The Company is currently preparing its Communication on Progress in accordance with the UN Global Compact for 2008 and this will be available in April 2010.

4 These Capex figures are based on Company management accounts, and differ from the IFRS figures as they do not include VAT and represent the latest best estimate of the capital costs required to complete the project (on a 100% basis).

5 As above.

6 The Capex figures are based on Company management accounts, and differ from the IFRS figures as they do not include VAT and represent the latest best estimate of the capital costs required to complete the project.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2009 UC RUSAL strengthened its position on the global market

Overview of trends in industry and business

Worldwide consumption of primary aluminium grew from 4.1 million tonnes in 1960 to 37.7 million tonnes in 2008. The rate of growth of the demand for primary aluminium has varied over time. Primary consumption in 2008 was down by 1.5% on the 2007 level, as the global recession began to take effect in the final three months of the year, continuing through most of the first quarter of 2009. The industry cycle reached the bottom in the first quarter of 2009, and global consumption increased by 11.1% quarter-on-quarter in the second quarter of 2009, fuelled especially by re-stocking in China and the impact of incentives on durable good and vehicle purchases and production. Demand in the second half of 2009 was 16% higher than that for the first half of 2009, while full year 2009 consumption still fell below the 2008 level by 8%.

The industry cycle reached the bottom in the first quarter of 2009, and global consumption increased by 11.1% quarter-on-quarter in the second quarter of 2009. We expect aluminium prices to keep above the USD2,000 per tonne level throughout 2010

Despite the overall decline in 2009, aluminium consumption grew in Asia, and in particular in China, which benefited from the strong performance of the automotive sector, combined with government stimulus measures which have proved to be more effective and more immediate than many programmes announced in developed countries. Car production in China grew by 109% year-on-year in the 4th quarter of 2009, while investment in the real estate sector rose by 16% over the twelve months of 2009. Demand for primary aluminium in China has recovered from the low point of early 2009, and CRU estimates it to have reached 13.9 million tonnes for the year, an increase of 10.5% over 2008.

In the context of the sharp reduction in demand that took place in the last quarter of 2008 and the first quarter of 2009, aluminium and alumina producers reacted by mothballing and idling up to 7.1 million tonnes of primary aluminium and 17.4 million tonnes of alumina refining capacity (including newly built plants). During the second half of 2009 China re-started 3.7 million tonnes of aluminium capacity previously curtailed, whereas re-starts in other countries were rather modest and estimated to be just above 0.2 million tonnes[8]. A significant portion of the idled aluminium capacity is expected to be permanently mothballed in the medium term, for reasons including the closure of low amperage cells in China, the inability to secure acceptable power tariffs and substitution by more competitive new greenfield and brownfield expansions both in China and places such as the Middle East and/or India.

The global financial and economic crisis resulted in aluminium prices falling continuously for eight months from mid July 2008 until the end of 2008 and through the first quarter of 2009, when the 3-month LME price averaged USD1,397 per tonne. Since then, aluminium prices recovered strongly and the 3-month LME price averaged USD1,524 per tonne in the second quarter of 2009, before further increasing to USD1,837 and USD2,035 per tonne in the third and fourth quarter of 2009, respectively. We expect aluminium prices to keep above the USD2,000 per tonne level throughout 2010 supported by improving demand fundamentals and the large volume of financial deals that keep the bulk of the LME metal stocks off the physical market.

Our Business

The principal activities of the Group are bauxite and nepheline ore mining and processing, alumina refining, aluminium smelting and refining, as well as sales of bauxite, alumina and various primary aluminium products. There were no significant changes in the nature of the Group's principal activities during the year.

Financial and Operational Performance

The table below provides selected aggregate attributable production information for the Group.

in USD millions if not specified otherwise

	2009	2008	2007	2006
Primary aluminium (kt)	3,946	4,424	4,202	3,958
Alumina (kt)	7,279	11,317	11,347	11,313
Bauxite (mt, wet)	11	19	19	19
Sales (USD, million)	8,165	15,685	13,588	8,429
Cost of Sales (USD, million)	(6,710)	(11,073)	(8,356)	(4,186)
Gross Profit (USD, million)	1,455	4,612	5,232	4,243
Adjusted EBITDA (USD, million)	596	3,526	4,620	3,680
Adjusted EBITDA Margin, %	7.3%	22.5%	34.0%	43.7%
Aluminium Cash Operating Costs per tonne (USD)	1,471	1,915	1,778	1,448
Net Financial Debt (USD, million)	13,633	13,170	8,395	4,319
Net Debt to Adjusted EBITDA ratio	22.9:1	3.8:1	1.8:1	1.2:1

In 2009, in response to the global economic downturn and slowdown in aluminium demand, the Company implemented the Cost Efficiency Leader initiative

In 2009, in response to the global economic downturn and slowdown in aluminium demand, the Company implemented a comprehensive program designed to reduce costs, optimise the production process and strengthen the Company's position on the global market.

As a result of implementing the Cost Efficiency Leader initiative, aluminium cash operating costs have been reduced by 23% or USD444 per tonne (inclusive of exchange rate effects) from an average of USD1,915 per tonne for the year ended 31 December 2008 to an average of USD1,471 per tonne for the year ended 31 December 2009. The principal contributors to this reduction were decreases of USD197 per tonne or 25% in alumina cost, USD105 per tonne or 32% in raw and auxiliary materials costs due to increased efficiency and focus on supply contracts, USD35 per tonne or 9% in energy costs due to a secured electricity supply in Siberia by entering into long term electricity supply contracts, USD21 per tonne or 24% in transportation costs by focusing on optimizing the use of rolling stock, USD58 per tonne in repair and pot relining costs, USD29 per tonne in overhead expenses and USD26 per tonne in salaries and social programs.

The Group's alumina cash operating costs also decreased by 27% or USD92 per tonne from an average of USD349 per tonne for the year ended 31 December 2008 to an average of USD257 for the year ended 31 December 2009. The principal factors in achieving this reduction were decreases of USD40 per tonne or 32% in power consumption costs by optimizing fuel sources and decline in price for oil products, USD32 per tonne or 20% in raw materials costs due to reduced cash cost at the mines and optimised bauxite mix, USD7 per tonne in shop expenses, USD5 per tonne in changes in work-in-progress, USD4 per tonne in payroll, USD3 per tonne in plant expenses, USD1 per tonne in social programs and USD0.5 per tonne in commercial expenses.

The Group responded to the weakening demand and pricing environment by actively reducing production volumes at its least cost-effective facilities.

A substantial portion of the reductions in aluminium and alumina cash operating costs was attributable to mothballing higher cost smelters and refineries during 2009 as well as the introduction of energy-saving technologies. The weakening of the RUR against the US dollar and other currencies also contributed significantly to the reductions.

During 2009 the Group reduced its Working Capital by USD1,269 million to a large extent owing to the company's effective cost-cutting measures.

UC RUSAL's capital expenditure in 2009 decreased to USD244 million compared to the 2008 level of USD1,374 million (excluding acquisitions). Lower capital expenditure in 2009 provided the Group with the ability to sustain capital expenditure at comfortable levels, while also financing the construction of the BEMO HPP.

The Group responded to the weakening demand and pricing environment by actively reducing production volumes at its least cost-effective facilities. Compared to 2008 levels, the Group's aluminium and alumina production in 2009 decreased by 11% and 36%, respectively.

UC RUSAL's total attributable aluminium output amounted to 3.946 million tonnes in 2009, a reduction of 11% compared to 2008

Aluminium production results

UC RUSAL's total attributable aluminium output amounted to 3.946 million tonnes in 2009, a reduction of 11% compared to 2008. The lower volume was in part caused by the temporary suspension of production at the least cost-efficient smelters, the Novokuznetsk, Bogoslovsk and Urals aluminium smelters in Russia and the Zaporozhye aluminium smelter in the Ukraine.

Asset	Interest	Year ended 31 Dec 2009 ('000 t)	Year ended 31 Dec 2008 ('000 t)	Change year-on -year (%)
Russia (Siberia)				
Bratsk Aluminium Smelter	100%	986	1,002	-2%
Krasnoyarsk Aluminium Smelter	100%	952	1,000	-5%
Sayanogorsk Aluminium Smelter	100%	530	537	-1%
Novokuznetsk Aluminium Smelter (NkAZ)	100%	230	320	-28%
Irkutsk Aluminium Smelter	100%	349	358	-2%
Alukom-Taishet Aluminium Smelter	100%	2	10	-78%
Khakas Aluminium Smelter	100%	297	297	0%
Russia - Other				
Bogoslovsk Aluminium Smelter	100%	117	186	-37%
Volgograd Aluminium Smelter	100%	145	166	-12%
Urals Aluminium Smelter	100%	82	134	-39%
Nadvoitsy	100%	57	81	-30%
Kandalaksha Aluminium Smelter	100%	56	75	-26%
Volkhov Aluminium Smelter	100%	12	24	-49%
Ukraine				
Zaporozhye Aluminium Smelter	97.6%	50	113	-56%
Sweden				
Kubikenborg Aluminium	100%	70	112	-38%
Nigeria				
ALSCON	85%	11	9	17%
Total production		3,946	4,424	-11%

Total attributable alumina output for UC RUSAL amounted to 7.279 million tonnes in 2009, a decline of 36% as compared to 2008

Alumina production results

Total attributable alumina output for UC RUSAL amounted to 7.279 million tonnes in 2009, a decline of 36% as compared to 2008. Production was cut at relatively high cost alumina facilities, such as Aughinish (Ireland) and the Zaporozhye alumina refinery (Ukraine). Production was also temporarily suspended at Eurallumina (Italy), Windalco (Jamaica) and Alpart (Jamaica).

Asset	Interest	Year ended 31 Dec 2009 ('000 t)	Year ended 31 Dec 2008 ('000 t)	Change year-on-year (%)
Ireland				
Aughinish Alumina	100%	1,245	1,890	-34%
Jamaica				
Alpart	65%	148	1,074	-86%
Windalco (Ewarton and Kirkvine Works)	93%	153	1,159	-87%
Ukraine				
Nikolaev Alumina Refinery	100%	1,495	1,446	3%
Zaporozhye Alumina Refinery	97.6%	29	227	-87%
Italy				
Eurallumina	100%	92	1,045	-91%
Russia				
Bogoslovsk Alumina Refinery	100%	1,024	1,084	-6%
Achinsk Alumina Refinery	100%	922	1,069	-14%
Urals Alumina Refinery	100%	717	730	-2%
Pikalyovo Alumina Refinery	100%	—	73	—
Boxitogorsk Alumina Refinery	100%	131	156	-16%
Guinea				
Friguia Alumina Refinery	100%	530	593	-11%
Australia				
Queensland Alumina Ltd	20%	792	769	3%
Total production		7,279	11,317	-36%

Bauxite production results

Due to weakened demand, the Company's overall bauxite production was reduced by 41% to 11.3 million tonnes in 2009 as compared to 19.1 million tones in 2008.

Mine	Interest	Year ended 31 Dec 2009 (mt wet)	Year ended 31 Dec 2008 (mt wet)	Change year on year (%)
Jamaica				
Alpart	65%	0.3	3.2	-92%
Windalco (Ewarton and Kirkvine Works)	93%	0.1	3.9	-96%
Russia				
North Urals	100%	3.4	3.3	2%
Timan	80%	1.9	1.9	0%
Guinea				
Friguia Alumina Refinery	100%	1.7	2	-15%
Kindia	100%	2.7	3.2	-16%
Guyana				
Bauxite Co. De Guyana	90%	1.2	1.6	-23%
Total Production		11.3	19.1	-41%

Financial Overview

Revenue decreased by 48.0% to USD8,165 million in 2009 due to decreased sales of primary aluminium and alloys

Revenue

Revenue decreased by USD7,520 million, or 48.0%, to USD8,165 million in 2009 compared to USD15,685 million in 2008. This was primarily due to decreased sales of primary aluminium and alloys, which accounted for 82.9% and 76.9% of UC RUSAL's revenue for the years ended 31 December 2009 and 31 December 2008, respectively.

Sales of primary aluminium and alloys decreased by 44% primarily due to a fall in average realised prices per tonne (by 39% year-on-year). Sales volumes decreased by 366 thousand metric tonnes or 8% to 4,069 thousand metric tonnes in 2009, from 4,435 thousand metric tonnes in 2008. The decrease in sales volumes principally resulted from the reduction in aluminium production at less cost efficient smelters.

Revenue from sales of alumina decreased by 79% to USD410 million in 2009 from USD1,948 million in 2008. The decrease in revenue was primarily attributed to a significant decrease of production volumes. In 2009, UC RUSAL continued to sell alumina to external parties only under specific long-term contracts. Average sales prices decreased by 30% in 2009 as compared to 2008. The sales volume decreased by 70% to 1,640 thousand metric tonnes in 2009.

Revenue from sales of foil decreased immaterially from USD271 million in 2008 to USD243 million in 2009, which accounted for 2% and 3% of UC RUSAL's revenue for 2008 and 2009, respectively. Production volumes remained relatively stable with a slight decrease of approximately 1% in 2009 while sales volume grew from 60 thousand metric tonnes in 2008 to 70 thousand metric tonnes in 2009. The decrease in revenue from the sales of foil was primarily due to a decrease in the average realised price.

Revenue from other sales, including chemicals and energy, decreased to USD742 million or by 47% in 2009 from USD1,409 million in 2008. The main factors contributing to the decrease in other sales were reductions in prices and volumes of various by-products and secondary materials following the overall economic downturn and the resulting decrease in capacity of a number of the Company's production entities.

Revenue decreased in a majority of UC RUSAL's geographic segments from 2008 to 2009. The revenue decline in Europe was relatively slow and UC RUSAL focused on maximizing revenue by shifting sales to those markets with higher premiums. The CIS and America segments were particularly affected in the beginning of 2009 as a result of a dramatic slow-down in industries using the Company's products in these regions, including, among others, construction and car manufacturing. The share of sales in Asia was unchanged as a percentage of the total revenue mainly due to the fact that demand decreased to a lesser extent in China than in other markets. The share of sales particularly in China increased from 3% in 2008 to 6% in 2009. UC RUSAL is well positioned to continue expanding sales in China after the increase in sales to this market in 2009. Although the average premiums in 2009 were lower than in 2008 (USD55 per tonne and USD75 per tonne, respectively), dynamics show a strong momentum in the recovery process from almost USD nil per tonne at the beginning of 2009 to USD43 per tonne for the first half of 2009 and further to USD76 per tonne in December 2009 resulting in premiums of USD55 per tonne for 2009.

Cost of sales

Cost of sales decreased by USD4,363 million, or 39%, to USD6,710 million in 2009, compared to USD11,073 million in 2008. The decrease was in line with the overall decrease in production and sales volumes of both aluminium and alumina, as described above, with certain costs also affected by the depreciation of the Ruble against the US dollar in 2009 compared to 2008 by approximately 22%.

Cost of other raw materials and other costs of sales accounted for the largest decrease in cost of sales, in absolute terms, over the period. Energy costs decreased by USD164 million, or 8%, to USD1,880 million in 2009 compared to USD2,044 million in 2008. The decrease in electricity costs over the period resulted primarily from decreased consumption, the effect of which was partially offset by increased tariffs and RUR depreciation. Consumption in 2009 decreased due to decreased production volumes. The

increase in weighted-average electricity tariffs was mainly due to continued market liberalisation and increased share of electricity sold through the wholesale market. Electricity tariffs are generally quoted in RUR and increased in line with the Russian consumer price index. The depreciation of the RUR against the US dollar in 2009 compared to 2008 had a corresponding effect on the electricity tariffs. As a percentage of revenue, energy costs increased from 13.0% in 2008 to 23.0% in 2009.

As a percentage of revenue, cost of sales increased from 70.6% in 2008 to 82.2% in 2009.

Gross profit

UC RUSAL reported a gross profit of USD1,455 million and USD4,612 million in 2009 and 2008 respectively, representing gross margins of 18% and 29% respectively.

Distribution, administrative and other expenses

Distribution expenses decreased by 29% to USD566 million in 2009, compared to USD798 million in 2008. The decrease was mainly due to decreased sales volumes and a reduction in transportation expenses through optimising logistics schemes, expanding the transportation range, choosing new routes, selecting transport operators on a tender basis and negotiating new transportation terms.

Administrative expenses decreased by 35% to USD713 million in 2009, as compared to USD1,103 million in 2008, due to reduction of expenses for consulting services, Russian and international representative offices and cuts of management staff. Personnel costs recorded under administrative expenses decreased by 38% to USD226 million in 2009 from USD364 million in 2008. The Company saw an overall reduction in headcount by 16% or 14,000 employees, compared to 2008, to 75,800 in 2009.

Based on the results of impairment testing, management has concluded that no impairment or reversal of previously recorded impairment should be recorded in 2009, except for impairment of specific items that were no longer considered recoverable at 31 December 2009 in the amount of USD68 million. As a result of the sharp decline in aluminium prices in the fourth quarter of 2008, the Company recognised an impairment loss of USD3,668 million.

Loss on disposal of property, plant and equipment decreased from USD56 million in 2008 to USD5 million in 2009 due to disposal of certain assets in 2008. As a percentage of revenue, loss on disposal of property, plant and equipment decreased from 0.4% in 2008 to 0.1% in 2009.

Other operating expenses decreased by 23% to USD166 million in 2009 compared to USD215 million in 2008. The decrease in other operating expenses in 2009 resulted primarily from a decrease in charitable donations by USD27 million (USD31 million in 2008 and USD4 million in 2009), a decrease in impairment of trade and other receivables by USD25 million (USD117 million for 2008 and USD92 million in 2009) and the negative change in provisions for legal claims by USD55 million (USD50 million of provisions made in 2008 versus USD5 million of net provisions reversed in 2009), partially offset by an increase in other operating expenses by USD59 million (USD62 million in 2009 compared to USD3 million in 2008).

Provisions for legal claims are mostly connected with litigation with the Company's counterparties, in particular, transportation companies. The provisions for impairment loss on trade and other receivables in both periods represented provisions against receivables from municipal authorities, mainly for distribution of thermal power and water by the Company's aluminum smelters to local communities.

Charitable donations throughout the period related to UC RUSAL's donations to various charities, including orphanages, cancer treatment hospitals and nursing homes.

The Cost Efficiency Leader initiative implemented by the Company offset a portion of the revenue loss resulting from lower aluminium prices

Results from operations

UC RUSAL reported a loss from operating activities of USD63 million in 2009, as compared to a loss from operating activities of USD1,228 million in 2008, representing negative operating margins of (1%) and (8%), respectively. The Cost Efficiency Leader initiative implemented by the Company offset a portion of the revenue loss resulting from lower aluminium prices.

Adjusted EBITDA, being results from operating activities adjusted for amortisation and depreciation, impairment charges and loss on disposal of property, plant and equipment, decreased by 83% to USD596 million in the reporting year, as compared to USD3,526 million in 2008. The key influencing factors were operating results and a significant decrease in market prices resulting from adverse economic conditions.

	Year ended 31 December		Change year-on-year (%)
	2009	2008	
(USD million)			
Reconciliation of Adjusted EBITDA			
Results from operating activities	(63)	(1,228)	(95%)
Add:			
Amortisation and depreciation	586	1,030	(43%)
Impairment of non-current assets	68	3,668	(98%)
Loss on disposal of property, plant and equipment	5	56	(91%)
Adjusted EBITDA	596	3,526	(83%)

Finance income increased by USD1,215 million, or 1,146%, to USD1,321 million in 2009 as compared to USD106 million in 2008

Finance income

Finance income increased by USD1,215 million, or 1,146%, to USD1,321 million in 2009 as compared to USD106 million in 2008. Finance income in 2009 was primarily represented by a gain on restructuring of USD1,209 million, a gain on fair value adjustment on financial instruments of USD77 million, and interest income on third party loans and deposits of USD32 million. As a percentage of revenue, finance income increased from 1% in 2008 to 16% in 2009. Finance income in 2008 was primarily represented by interest income on third party loans and deposits and a gain from disposal of financial investments.

On 7 December 2009, the Company completed its debt restructuring negotiations and, as a result, recognised a gain in the amount of USD1,209 million consisting of USD740 million related to restructuring of deferred consideration due to Onexim for the acquisition of shares in Norilsk Nickel in April 2008 and USD469 million related to the extinguishment of debt and recognition of the new debt at fair value at the date of the restructuring.

In October 2009, the Company partially unwound the option arrangement in relation to the shares of Norilsk Nickel, the value of which approximated USD23 million. Management estimated the fair value of the remaining financial instrument at 31 December 2009 at USD54 million. The change in fair value of USD77 million is included in "finance income" in the consolidated statement of income for 2009.

UC RUSAL recorded a gain on the disposal of financial investments in 2008 in the amount of USD42 million, which resulted from the sale in April 2008 of 50% in LLP Bogatyr Komir, the right to which was acquired by the Company as part of the acquisition of SUAL in late March 2007, in accordance with an agreement with Samruk-Energo.

The change in fair value of financial instruments was USD23 million in 2008 and resulted from gains on transactions to hedge foreign exchange and interest rate risk related to financing activities and to reduce risk of fluctuating prices.

Finance expenses

Finance expenses increased by 25% to USD1,987 million in 2009 as compared to USD1,594 million in 2008. The increase in finance expenses in 2009 was primarily due to an increased interest expense on bank loans wholly repayable within five years and other bank charges and due to the recognition of change in fair value of derivative financial liabilities recorded in 2009.

Interest expenses on bank loans increased by USD267 million, or 35%, to USD1,033 million in 2009, compared to USD766 million in 2008. The increase in interest expenses in 2009 was primarily due to additional interest expenses incurred in connection with the VEB debt obtained in October 2008 at higher interest rates than the bridge facility that the VEB debt refinanced, as well as costs incurred in connection with the Company's debt restructuring. The bridge facility was obtained by UC RUSAL in April 2008 in connection with the Company's investment in Norilsk Nickel.

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

The change in fair value of these derivative financial instruments between the contract date and 31 December 2009 amounted to USD570 million, which was recorded as a derivative financial liability with a corresponding loss in the statement of comprehensive income. The change in fair value was driven primarily by the change in the aluminium price.

Management concluded based on the estimates and assumptions contained in the contracts that at 31 December 2009 the contracts taken as a whole are beneficial to the Group and the embedded derivative liability is more than offset by the difference between expected market electricity tariffs and basic tariffs as defined in the contracts. However, these positive values were not recognised in these financial statements as the host contracts represent non-financial contracts out of the scope of IAS 39 as they qualify for the "own use" exemption.

The embedded derivatives will be revalued at each subsequent balance sheet date, and any increase or decrease in the liability will be reflected as finance expense or as finance income. Accordingly, expenses under the contracts will be reflected in operating expenses to the extent they relate to the base price and as finance expenses to the extent they relate to the LME adjustment feature. Please refer to note 3(c)(ii) to the financial statements for more details.

Net foreign exchange loss decreased by USD128 million, or 64%, to USD73 million in 2009, compared to USD201 million in 2008. UC RUSAL recorded a net foreign exchange loss primarily as a result of the depreciation of the RUR against the US dollar.

In the second half of 2008, the Company acquired a derivative financial instrument relating to the shares of Norilsk Nickel for a total consideration of USD554 million. Under the terms of this financial instrument, the Company also had an option to acquire up to 5% of the shares of Norilsk Nickel from a third party on certain future dates at market prices prevailing on such dates. The Directors estimated that the fair value of this financial instrument at 31 December 2008 was USD nil. The change in fair value is included in "finance expenses" in the consolidated statement of comprehensive income for 2008.

In 2009, UC RUSAL recorded USD163 million of interest expenses on deferred consideration, as compared to USD99 million in 2008. Interest expenses on deferred consideration represents interest payable by the Company to Onexim on certain deferred consideration for the acquisition of shares in Norilsk Nickel acquired in April 2008.

Interest expenses on provisions of USD62 million and USD32 million in 2009 and 2008 respectively, related to interest expenses on defined benefit retirement plans and the unwinding of interest on asset retirement obligations of the Group.

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

Share of profit and impairment of associates was positive USD1,417 million in 2009 and negative USD3,302 million in 2008 resulting primarily from the Company's investment in Norilsk Nickel

Share of profit and impairment of associates was positive USD1,417 million in 2009 and negative USD3,302 million in 2008. Share of profits (losses) of associates in both periods resulted primarily from the Company's investment in Norilsk Nickel.

Share of profits of jointly controlled entities was positive USD151 million in 2009 and negative USD35 million in 2008. This represents the Company's share of results and impairment in the Company's joint ventures - BEMO and LLP Bogatyr Komir.

Income tax expense

Income tax expenses increased by USD87 million to USD18 million in 2009, as compared to an income tax benefit of USD69 million in 2008.

Current tax expenses decreased by USD305 million, or 77.0%, to USD91 million as at 31 December 2009, compared to USD396 million as at 31 December 2008. The decrease in current tax expenses was primarily due to a loss in operating activities in the individual companies of the Group in 2009.

Deferred tax benefit decreased by USD392 million to USD73 million in 2009 compared to USD465 million in 2008. The decrease in deferred tax benefit was due to the change in origination and reversal of temporary differences by USD291 million and there being no changes in the enacted tax rates in 2009 compared to USD101 million in 2008.

UC RUSAL recorded a net profit of USD821 million in 2009 which represents an uplift of 89% compared to the amount forecast in December 2009

Net profit/(loss) for the year

As a result of the above, UC RUSAL recorded a net profit of USD821 million for the year ended 31 December 2009, as compared to a net loss of USD5,984 million for the year ended 31 December 2008. The net profit uplift of 89% compared to the amount forecast in December 2009 was primarily due to an increase in the share in profits of associates.

Segment reporting

The Group has four reportable segments , as described below, which are the Group's strategic business units. These business units are managed separately and 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 aluminum and related products.

Alumina

The Alumina segment is involved in the mining and refining of bauxite into alumina and the sale of alumina.

Energy

The Energy segment includes the Group companies and projects engaged in the mining and sale of coal and the generation and transmission of electricity produced from various sources. Where the generating facility is solely a part of an alumina or aluminium production facility it is included in the respective reportable segment.

Mining and Metals

The Mining and Metals segment includes the equity investment in Norilsk Nickel.

Other operations include manufacturing of semi-finished products from primary aluminium for the transportation, packaging, building and construction, consumer goods and technology industries; and the activities of the Group's administrative centres. None of these segments meets any of the quantitative thresholds for determining reportable segments.

For the year ended 31 December 2008 and for the year ended 31 December 2009, segment result margins (calculated as a percentage of segment profit/(loss) to revenue from external customers per respective segment) from continuing operations were 8.5% and 3.8% for the aluminium segment, 56.0% and (25.0)% for the alumina segment, 19.9% and 19.5% for the energy segment and 8.2% and (20.9)% for the other operations. Detailed segment reporting can be found at note 4(i) of the consolidated financial statements.

UC RUSAL recorded total investment in the development of existing facilities and the construction of new assets of USD420 million in 2009

Capital expenditure

UC RUSAL recorded total investment in the development of existing facilities and the construction of new assets of USD420 million in 2009. UC RUSAL's capital expenditure in 2009 was aimed at maintaining existing production facilities, with the exception of the BEMO Project.

The table below shows the breakdown of UC RUSAL's capital expenditure by business segments (excluding acquisitions) in the years ended 31 December 2008 and 31 December 2009.

	Year ended 31 December	
	2009	2008
	(USD million)	
Aluminium	164	1,104
Alumina	62	238
Mining and metals	—	—
Energy	8	6
Other operations	10	26
Total capital expenditure	244	1,374

At present, UC RUSAL's capital expenditure for 2010 is subject to covenants included in the IOA and is restricted to maintenance investments and investments in the BEMO HPP. According to the limits specified in the IOA, UC RUSAL's total capital expenditure for 2010 is limited to USD481 million, including a limit of USD256 million for the BEMO HPP and a limit of USD225 million for maintenance.

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

Although the debt restructuring agreements generally prohibit UC RUSAL from incurring capital expenditures in relation to any projects until the end of the Override Period, in relation to the BEMO Project and the Taishet aluminium smelter, the IOA permits UC RUSAL to fund the projects on a project finance basis or through certain equity investments. UC RUSAL is considering alternatives such as non-recourse project finance to continue investing in these growth projects.

In addition, the Company paid USD176 million and USD4,633 million (mainly for the acquisition of a 25% plus interest in Norilsk Nickel) for acquisitions in 2009 and 2008, respectively.

Loans and borrowings

The loans and borrowings of the Group are set out in note 26 of the consolidated financial statements. The Group initially recognises loans and borrowings at fair value and subsequently measures them at amortised cost.

On 7 December 2009, the Group completed restructuring negotiations with its lenders, in order to establish financial stability and to put the necessary arrangements in place to allow the Group to meet its obligations when they fall due as part of ongoing operations. The restructuring arrangements contain a number of terms and conditions, including conditions subsequent (see below). As part of the debt restructuring, the Group entered into the International Override Agreement with its international lenders implementing the long-term restructuring of the Group's debt to the international lenders

with all conditions precedent having been satisfied by that date. The Company also signed amendments to the bilateral loan agreements with its Russian and Kazakh lenders providing for long-term restructuring of these loans on similar terms, except in the case of the loan agreement with VEB, which was extended until 29 October 2010.

The Group's main purpose of the debt restructuring was to match its principal repayment and interest payment obligations with its cash generating capacity in an appropriate way

As part of the restructuring of the Group's financial indebtedness, the Company assessed whether the transaction should be accounted for as an extinguishment of debt on that date. The expected cash flows for loans and borrowings and deferred consideration following the restructuring were projected based on the Group's financial model which incorporates cash sweep mechanism stipulated by the International Override Agreement and included restructuring and other related fees.

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

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

The terms and debt repayment schedule as at 31 December 2009 is set out at note 26 of the consolidated financial statements.

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

The debt restructuring has the following principal consequences for the Group:

- it extends the maturity of the restructured debt to December 2013; except for the debt to VEB which was extended to 29 October 2010;
- it provides for interest (consisting of cash and PIK components) to be payable generally on a floating base rate plus a variable margin that is dependent upon leverage;
- it contains an obligation to use excess cash flow and net proceeds raised from asset disposals, equity and subordinated and other debt fund raisings to repay outstanding indebtedness (and to sell shares in Norilsk Nickel in certain circumstances to repay the loan to VEB);
- it significantly limits the Group's ability to incur additional indebtedness;
- it provides for the granting of additional security interests over assets of the Group's main production entities; and
- it restricts dividends and capital expenditure.

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

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

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

Margin

During the Override Period, the restructured debt bears interest at the currently applicable base rate (either LIBOR or Euribor depending on the denomination of the debt), plus a margin that varies depending on the ratio of total net debt to Covenant EBITDA (as defined in the International Override Agreement), and includes cash and PIK components, as follows:

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

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

No fixed amortisation schedule applies during the Override Period

Repayment

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

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

Disposal and Equity Injection Undertakings, Debt Repayment Targets

The Company is obliged to dispose of assets and/or raise equity or subordinated debt by the end of the Override Period sufficient to generate net proceeds of at least USD2.4 billion. Compliance with this obligation is tested only once, at the end of the Override Period. The Company is also obliged to ensure that debt of the Group (other than debt from VEB and Onexim) is repaid during the Override Period in the following amounts:

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

Note:

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

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

In certain circumstances, the Group may be obliged to dispose of a number of shares in Norilsk Nickel sufficient to enable it to repay amounts outstanding under the USD4,500 million loan dated 30 October 2008 between the Company and VEB, as described below:

- The Company's obligation to sell will be triggered if, (i) during the period starting on the first date of the Override Period and ending three months prior to the end of the Override Period, (a) the market value of the Company's 25% plus one share stake in Norilsk Nickel exceeds the Trigger Value for 15 consecutive business days; or (b) the Company receives an offer from a third party in respect of a number of shares in Norilsk Nickel sufficient to enable the Company to repay the debt owned to VEB with an implied value of at least the Trigger Value for the entire NN Stake; or (ii) the Company fails to meet an event of default cumulative amount target.
- The sale obligation is suspended until 31 March 2012 as the Group repaid the outstanding indebtedness to its international lenders of USD1.4 billion using proceeds from the Global Offering. If prior to 31 March 2012 the Group repays indebtedness outstanding to its international lenders in an amount at least equal to USD3.0 billion the sale obligation will cease to apply;

- The sale obligation will no longer be suspended if a material event of default occurs under the International Override Agreement, i.e., a payment default, a default under the debt reduction covenant or failure to meet any conditions subsequent to the International Override Agreement.
- "Trigger Value" means USD7.5 billion plus the aggregate amount of principal (including capitalised interest) which has been repaid to the Group's international lenders prior to commencement of the sale process as a result of any new equity raisings (including proceeds of the Global Offering), operation of the cashflow sweep mechanism and disposal of any non-core assets (including any shares in Norilsk Nickel). The question whether or not the sale obligation has been triggered at any time during any suspension period will be determined by reference to the Trigger Value as at the end of the suspension period.
- If the obligation to sell is triggered as described in the first bullet above, the Company will have up to 12 months following the date when the obligation was triggered, but no less than six months following the end of the suspension period to sell the NN Stake ("first mandatory sale period"). If the suspension period has terminated following an occurrence of a material event of default, the first mandatory sale period will be reduced to three months after the later of (a) the date when the obligation to sell is triggered in accordance with the first bullet above and (b) the end of the suspension period.
- During the first mandatory sale period, a prescribed auction process will be arranged by the mandate banks. There will be no obligation to sell the shares in Norilsk Nickel during the first mandatory sale period if the Company is unable to realise net proceeds at least equal to the Trigger Value (or its pro rata share if less than the entire NN Stake is to be sold).
- If the obligation to sell is triggered as described in the first bullet above or if the sale does not occur during the first mandatory sale period and the sale obligation continues to apply, a second mandatory sale period of three months will commence, during which the price may be any amount resulting in net proceeds sufficient to repay the debt to VEB. During the second mandatory sale period a prescribed auction process will be arranged by the mandate banks. A sale during the second mandatory sale period could result in a material loss for the Group.
- The Company has the option, at any time after the obligation to sell is triggered, of avoiding a sale of the NN Stake by (i) raising equity or subordinated debt sufficient to repay the debt to VEB in full or (ii) repaying the international debt in an amount (the "Required Amount") necessary to ensure that the outstanding amount under the international facilities is reduced (x) to no more than 50% of the amount outstanding as at the start of the Override Period or (y) if less than the Required Amount, by USD4 billion. In addition, the Company may avoid the obligation to sell the NN Stake to the winner of the auction by selling it instead to a third party on arm's length terms.

To secure its ability to refinance the VEB loan, should it not be extended beyond 29 October 2010 as is currently anticipated, the Group has obtained an irrevocable and unconditional letter from Sberbank which allows the Group to extend the maturity of the existing VEB loan to 7 December 2013

To secure its ability to refinance the VEB loan, should it not be extended beyond 29 October 2010 as is currently anticipated, the Group has obtained an irrevocable and unconditional letter from Sberbank which allows the Group to extend the maturity of the existing VEB loan to 7 December 2013 from the original repayment date by notifying Sberbank in writing during the period from 1 August to 1 September of each year from 2010 to 2013, inclusive. Commission of 2.00% of the outstanding principal amount and any other outstanding as of the date of the refinancing was payable to Sberbank by the Group as follows: a) USD22.5 million by 31 December 2009, b) 1/4 (one quarter) of the commission annually by 31 December of the years 2010, 2011 and 2012, provided that no refinancing occurred in such year or any previous year and c) the amount of the commission to be reduced by amounts paid in a) and b) once the refinancing has occurred. The Group has also received an unconditional and irrevocable letter from its current shareholders to ensure the timely and full payment of the commission when it falls due should the Group be unable to secure necessary approvals from its lenders in time. According to the terms of the letter with Sberbank the Group has classified the amount of the VEB loan as long-term in these consolidated financial statements.

Additional Security

In addition to the security provided under its existing loan facilities, the Group has provided or agreed to provide additional security to the international lenders over the following:

- 25% of the shares in the Bratsk and Krasnoyarsk aluminium smelters plus, on a secondary ranking basis, one share in each of them (following the release of security over the debt to VEB, security over one share shall be provided on a primary ranking basis);
- 39% less one share in each of the Novokuznetsk aluminium smelters, SUAL and Achinsk Alumina Refinery and 27.15% in Sayanogorsk aluminium smelter, provided that the percentage of shares subject to pledge in each of those entities will be reduced to 25% plus one share once the Group repays indebtedness outstanding to its international lenders in an amount at least equal to USD1.4 billion using cashflow, proceeds from any new equity raising (including proceeds of the Global Offering) and proceeds from disposal of non-core assets (including shares in Norilsk Nickel);
- receivables under certain offtake, export and tolling contracts and certain intra-group loans subject to certain exceptions;
- 100% of the shares or interest in certain non-Russian operating companies or their holding companies;
- security over fixed assets of the Russian aluminium smelters and Achinsk Alumina Refinery split between international lenders and Russian lenders according to pre-agreed percentages, where the international lenders' share in the aluminium smelters' assets does not exceed 10% of the assets of the relevant entity and fixed assets of Bratsk and Krasnoyarsk aluminium smelters are subject to security in favour of the international lenders only; and

- security over aluminium owned by the Russian aluminium smelters and Group trading companies.

Following the repayment of the loan to VEB, the Company will be obliged to provide security over any shares in Norilsk Nickel that the Group then continues to hold in favour of the international lenders. The Company is also obliged to provide security over certain assets it controls following the unwinding of the derivative financial instrument relating to the shares in Norilsk Nickel. In addition, as a condition of the restructuring of the guarantee in respect of 50% of the BEMO Loan, the Company has provided security over shares in its intermediary holding companies controlling the Group's interest in the BEMO Project and has agreed to provide, subject to RusHydro's consent, security over its interest in the BEMO Project (including at the operating companies' level).

Dividends

The debt restructuring agreements restrict the Company's ability to pay dividends 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 and Onexim) have been repaid by at least USD5 billion

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 and Onexim) have been repaid by at least USD5 billion. Further, there should be no outstanding default under the International Override Agreement and the Group should be able to demonstrate that it has sufficient cash to pay the proposed dividends. If and when dividends become payable, they are limited to no more than 50% of the Group's annual net profit (excluding earnings, but including dividends, of Norilsk Nickel) in any one year.

Warrants

Fee Warrants issued on the first day of the Override Period were automatically converted into Shares on the date of the Global Offering. International lenders could require the Company to settle the Fee Warrants in cash in lieu of Shares at a price per Share equal to the offering price less commissions, fees and expenses relating to the Global Offering. 5 lenders opted to receive an aggregate of 26,070,806 Shares whilst the other lenders chose to receive cash instead of the remaining 1,610,292,840 Shares, with such Shares being placed as part of the Global Offering in order to generate the cash due to those lenders. Shares into which Fee Warrants were converted following the Global Offering require those lenders holding the Shares to comply with a lock-up of 180 days following the date of completion of the Global Offering (or such shorter lock-up period as may apply to the Company's major shareholders).

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

Events of Default

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

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

Conditions subsequent

At the date of the issuance of the consolidated financial statements the Group has complied with all conditions subsequent set out in the International Override Agreement.

Amongst the conditions subsequent are (i) the Company's best endeavours to ensure that the security is granted over all of the shares in Compagnie des Bauxites de Kindia (Guinea) by 7 March 2010, and (ii) the Company's reasonable endeavours to have the security over Alscon Receivables to be approved by 15 February 2010 and continuance of such endeavours in case of non-receipt of the approval.

On 15 February 2010 and 24 February 2010 the Company delivered to the international lenders the letters describing the Company's best/reasonable endeavours, respectively, used in both cases by the stipulated dead-lines, and the status of the security at issue. No objections have been made by the international lenders. On 1 April 2010 the Company has also delivered to the international lenders its request to release the Company from the obligation to continue using its best/reasonable endeavours, respectively, and before the international lenders' written confirmation has been received by the Company, the Company will continue to use its best/reasonable endeavours, respectively.

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

Covenant EBITDA

For the purposes of the Group's debt restructuring agreements, "Covenant EBITDA" means, in respect of any relevant period, the Company's consolidated profit before tax for that relevant period:

- before deducting any Finance Charges and not including any Finance Income;
- not including any earnings before interest, tax, depreciation and amortisation (calculated on the same basis as this definition) of any project company of the Group where (1) the project company is set up solely for the purpose of carrying out the relevant project, where the lenders have no recourse to any member of the Group (including by way of completion guarantee or similar instrument or offtake agreement on preferential terms) other than to the project company, and (2) no other member of the Group provides any funding to such project company and where the financing of such project company is otherwise ring-fenced from the rest of the Group on terms acceptable to the majority international lenders (being international lenders representing 66 % or more of the aggregate exposures of the international lenders at that time), recalculated on the basis that any sales to other members of the Group and purchases from other members of the Group by any such project company are recorded at the average market price used for sales of the relevant product to persons not being members of the Group and purchases of the relevant product from persons not being members of the Group during the relevant period;
- not including any exceptional, one off, non-recurring or extraordinary items;
- after deducting the amount of any profit (or adding back the amount of any loss) of any member of the Group which is attributable to minority interests;

- adding the amount of the net income of Norilsk Nickel or deducting the amount of net loss attributable to the shares owned by members of the Group in Norilsk Nickel, if not already included in consolidated profit before tax of the Group;

- before taking into account any upward or downward adjustment of any non-cash provision;
- after adding back any amount attributable to the amortisation, depreciation or impairment of assets of members of the Group to the extent not added before;
- before taking into account any foreign exchange gains or losses recognised as such in the Company's consolidated financial statements prepared in accordance with IFRS; and
- before deducting any amount paid to the holders of warrants that is required to be paid as a result of a distribution being made by the Company to its Shareholders,

in each case, to the extent the above adjustments are not already made, as the case may be, for the purposes of determining the consolidated profit before tax.

For the purposes of the definition of Covenant EBITDA, (A) "Finance Charges" means, for any relevant period, the aggregate amount of the accrued interest (other than payment-in-kind interest), commission, fees, discounts, prepayment fees, premiums or charges and other finance payments in respect of certain borrowings whether paid or payable by any member of the Group (calculated on a consolidated basis) in respect of that relevant period: (i) including any upfront fees or costs; (ii) including the interest (but not the capital) element of payments in respect of finance leases; (iii) including any commission, fees, discounts and other finance payments payable by (and deducting any such amounts payable to) any member of the Group under any interest rate hedging arrangement; and (iv) excluding any payments to the holders of warrants according to the warrant documents, provided that no amount shall be added (or deducted) more than once and (B) "Finance Income" means consolidated interest income on financial investments (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit and loss, gains on hedging instruments that are recognised in consolidated profit or loss of the relevant company and other items recognised as such in the Company´s consolidated financial statements prepared in accordance with IFRS.

The following is a reconciliation of Covenant EBITDA to consolidated profit before tax for the 12 months ended 31 December 2009:

Reconciliation of Covenant EBITDA	Year ended 31 December 2009 (USD million)
Results from operating activities	(63)
Add:	
Amortisation and depreciation	586
Impairment of non-current assets	68
Loss on disposal of property, plant and equipment	5
Adjusted EBITDA	596
EBITDA of project finance companies	9
Deduct effect of non-cash provisions	(157)
Share of profits of associates and jointly controlled entities (net of impairment)	495
Not including:	
PIK	*(32)*
Loss on disposal of PPE	*(5)*
Covenant EBITDA	907

Covenants:

	Year ended 31 December 2009 (USD million)
Debt to Equity[1]	2.3
Interest cover ratio	0.9
Leverage ratio	16.2

Note:

[1] Definition from Clause 22.1:

Debt to Equity Ratio means, in respect of any Relevant Period, the ratio of total net debt on the last day of that Relevant Period to Shareholders' Equity on the last day of that Relevant Period.

Interest Cover Ratio means the ratio of Cashflow Available for Debt Service to Net Finance Charges in respect of any Relevant Period.

Leverage Ratio means, in respect of any Relevant Period, the ratio of total net debt on the last day of that Relevant Period to EBITDA in respect of the Relevant Period.

The Company has already met in full its debt repayment targets for 2010 set forth in the International Override Agreement and does not anticipate triggering default covenants in 2010 with regard to its deleveraging obligations.

Funding and treasury policies

The Group's treasury operations are handled by the Company's treasury department, whose functions include financing, treasury and cash management. The Company's treasury department operates independently from EN+ and shares no functions or resources with EN+. The Group has a largely centralised treasury management system which allows liquidity risk to be minimised and cash to be allocated efficiently. Cash payments and receipts for the whole Group are controlled by the central treasury department.

At the end of 2009, the Company entered into an International Override Agreement, part of which comprises a cash pooling agreement and a cash monitoring agreement. Entry into the cash pooling agreement has allowed the Company to centralise most incoming cash flows in 2010, which will improve cash flow management.

In 2009, the principal source of liquidity was operating cash flows of USD321 million

Liquidity and Capital Resources

Liquidity

In 2008, the Group's principal sources of liquidity were operating cash flows of USD3,043 million and financing cash flows of USD3,250 million. In 2009, the principal source of liquidity was operating cash flows of USD321 million. The Group's principal uses of cash through 2012 are expected to be for operating expenses, debt repayment and limited capital expenditure pursuant to the terms of its debt restructuring agreements. It expects to fund its liquidity needs mainly through operating cash flow.

The Group expects that payments for purchases of materials, energy and other goods and services throughout the forecast period as well as payment of profit and other taxes and capital expenditures will be financed by operating cash inflow.

On 27 January 2010, the Company successfully completed a dual placing on the Stock Exchange and Euronext Paris. Upon placing, the Company issued 1,636,363,646 new Shares in the form of Shares listed on the Hong Kong Stock Exchange, and in the form of Global Depositary Shares listed on Euronext Paris representing 10.81% of the Company's issued and outstanding shares.

The Company raised approximately USD2,236 million from the listings of which USD2,143 million has been used to repay principal debt owed by the Company to its international and Russian lenders (excluding VEB) as well as principal debt and accrued interest to Onexim. In addition, UC RUSAL has paid fees to its international lenders in connection with the debt restructuring.

As a result of the debt repayments, UC RUSAL's total nominal value outstanding debt including debt owing to Onexim was reduced to USD12.9 billion as at 1 February 2010 (by 13% compared to 31 December 2009). In addition, these debt repayments to the Company's international and Russian lenders exceed the debt repayment target until the end of 2010. These repayments allowed the Company to make progress towards meeting its next debt repayment targets ahead of schedule, with USD3.3 billion remaining to be repaid to lenders for the Company to meet the target due by the end of 2013. The Company is ahead of its 2010 target cumulative payments of USD1.4 billion, and the event of default cumulative amount of USD0.75 billion and is close to its event of default cumulative amounts for 2011 of USD2 billion.

The Company will explore refinancing options via a potential bond issue in the near future.

According to its amended loan agreement with VEB, the Company is required to repay USD4,500 million on 29 October 2010. The VEB loan may be assigned to Sberbank upon the request of the Company should the VEB loan not be extended beyond 29 October 2010, as is currently anticipated. For these purposes, the Group has obtained an irrevocable and unconditional letter from Sberbank which allows the Group to request Sberbank to assume the rights, claims and obligations under the VEB loan by notifying Sberbank in writing during the period from 1 August to 1 September of each year from 2010 to 2013, inclusive. Following such assumption, the maturity of the existing VEB loan will be extended to 7 December 2013 from the original repayment date. Commission of 2.00% of the outstanding principal amount and any other outstanding amounts as of the date of the assignment will be payable to Sberbank by the Group as follows: a) USD22.5 million by 31 December 2009, b) 1/4 (one quarter) of the commission annually by 31 December of the years 2010, 2011 and 2012, provided that no assignment occurred in such year or any previous year and c) the amount of the commission to be reduced by amounts paid in a) and b) once the assignment has occurred. The Company has also entered into an unconditional and irrevocable deed with its current shareholders, pursuant to which the current shareholders guarantee to Sberbank to pay on demand the commission when it falls due should the payment be inconsistent with the obligations of the Group under the International Override Agreement.

Following completion of the Group's debt restructuring, all of the Group's debt except its indebtedness to VEB has a single maturity date of 6 December 2013

Debt Maturities

Following completion of the Group's debt restructuring, all of the Group's debt except its indebtedness to VEB has a single maturity date of 6 December 2013, four years after the effective date of the restructuring. Payments will be made earlier out of equity or debt fund raisings (including Global Offering), asset disposals or excess cash flow. In addition, there are debt reduction targets, for both the international banks and the Russian and Kazakh banks (other than VEB).

The Group has obligations to Onexim in respect of the deferred consideration for the purchase of shares in Norilsk Nickel. In 2009, the Company restructured USD880 million of its obligations to Onexim in line with the restructuring of its international debt which will mature in 2013. The remaining obligations were converted into Shares representing 6% of the Company's share capital on the date of effectiveness of the International Override Agreement.

The Directors do not anticipate any other significant cash outflows in the 12 months following the date of the consolidated financial statements other than its payments for trade and other payables in the ordinary course of business, interest and other payments in connection with its restructuring agreements, payments of tax, foreign exchange exposure in the course of its business maintenance capital expenditure and certain limited development capital expenditure such as the BEMO Project, and as agreed in connection with its debt restructuring agreements.

Cash and cash equivalents

As at 31 December 2009 and 31 December 2008 included in cash and cash equivalents was restricted cash of USD21 million and USD23 million, respectively, for letters of credit pledged with the banks.

As at 31 December 2009 there were no cash and cash equivalents at a bank, which is a related party (31 December 2008: USD137 million).

Note 24 shows a comparison of the Company's cash and cash equivalents as at 31 December 2009 and 31 December 2008.

Financial Ratios

Gearing

The Group's gearing ratio, which is the ratio of total debts (including both long-term and short-term borrowings and bonds outstanding) to the total assets, as at 31 December 2008 and 31 December 2009 respectively was 57.8% and 57.4%, respectively.

Return on Equity

The Group's return on equity, which is the amount of net profit as a percentage of total equity, as at 31 December 2008 and 31 December 2009 respectively was (133.3%) and 13.0%, respectively. Return on equity was significantly low therein the year ended 31 December 2008 as a result of the significant net loss of USD5,984 million during the same period. The increase for 2009 was due to the change from a net loss in 2008 to a profit in 2009.

Interest Coverage Ratio

The Group's interest coverage ratio, which is the ratio of our earnings before interest and taxes to net interest, for the year ended 31 December 2009 was 2.3. Whereas interest expense was well covered in 2009, interest coverage was negative for 2008 as the Company recorded a loss before interest and tax; as a result, no interest coverage ratio was presented for this period.

Quantitative and Qualitative Disclosures About Market Risk

The Group is exposed in the ordinary course of its business to risks related to changes in interest rates and foreign exchange rates. The Group does not currently use mechanisms to hedge these risks.

The Group's international debt is denominated in USD and EUR and bears interest at a floating rate based on LIBOR (or another existing base rate, depending mainly on the currency of the original loan)

Interest Rate and Foreign Currency Risk

The Group has in place primarily floating rate financing arrangements and as such the Group is exposed to changes in interest rates. The Group bears interest rate risk relating to interest payable associated with its loans.

The foreign exchange risks of the Group arise from the fact that the Group's operations are carried out primarily in the Russian Federation and, as such, a significant portion of the Group's business is transacted in RUR, while a major portion of the Group's revenues are denominated and received primarily in USD. The Group does not engage in any significant hedging activity to mitigate this risk, as hedging and derivative instruments are generally not available in the Russian Federation in the required volumes. The following table shows the Company's key cost lines according to currency denomination.

Cost category	% of total (USD)	Currency denomination
Cost of alumina and bauxite	20%	USD denomination
Cost of other raw materials and other costs	30%	USD denominated/local currency
Energy costs	28%	Local currency, local currency use formula tied to LME USD price
Personnel expense	12%	Local currency
Repairs and maintenance	2%	Local currency
Depreciation and amortisation	8%	Majority local currency

The Group's international debt is denominated in USD and EUR and bears interest at a floating rate based on LIBOR (or another existing base rate, depending mainly on the currency of the original loan). The Group's Russian and Kazakh bank debt (other than VEB) is denominated in EUR, USD and RUR and bears interest at a floating rate based on the CBR rate or at a fixed rate varying annually or on the basis of the Group's total net debt to Covenant EBITDA ratio. The VEB debt is denominated in US dollars and bears interest at a fixed rate of 8.49% per annum.

Note 29(c)(iii) shows the instantaneous change in the Group's profit/(loss) before taxation (and retained profits/(accumulated losses)) that would have arisen if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

Safety

In 2009 the LTIFR rate for the Group reached 0.27 compared to a level of 0.23 in 2008, both of which are lower than the LTIFR of 0.32 per 200,000 hours worked reported by the International Aluminium Institute in Safety Performance Benchmarking Report 2008 for the industry as a whole for the years 2006 to 2008.

In 2009, the number of fatal accidents involving employees reduced to seven and the number of fatalities involving contractors was two compared to eight and four in 2008, respectively. In respect of the fatal accidents that have occurred from the period beginning 1 January 2008 and ending 31 December 2009, the total compensation paid by the Group was approximately USD0.42 million.

Environmental performance

There has been no material environmental pollution incident at any of the Group's sites or facilities during the four years ended 31 December 2009

Russian environmental levies for air emissions and the discharge of liquids and other substances amounted to USD29.4 million and USD17.1 million in 2008 and 2009, respectively.

There has been no material environmental pollution incident at any of the Group's sites or facilities during the four years ended 31 December 2009.[8]

Employees

The following table sets forth the aggregate average number of people (full-time equivalents) employed by each division of the Group during each of the last four years ended 31 December 2009.

Division	Year ended 31 December 2009	2008
Aluminium	33,365	36,959
Alumina	16,147	19,501
Engineering and Construction	22,323	25,325
Materials	0	2,551
Energy	6	26
Packaging	2,091	2,223
Managing Company	497	601
Others	1,391	2,722
Totals	75,820	89,908

During 2009 UC RUSAL's headcount diminished along with lower production output and mothballing of certain plants. These and other cost-cutting initiatives, including headcount reduction of the management company, increased the Company's labour productivity. The materials division was also disbanded with its functions transferred to the Aluminium division during the year ended 31 December 2009.

In 2009 salaries for employees were not increased thus stabilising payroll costs. Moreover, due to exchange rate movement, especially RUR depreciation against USD, 2009 average salary per person denominated in USD dropped 27% compared to the 2008 level. The Group aims to continue to improve productivity by streamlining its workforce, including by centralising R&D and production services functions through the ECD.

Remuneration policies

The remuneration paid by the Group is based on an employee's qualifications and performance, as well as the complexity of his or her job. Wages for each employee are generally reviewed annually and revised in accordance with a performance assessment and local labour market conditions. The UC RUSAL Personnel Policy and the UC RUSAL corporate code of conduct govern the relationship between the Group and its staff. The Group's corporate code of conduct strictly prohibits discrimination based on gender, race and religion and forbids any form of child, forced or indentured labour.

The Group developed and starting as 1 January 2010 implemented a system of grades for the Sales Directory. It is also planned to consider an introduction of grades system for the Management Company in 2010.

Bonus and share option schemes

In 2009, the Group developed and implemented a quarterly-based motivation system for the businesses of the divisions and the Management Company. The motivation system functions on top of the development fund linked to LME prices and is coherent with the performance of the divisions, directorates and other businesses vis-à-vis their key performance indicators. In 2010, the Group will continue improving the motivation system.

A motivation system for the top management of the Group is currently being developed. The top management motivation scheme will consist of the following two parts: a long-term incentive program ("LTIP") and a short-term-incentive program ("STIP"). The motivation scheme is expected to be approved and adopted during 2010.

Training schemes

In 2009, the Company's key focus areas in the field of personnel development and training were the following: professional training of workers, programs on compulsory training of senior managers, professionals and workers, and programs on training of external labor reserves of the Company in cooperation with educational institutions of all education levels. In addition, programs on development of foremen of the Company's production facilities were implemented, as well as the following special projects: the "Labor Reserve Development Program", a professional skill contest "RUSAL's Professionals", "Training of Engineers for the Republic of Guinea", program on development of leadership skills of senior managers, professionals and workers "RUSAL's Manager Standard".

In 2010, it is planned to continue and expand the work in the field of personnel training and development. The following traditional areas: professional training of workers, programs on compulsory training of senior managers, professionals and employees, programs on training of external labor reserves of the Company, the projects Labor Reserve, professional skill contest "RUSAL's Professionals", "Training of Engineers for the Republic of Guinea", program on development of leadership skills of senior managers, professionals and workers "RUSAL's Manager Standard" will be supplemented by a grant program for students and a student conference, training on the Company's production system and functional academies on business areas.

Corporate Code of Conduct

The corporate code of conduct, which is enforced through compliance procedures established by the Group, regulates the professional behaviour and business communications of all the Group's employees. In December 2007, the Group established and widely disseminated a "hot line" to report violations of the corporate code of conduct and to answer employees' questions about the corporate code of conduct and other corporate procedures.

The Group's competitive position in the global aluminium industry is highly dependent on continued access to inexpensive and uninterrupted electricity supply, in particular, long-term contracts for such electricity

Business risks

The Company identified a number of business risks which affects its business and these were set out in detail in the Prospectus. The following is a summary of those business risks updated since the date of the Prospectus and current up to the date of this Annual Report.

- The Group operates in a cyclical industry that has recently experienced significant price and demand volatility and overcapacity, which have had and may continue to have a material adverse effect on the Group's performance and financial results
- The Group's competitive position in the global aluminium industry is highly dependent on continued access to inexpensive and uninterrupted electricity supply, in particular, long-term contracts for such electricity. Increased electricity prices (particularly as a result of deregulation of electricity tariffs), as well as interruptions in the supply of electricity, could have a material adverse effect on the Group's business, financial condition and results of operations
- The Group depends on the provision of uninterrupted transportation services and access to state-owned infrastructure for the transportation of its materials and end products across significant distances, and the prices for such services (particularly rail tariffs) could increase
- The terms of the debt restructuring agreements impose strict limits on the Group's capital expenditure and other uses of available cash which will limit its ability to expand its business and to pay dividends, and failure by the Group to comply with the terms and conditions of these agreements may materially adversely affect the Group and its shareholders
- The Group benefits significantly from its low effective tax rate, and changes to the Group's tax position may increase the Group's tax liability and affect its cost structure
- The Group is exposed to foreign currency fluctuations which may affect its financial results

- EN+ is able to influence the outcome of important decisions relating to the Group's business, which includes transactions with certain related parties
- Although EN+ has completed the restructuring of its debts and has given its lenders a pledge over 15% of the outstanding Shares, if EN+ defaults under the terms of the restructuring, its lenders may exercise security and seek to sell the Shares pledged by EN+. This in turn may, amongst other things, result in the sale of Shares into the market that would not otherwise occur and/or trigger an acceleration of the Group's indebtedness under the Company's debt restructuring agreements. Acceleration of the Group's debt could occur if the sale resulted in a change of control. A sale that did not result in a change of control would not lead to the possibility of acceleration. Change of control means a person or group of persons other than Mr. Deripaska and his immediate family getting control of the Company, not merely that Mr. Deripaska's interest is reduced.
- The Group depends on the services of key senior management personnel and the strategic guidance of Mr. Deripaska
- A claim against Mr. Deripaska by Mr. Michael Cherney could have a material adverse effect on the Company and/or the trading price of its Shares
- Adverse media speculation, claims and other public statements could adversely affect the value of the Shares
- In 2008 the Group's results of operations were significantly affected by impairment charges related principally to its property, plant and equipment and to its equity investment in Norilsk Nickel and by the Group's pro rata portion of loss suffered by Norilsk Nickel in 2008. No impairment or reversal of previously recorded impairment in relation to the Group's property, plant and equipment was recorded in 2009, except for impairment of specific items that were no longer considered recoverable at 31 December 2009. In 2009, the Group's results of operation were significantly affected by reversal of impairment and by the Group's pro-rata share of profits of Norilsk Nickel. The Group recognised USD2,408 million in impairment losses related to its investment in Norilsk Nickel at 31 December 2008, of which USD929 million was reversed as at 31 December 2009.
- There can be no assurances that further impairment charges will not be necessary or that further losses related to the Norilsk Nickel investment will not occur
- The Group does not have operational or management control over Norilsk Nickel and other material joint ventures
- The Group's business may be affected by labour disruptions, shortages of skilled labour and labour cost inflation
- The Group relies on third-party suppliers for certain materials
- Equipment failures or other difficulties may result in production curtailments or shutdowns
- The Group is subject to certain requirements under Russian anti-monopoly laws
- The Group operates in an industry that gives rise to health, safety and environmental risks

- Ore Reserves and Mineral Resources data are only estimates and are inherently uncertain, and such Ore Reserves and Mineral Resources may be depleted more rapidly than anticipated
- The Group's licences and concession rights to explore and mine Ore Reserves may be suspended, amended or terminated prior to the end of their terms or may not be renewed
- The Group is exposed to risks relating to the multijurisdictional regulatory, social, legal, tax and political environment in which the Group operates

Contingencies

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 activity 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 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 that may be material to the financial position of the taxpayers may be assessed in the Russian Federation as a result of such reviews.

The Group had a provision for USD76 million for income tax as at 31 December 2009. 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. At each balance sheet date the Directors have assessed the provisions for taxation and concluded that the provisions and disclosures are adequate.

In addition to the amount of income tax the Group has provided, 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 is USD439 million as at 31 December 2009. This amount includes approximately USD112 million in respect of claims (including fines and penalties) issued by the Russian tax authorities as a result of tax audits for 2005-2006, and another USD57 million issued by the other tax authorities, as a result of tax audits for those and other years, which in each case are still outstanding and subject to dispute in court. These claims issued by the Russian tax authorities are in connection with allegations of understatement of taxable income and, as a result, underpayment of income tax, overstatement of expenses recognised for tax purposes (including non-deductible education expenses, travelling expenses and consulting expenses), VAT disputes, recoverability of export VAT, determination of the applicable tax base and other fines and penalties. The remainder of the USD439 million relates to reasonably possible additional tax that may be payable upon examination by the tax authorities.

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. The Directors believe that these 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. The Group's consolidated financial statements are prepared on this basis. However, as these companies are involved in a significant level of cross border activities, there is a risk that Russian tax authorities may challenge the treatment of cross-border transactions 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.

Environmental Contingencies

The Group and its predecessor entities have operated in the Russian Federation, Ukraine, Jamaica, Guyana, 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 related obligations. 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, the Directors believe there are no possible liabilities that 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.

In addition, the Group had recorded provisions of USD313 million at 31 December 2009 relating to site reclamation obligations. For information concerning risk-adjusted expected expenditures in relation to such obligations, see note 27 to the consolidated financial statements.

Legal Contingencies

The Group is the named defendant in a number of lawsuits as well as a named party in other proceedings arising in the ordinary course of business. In addition to the amounts that the Group has provided for legal claims (USD59 million at 31 December 2009), there are an additional USD32 million in legal claims with respect to which management assesses a cash outflow as possible.

The Directors have assessed the likely outcome of such contingencies, lawsuits or other proceedings and believes that any resulting liabilities will not have a materially adverse effect on the financial position or the operating results of the Group.

For the detailed information about contingent liabilities please refer to the note 31 to the consolidated financial statements. The provisions are described in note 27 to the consolidated financial statements.

Investments in subsidiaries.

There were no material acquisitions and disposals of subsidiaries during the year ended 31 December 2009.

Details of the principal subsidiaries are set out in note 33 to the consolidated financial statements.

Interest in associates and jointly controlled entities

The Group currently owns an interest of more than 25% in the share capital of Norilsk Nickel.

Further, the Group is a party to certain material joint venture agreements through which it owns a:

- 20% equity interest in QAL;
- 50% equity interest in the companies comprising BEMO; and
- 50% equity interest in LLP Bogatyr Komir.

Following the sharp decline in demand for products of Norilsk Nickel in the fourth quarter of 2008, the Group recognised USD2,408 million in impairment losses related to its investment in Norilsk Nickel at 31 December 2008, of which USD929 million was reversed as at 31 December 2009.

The Group's interest in jointly controlled entities was USD778 million as at 31 December 2009, compared to USD506 million as at 31 December 2008. The increase in interest in jointly controlled entities from 31 December 2008 to 31 December 2009 mainly resulted from the reversal of impairment recognised in 2008 and an additional contribution to the BEMO Project.

For the information on interest in associates and jointly controlled entities refer to notes 17 and 18 to the Consolidated Financial Statements.

7 Figures based on CRU estimates.

8 Material accidents are defined in terms of financial damage to the Group - any environmental pollution accident costing more than USD50 million is considered to be material.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

UC RUSAL has a highly skilled and experienced team of managers

Executive Directors

Oleg Deripaska, aged 42 *(Chief Executive Officer, Executive Director)*

Oleg Deripaska was appointed as executive Director and Chief Executive Officer of the Company, and chief executive officer and head of the Moscow Branch of RUSAL Global Management B.V. in January 2009. In April 2010, Mr. Deripaska was appointed chief executive officer of EN+ Managment LLC. Mr. Deripaska has been a member of the Company's Board since 26 March 2007. He is responsible for the development and implementation of the Company's strategy as both an energy and metals corporation that meets best international standards for production, product quality, environment, industrial safety and corporate governance. Mr. Deripaska is also focused on ensuring the sustainable development of the Company in the context of the global financial crisis and on implementing a series of crisis management measures.

Having raised his initial capital by trading in metals, Mr. Deripaska acquired shares in the Sayanogorsk aluminium smelter and became its director general in 1994. In 1997, Mr. Deripaska initiated the creation of the Sibirsky Aluminium Group LLC, which was Russia's first vertically integrated industrial group. Between 2000 and 2003, Mr. Deripaska was director general of RA, which was set up as a result of the combination of the aluminium smelters and alumina refineries of Sibirsky Aluminium and the Sibneft Oil Company. From October 2003 to February 2007 he held the position of chairman of the board in RA. Since January 2003, Mr. Deripaska has been a director of Basic Element Limited. Since September 2003, he has held the position of chairman of the supervisory board of Company Bazovy Element LLC and from March 2009 onwards he has held the position of general director of that same company. Mr. Deripaska has been the chairman of the board of OJSC Russian Machines (formerly RusPromAvto LLC) since November 2006. He was a director of Transstroy Engineering & Construction Company LLC from April 2008 to April 2009.

Mr. Deripaska was born in the city of Dzerzhinsk in 1968. In 1993, he graduated with distinction from the Physics Department of Moscow State University, Lomonosov, and in 1996 he received a degree from Plekhanov Academy of Economics. Mr. Deripaska is vice president of the RSPP and chairman of the executive board of the Russian National Committee of the International Chamber of Commerce. He is also a member of the Competitiveness and Entrepreneurship Council, an agency of the Russian Government. In 2004, Russian President Vladimir Putin appointed Mr. Deripaska to represent the Russian Federation on the Asia-Pacific Economic Cooperation Business Advisory Council. In 2007, he was appointed chairman of the Russian section of the Council. He sits on the board of trustees of many institutions including the Bolshoi Theatre and the School of Economics at Moscow State University, Lomonosov and is co-founder of the National Science Support Foundation and the National Medicine Fund. His charity foundation, Volnoe Delo, supports a wide range of projects including initiatives to help children, improve medical care and increase educational opportunities throughout Russia.

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

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

Vladislav Soloviev, aged 36 *(First Deputy Chief Executive Officer, Executive Director)*

Vladislav Soloviev was appointed a member of the Board on 18 October 2007 and First Deputy Chief Executive Officer on 9 April 2010. From 2008 until April 2010, Mr. Soloviev was chief executive officer of EN+ Management LLC. From 2007 to 2008, Mr. Soloviev was head of the Company's Finance Directorate following the Company's formation. Previously he was head of the Finance Directorate and before that, he was the director of the Company's accounting department. Prior to joining the Company, Mr. Soloviev was Deputy Director of the department of tax policy and worked as adviser to the Minister for taxes of the Russian Federation, where he was responsible for implementing amendments to tax laws. From 1994 to 1998, he held various top positions in UNICON/MC Consulting and was in charge of auditing oil and gas companies. Mr. Soloviev serves on the board of directors of United Oil Group LLC, EuroSibPower Company Ltd, EuroSibPower Company OJSC, EN+, EN+ Power Limited, Norilsk Nickel, OGK-3 OJSC and OJSC NK RussNeft. Mr. Soloviev was born in 1973. In 1995, he graduated from the Higher School of the State Academy of Management with Honours, and in 1996, he graduated from the Stankin Moscow Technical University. In 2004, Mr. Soloviev graduated from the Finance Academy of the Government of the Russian Federation and was awarded an MBA degree by Antwerp University in Belgium.

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

Petr Sinshinov, aged 55 *(Deputy Chief Executive Officer, and Executive Director)*

Petr Sinshinov was appointed a member of the Board on 23 November 2009 and held the role of Deputy Chief Executive Officer, prior to his appointment to the Board, since January 2009. As deputy chief executive officer of the Moscow Branch of RUSAL Global Management B.V., he oversees the general expenditure cutting and production cost reduction activities. Mr. Sinshinov's responsibilities also include seeking effective alternative solutions to the Group's procurement and purchasing schemes and optimising transportation and logistics costs.

From October 2006 until 2008, Mr. Sinshinov was the chief executive officer of Transmash Holding. In 2005-2006 he held several executive positions at Kuzbassrazrezugol where he served on the board of directors starting from the beginning of 2006. From 2002 to 2003 Mr. Sinshinov was the chief executive officer of Ruspromavto. In 2000-2001, he was the chief executive officer of Soyuzmetalresurs, a holding company for several industrial operations. From 1995 to 2000 Mr. Sinshinov was the commercial director and deputy managing director of the Sayanogorsk aluminium smelter. In 1977 he began his professional career at the Norilsk mining plant. Mr. Sinshinov was born in 1954. Mr. Sinshinov graduated from the Institute of Non-Ferrous Metals in Krasnoyarsk in 1977.

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

Tatiana Soina, aged 48 *(Chief Financial Officer, and Executive Director)*

Tatiana Soina was appointed a member of the Board with effect from 9 November 2009. Ms. Soina was appointed head of the Finance Directorate of the Moscow Branch of RUSAL Global Management B.V. in January 2009. In addition to financial planning and auditing responsibilities, she is in charge of business transaction analysis and oversees information technology (SAP/R3) and efficiency management systeMs. Previously, Ms. Soina was director of the budget and planning department, first of RUSAL from 2003 onwards, then of the Company upon its establishment in March 2007. Between 2000 and 2002, she was deputy director of the budget and planning department. From 1986 to 1991, Ms. Soina worked as an economist in various Russian and foreign companies and between 1999 and 2000, she headed the economic and planning department at Siberian Aluminium. Ms. Soina was born in 1962. In 1983, Ms. Soina graduated from the Kiev State University Institute of National Economy, majoring in Economics. In 2004 she was awarded an MBA diploma from the Higher School of Economics in Moscow with a focus on "General and Strategic Management".

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

Non-executive Directors

Victor Vekselberg, aged 53 *(Chairman and non-executive Director)*

Victor Vekselberg was appointed non-executive Director and Chairman of the Board on 26 March 2007. From January 2003 to March 2007, Victor Vekselberg was chairman of the board at SUAL, where he was previously president from 2000 to 2003. In October 2003, after the establishment of TNK-BP Limited, Mr. Vekselberg became the managing director for Production and Technologies and joined the TNK-BP Limited board of directors. As at the date of this Annual Report, while remaining a member of the TNK-BP Limited board of directors, he also holds the position of chairman of the supervisory committee of the RENOVA Group, executive director for Gas Business Development of OAO TNK-BP Management and chairman of the board of directors of RUSIA Petroleum. From April 2002 through October 2003 he was the chairman of the management board of TNK BP Limited. In 1996, Mr. Vekselberg created SUAL, which incorporated the Irkutsk and Urals aluminium smelters, and he held the position of chief executive officer of SUAL from 1996 to 2000. In 1990, he became one of the founders of RENOVA.

Victor Vekselberg was born in 1957 in Drogobych, a provincial town in the Lviv region, Ukraine. In 1979, he completed his studies in Automatic Control Systems and graduated from the Moscow Institute of Transport Engineers with Honours. That same year, he continued his education with a post-graduate course at the Computer Centre of the Academy of Science. He is a member of the Bureau of the Management Board of the RSPP and chairman of the RSPP Committee on International Cooperation.

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

Dmitry Afanasiev, aged 40 *(Non-executive Director)*

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

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

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

Len Blavatnik, aged 52 *(Non-executive Director)*

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

Mr. Blavatnik serves on the board of numerous companies in the Access Industries portfolio including LyondellBasell Industries (the world's third largest independent chemical company) and TNK-BP (a vertically integrated oil major). Mr. Blavatnik remains engaged in educational pursuits and, in addition to corporate directorships, sits on academic boards at Cambridge University, Harvard Business School and Tel Aviv University. An active philanthropist, Mr. Blavatnik also sits on boards of directors of, inter alia, The White Nights Foundation of America, the 92nd Street Y in New York and The Center for Jewish History in New York.

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

Igor Ermilin, aged 50 *(Non-executive Director)*

Igor Ermilin was appointed as a member of the Board on 27 January 2010. Since April 2009, he has been the general counsel of EN+ where his responsibilities include managing the legal aspects of EN+'s mergers and acquisitions projects, creating joint ventures, accessing the international financing and capital markets, court activities, claims and contracting.

From 2003 to 2009, Mr. Ermilin held various executive positions in the legal department of Basic Element, most recently as the company's general counsel. Prior to joining Basic Element in 2003, Mr. Ermilin worked for the Russian Government, the European Bank for Reconstruction and Development and practiced law at major law firms in Moscow, London, Washington D.C. and New York. Mr. Ermilin was born in 1960. Mr. Ermilin graduated from Moscow State University in 1982 and Georgetown University Law Center in 1997.

Save as disclosed above, Mr. Ermilin is independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company.

Ivan Glasenberg, aged 53 *(Non-executive Director)*

Ivan Glasenberg was appointed a member of the Board and a member of the Standing Committee of the Company on 26 March 2007. He has been Glencore's chief executive officer since 2002. Mr. Glasenberg is a member of the board of directors of Xstrata plc and Minara Resources Limited. He joined Glencore in 1984 and worked in the coal department in South Africa for three years and in Australia for two years. From 1988 to 1989, he managed Glencore's Hong Kong and Beijing offices. In 1990, he became head of coal and in 2002 he was appointed chief executive officer of Glencore. Prior to joining Glencore, Mr. Glasenberg worked at Levitt Kirson Chartered Accountants for five years. He is a Chartered Accountant of South Africa. He holds a Bachelor's degree in Accountancy from Witwatersrand University, South Africa, as well as a master's degree in Business Administration from the University of Southern California, Los Angeles.

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

Vladimir Kiryukhin, aged 53 *(Non-executive Director)*

Vladimir Kiryukhin was appointed a member of the Board on 10 June 2009. He has acted as government relations director of EN+ since June 2009. He is responsible for providing interaction between EN+ and the federal and regional authorities within the framework of the implementation of the company's business strategy. He has held the position of chief executive officer of EN+ Development since 2008.

Prior to joining EN+, Mr. Kiryukhin held different positions, including first deputy chief executive officer and chief executive officer, at EuroSibEnergo (a public company that manages power assets of EN+) in the period 2003-2008.

Vladimir Kiryukhin is a member of the supervisory board of Non-Commercial Partnership Market Council, adviser to the Russian Federation Federal Tariff Service, adviser to the Council of the Federation Commission on Natural Monopolies and assistant to member of the Council of the Federation. Mr. Kiryukhin graduated from A Popov Higher Naval Radio-Electronics Academy in 1979. Mr. Kiryukhin also holds a PhD in Automated Information Systems from the All-Soviet Union Science and Research Institute of Interindustries Information which he received in 1988.

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

Alexander Popov, aged 39 *(Non-executive Director)*

Alexander Popov was appointed a member of the Board on 24 April 2008. Mr. Popov joined EN+ in March 2007 as group financial controller and has responsibility for building the finance function in the newly created Energy Sector within Basic Element Group. Prior to joining EN+, Alexander Popov worked as head of the corporate financial reporting department in the oil company OAO LUKOIL for six years. From 1994 to 1999 Alexander Popov held various positions in the audit company PricewaterhouseCoopers, rendering consulting and audit services to major oil and gas companies in Russia. Mr. Popov was born in 1971 in Togliatti. He is a Certified Public Accountant (member of the American Institute of Certified Public Accountants), holds a Master's degree in Engineering (automobile industry) from State Polytechnic University in Togliatti (Russia) and a Bachelor's degree in accounting and audit from Saratov State Academy of Economics in Saratov, Russia.

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

Dmitry Razumov, aged 35 *(Non-executive Director)*

Dmitry Razumov was appointed a member of the Board on 24 April 2008. In June 2007, he was appointed to his current position as chief executive officer of LLC Onexim Group. He is also a member of the board of directors of Norilsk Nickel, Investment and Development Group OPIN, MMC Intergeo, MFK Bank and Soglasie Insurance Company.

Earlier in his career, Mr. Razumov practiced business and corporate law at Clifford Chance LLP, following which he gained investment banking experience at Renaissance Capital, a leading Russian investment bank. In 1998, Mr. Razumov left Renaissance Capital to co-found the independent venture capital firm LV Finance that stands behind the success of MegaFon, the third largest mobile phone operator in Russia, before selling his interest in the firm in 2003. Between 2001 and 2005, Mr. Razumov served as deputy chief executive officer for strategy and M&A at Norilsk Nickel, Russia's largest mining company, leading its transformation into a world class company through groundbreaking deals with Stillwater Mining Company, Gold Fields and Polyus Gold, and pioneering industry best corporate governance standards among Russian blue-chip companies.

In 1997, Mr. Razumov graduated from the International Law Department of Moscow State Institute of International Relations, receiving a Master's degree in International Trade Law.

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

Jivko Savov, aged 43 *(Non-executive Director)*

Jivko Savov was appointed a member of the Board on 24 March 2009. He also served as a member of the RUSAL Board from 1 March 2008 through 30 October 2008. Mr. Jivko Savov joined EN+ in 2006 and is responsible for the management and optimisation of the electricity generation portfolio of EN+. Mr. Jivko Savov worked for over 12 years in the energy sector in private equity, business development and structured finance roles.

From 2002 until 2006 Mr. Savov was head of Energy Investments at MMC Energy Europe and Equest Partners in London, managing private equity investments in power and renewable energy projects, oil and gas, and metals in Eastern Europe and Russia. Prior to that, he worked as a manager of structured marketing and origination with EDF Trading in London, where he was responsible for the East European and Benelux markets.

Mr. Savov serves on the board of directors of EN+ Power Ltd, EuroSibEnergo LLC, EuroSibEnergo OJSC and Irkutsenergo OJSC. Before joining EDF Trading, Jivko Savov worked for Enron Europe, London in the project finance and trading teams covering South East Europe and Turkey. He began his career in 1996 at the World Bank as Project Officer for the Energy and State Enterprise sectors. Born in 1966, Mr. Savov received an MBA from INSEAD, France in 1998 and an MSc in International Relations (with Honours) from the Moscow State Institute of International Relations, Russia in 1992.

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

Anatoly Tikhonov, aged 40 *(Non-executive Director)*

Anatoly Tikhonov became a member of the Board on 24 March 2009. Mr. Tikhonov has been a member of the management board and the first deputy chairman of VEB since October 2008. He worked as deputy governor of the Krasnoyarsk Region Administration from 2003 to 2007 and as deputy head of the Krasnoyarsk Region Government from 2007 to 2008.

In 2007-2008, Mr. Tikhonov headed the external relations and investment policy department at the Krasnoyarsk Region Administration as deputy governor of the Krasnoyarsk Region. From 2003 to 2007, he acted as deputy governor of the Krasnoyarsk Region and head of the Permanent Representation of the Krasnoyarsk Region Administration in the Russian Government. From 1999 to 2003, Mr. Tikhonov worked as deputy chairman of the finance committee at the St. Petersburg City Administration.

In 1996-1999, Mr. Tikhonov held the position of director for Commerce and vice-president for Economics and Finance of the Russian Public Fund of Disabled War Veterans. In 1995-1996, he was general director of ZAO Bagram.

Mr. Tikhonov's professional career began in 1987, when he started his work as a recording clerk at the Moscow Garrison's military court. In 1989, he completed his two-year military service. Anatoly Tikhonov was born on 13 June 1969 in Moscow. In 1995, he graduated from the Moscow State University, Lomonosov majoring in jurisprudence.

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

In order to promote good corporate governance, the Articles of Association provide that in the event of a conflict of interest, an interested Director is required to abstain from voting for the relevant resolution. Mr. Tikhonov, as a Director nominated by VEB, is therefore obliged to abstain from voting for any resolutions on transactions that the Company may have with VEB.

Barry Cheung Chun-yuen, aged 52 *(Independent non-executive Director)*

Barry Cheung was appointed a member of the Board on 27 January 2010. Mr. Cheung is the chairman of the Hong Kong Mercantile Exchange Ltd. He is also chairman of both the Urban Renewal Authority and the Standing Committee on Disciplined Services' Salaries and Conditions of Service in Hong Kong. From July 2004 to January 2008, Mr. Cheung was first the chief executive officer of Titan Petrochemicals Group Limited and later its deputy chairman. Mr. Cheung previously served as chairman of the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption. From 1987 to 1994, he was a consultant with McKinsey & Company in the United States and Asia. From 1993 to 1994 he also served as a full-time member of the Hong Kong Government's Central Policy Unit on secondment from McKinsey & Company. Mr. Cheung was born in 1958. Mr. Cheung holds a Bachelor of Science degree with First Class Honours in Mathematics and Computer Science from the University of Sussex and an MBA from Harvard Business School.

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

Peter Nigel Kenny, aged 61 *(Independent non-executive Director)*

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

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

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

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

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

Philip Lader, aged 64 *(Independent non-executive Director)*

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

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

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

Elsie Leung Oi-sie, aged 71 *(Independent non-executive Director)*

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

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

Senior Management

Kirill Aleksandrov, aged 49 *(Chief Legal Officer)*

Kirill Aleksandrov has led the Legal Directorate of the Moscow Branch of RUSAL Global Management B.V. since January 2008 and has been a director of RUSAL Global Management B.V. since March 2008. Before joining UC RUSAL, Mr. Aleksandrov served as chief legal officer and member of the executive committee of the Siberian Coal Energy Company. From 2003 to 2005, he headed the legal activities of British Petroleum's trade representative office in Russia. From 2000 to 2003, Mr. Aleksandrov provided legal support to SIDANCO as senior vice-president and member of the executive committee. From 1994 to 2000, he worked as chief legal officer in Glencore supporting the CIS activities. Mr. Aleksandrov was born in 1960. He holds a degree in law from Moscow State University, Lomonosov (1982).

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

Alexey Arnautov, aged 35 *(Director of Aluminium Division (acting))*

Alexey Arnautov assumed the role of acting director of the Aluminium Division of the Moscow Branch of RUSAL Global Management B.V. in March 2009. He is responsible for raising efficiency as well as achieving steadily high-performance results from the division's assets. He is also in charge of developing a new production management system, which will aim to match the world's best practices. Prior to this appointment, Mr. Arnautov was financial director of the Aluminium Division from April 2006. From November 2004 until April 2006, he was the director of the financial department of the ECD. Between 1998-2000, he held several positions in the financial services in Sibneft Oil Company. He began his professional career in Noyabrskneftegaz in the Far North in 1996. Born in 1974, Mr. Arnautov graduated from Donbass State Academy of Construction and Architecture with a degree in engineering and construction (1996). He received a degree with honours from the International Academy of Entrepreneurship (1998) and an MBA in Economics from the Institute of Business and Economics at California State University (2004).

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

Sergey Belsky, aged 42 *(Director of Marketing and Sales)*

Sergey Belsky was appointed the director of the Marketing and Sales Directorate of the Company in November 2008. He is responsible for the marketing and sales of the Company's wide product mix, including aluminium, silicon, and aluminium powders to the international markets in Asia, America, Europe, and the CIS. He is also responsible for developing long-term relationships with existing clients, whilst searching for new sales opportunities and strengthening the Company's ties with domestic and international end-users of its products.

Since the foundation of RA in 2000, Mr. Belsky has worked as the head of the Sales Departments of Russia and the CIS, including as the sales director of the Company's Moscow office from 2007 to 2008. Between 1999 and 2000 he was the head of the export sales department in Sibirsky Aluminium. Mr. Belsky started his career as a trader in Raznoimport before working his way up to head a division at Trans World Group in 1996. Mr. Belsky was born in Moscow in 1967. In 1991, Mr. Belsky graduated from the Moscow Institute of Steel and Alloys where he majored in metal engineering. A year later, he graduated from the Moscow Institute of International Business of the Ministry of Economic Relations and Trade. In 2003, he received training at the London Business School.

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

Valery Freis, aged 55 *(Director of Resources Protection)*

Valery Freis has been the director of the Resources Protection Directorate of the Moscow branch of RUSAL Global Management B.V. since February 2008. He is responsible for the creation and effective management of the security system and the development of a policy and strategy in the field of resource protection from causing harm to the Company's economic interests, business standing, business processes, and personnel.

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

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

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

Andrey Volvenkin, aged 46 *(Director of ECD)*

Andrey Volvenkin has been in charge of the Company's ECD since March 2010. He is responsible for improving maintenance efficiency across RUSAL's operations and supervises construction and modernisation projects. Prior to this appointment, Mr. Volvenkin served as the Equipment Manufacturing and Maintenance director at RusEngineering Co., which is part of RUSAL's ECD. From 2003 to 2005 he worked as general director of RUSAL's in-house Service Centre.

Mr. Volvenkin began his professional career in 1987 at the Sayanogorsk aluminium smelter, where he served as senior engineer from 1999 to 2002. Mr. Volvenkin was born in Novokuznetsk in 1964. He graduated from the Ordzhonikidze Siberian Metals Institute in 1987.

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

Vadim Geraskin, aged 41 *(Director of Government Relations)*

Vadim Geraskin was appointed as the director of Government Relations of the Moscow Branch of RUSAL Global Management B.V. in January 2009 and has been a member of the executive committee since March 2008. He manages the Company's relationships with federal and regional authorities, the Russian Parliament, the government, and public organisations. Mr. Geraskin is also responsible for public-private partnership projects, for the support of social and economic development in the regions where the Company is based, and for improving the Company's security system. Between January 2008 and January 2009, Mr. Geraskin was Acting Director of Government Relations. From March 2004 until March 2007, Mr. Geraskin was in charge of the Directorate of Natural Monopolies at Moscow Branch of RUSAL Global Management B.V. and previously, LLC RUSAL Management Company. Earlier, Mr. Geraskin was head of the Transport & Logistics Directorate, and Director of RUSAL's Transport Department. From 1997-2000, he held the office of General Director of 'Zarubezhkontrakt', and from 1993 he was a specialist of Alyumin Product. Mr. Geraskin was born in 1968. In 1993, he graduated from the Faculty of Physics at Moscow State University, Lomonosov, majoring in Physics.

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

Vera Kurochkina, aged 39 *(Director of Public Relations)*

Vera Kurochkina was appointed the director of the Public Relations Directorate of the Moscow Branch of RUSAL Global Management B.V. in late March 2007. She is responsible for the development and the implementation of the external and internal communications strategy of the Company and for establishing co-operational ties with industrial and non-commercial associations. Ms. Kurochkina is also responsible for media relations projects, event management, advertisements, charity and social programmes.

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

Ms. Kurochkina holds a Master's degree from the Peoples' Friendship University of Russia in Moscow, from which she graduated with Honours in 1995. She also holds a Master's degree from the Finance Academy of the Russian Government.

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

Oleg Mukhamedshin, aged 37 *(Director of Capital Markets)*

Oleg Mukhamedshin was appointed director of Capital Markets of the Moscow Branch of RUSAL Global Management B.V. at the creation of the Company in late March 2007. He is responsible for raising finance on capital markets, including both debt and equity products, the use of financial derivatives, as well as relations with credit rating agencies and capital market regulators. In addition, Mr. Mukhamedshin currently supervises other areas of corporate finance, including trade, pre-export and project financing. He is a member of the board of directors of RA. From August 2004 to March 2007, Mr. Mukhamedshin was deputy chief financial officer of RUSAL in charge of corporate finance and led the preparation, execution and financing of a number of major mergers and acquisitions transactions. From 2000 to August 2004, he was director of RUSAL's department for corporate finance.

Before joining RUSAL, Mr. Mukhamedshin occupied leading corporate finance positions in the Tumen Oil Company, the Rosprom-YUKOS Group and Menatep Bank. Between 1999 and 2000, he was an advisor to the principal shareholder of the Industrial Investors Group. From 1994 to 1995, Mr. Mukhamedshin worked with the investment bank PaineWebber to help establish the Russia Partners Fund, one of the first international direct investment funds in Russia. Mr. Mukhamedshin was born in 1973. Mr. Mukhamedshin holds a Bachelor's degree in Economics from Moscow State University, Lomonosov, from which he graduated with Honours in 1995.

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

Pavel Ovchinnikov, aged 35 *(Director of Alumina Division)*

Pavel Ovchinnikov was appointed director of the Alumina Division of the Moscow Branch of RUSAL Global Management B.V. in late March 2007. He is responsible for the Company's Russian and international bauxite and alumina production facilities, overseeing the introduction of production systems, improvement of labour efficiency and optimisation of process flows.

Mr. Ovchinnikov was appointed head of RUSAL's Alumina Division in April 2006. From 2007 to 2008 he served as a director of Aughinish Alumina Limited, Limerick Alumina Refining Limited, RUSAL Alumina Jamaica Limited, RUSAL Alumina and Jamaica II Limited. He also served as an executive committee member of the West Indies Alumina Company (Windalco) and Eurallumina S.p.A. From 2006 to 2008, Mr. Ovchinnikov was a director of Friguia S.A., and served as an executive committee member of OAO BGZ and the Achinsk Alumina Refinery from June 2005 to June 2006, and June 2006 to February 2007, respectively. From October 2005 to March 2006, Mr. Ovchinnikov held the position of managing director of the Achinsk Alumina Refinery. He is currently is a director of Alpart Farms (Jamaica) Limited and Bauxite Company of Guyana Inc., and an executive committee member of Alumina Partners of Jamaica (Alpart) and OJSC Boksit Timana.

From early 2004 to 2005, Mr. Ovchinnikov was financial director of RUSAL's Alumina Division, and from 2003 to 2004, he was financial director for the alumina complex project in Guinea. Mr. Ovchinnikov joined RUSAL in March 2001, and served as deputy director of the corporate finance department through 2003. Prior to joining RUSAL, Mr. Ovchinnikov held a number of executive positions in foreign investment funds focused on Russian enterprises. He began his career as an oil, gas and metals analyst at the Alliance-Menatep investment company, where he was responsible for structural financing of various gold-mining and engineering companies.

Mr. Ovchinnikov was born in 1975. In 1997, he graduated from the Applied Mathematics and Cybernetics Department at Moscow State University, Lomonosov. Mr. Ovchinnikov holds a PhD in Economics from Moscow State University, Lomonosov, which he obtained in 2002.

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

Maxim Sokov, aged 30 *(Director of Investment Management)*

Maxim Sokov was appointed director of Investment Management of the Moscow Branch of RUSAL Global Management B.V. in May 2008. Among other things, he is responsible for managing all issues relating to the Group's shareholding in Norilsk Nickel. Mr. Sokov was elected as a member of the board of directors of Norilsk Nickel on December 26, 2008. In 2009, Mr. Sokov also joined the board of directors of OJSC OGK-3.

Prior to assuming his current role at the Company, Mr. Sokov was the director of the Department for Strategic Projects at the Moscow Branch of RUSAL Global Management B.V. from 2007 to 2008. From 2004 to 2006, Mr. Sokov was the head of the legal department for mergers and acquisitions of LLC RUSAL — Management Company. Prior to joining the Group, Mr. Sokov worked at the Moscow office of Herbert Smith CIS Legal Services.

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

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

Artem Volynets, aged 42 *(Director of Corporate Strategy)*

Artem Volynets was appointed director for Corporate Strategy and Business Development of the Moscow Branch of RUSAL Global Management B.V. in March 2007. He is responsible for the development of the Company, identification, preparation and execution of M&A and organic growth projects. Mr. Volynets is working on transactions that strengthen the Company's competitive position within its core industry and expand its reach to new geographies and sectors.

From 2004 to 2007, Mr. Volynets was chief development officer at SUAL, and vice president of Business Development from 2003 to 2004. From 1997 to 2003 he worked as strategy consultant and corporate finance advisor at Monitor Group in London, UK. Mr. Volynets lived in the U.S.A. from 1991 to 1997 studying at Georgetown and American Universities and working on the consulting projects for the United States Agency for International Development and The World Bank. In 2009, Mr. Volynets was elected the chairman of the International Aluminium Institute — an international organisation for the aluminium industry, representing over 80% of global production.

Mr. Volynets was born in 1967. He received a BA in Economics from the American University in Washington, D.C. in 1994, and studied Geology and Philosophy at the Lomonosov Moscow State University from 1984 to 1986 and 1989 to 1991. Mr. Volynets completed two years of military service from 1986 to 1988. Mr. Volynets received an MBA from Georgetown University in 1997. While at Georgetown, he also studied as an exchange student at INSEAD Business School in France.

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

Wong Po Ying, Aby, aged 44 *(Hong Kong Company Secretary)*

Wong Po Ying, Aby was appointed Hong Kong Company Secretary on 29 November 2009. Ms. Wong has over 6 years experience in corporate secretarial practice working with various law firms and corporate services companies as company secretary and company secretarial manager. Ms. Wong is an associate member of the Hong Kong Institute of Company Secretaries and an associate of The Institute of Chartered Secretaries and Administrators. Ms. Wong was born in 1965. Ms. Wong holds a diploma in Management for Secretary from Asia International Open University in Macau which she received in 1994.

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

DIRECTORS' REPORT

UC RUSAL not only survived but emerged stronger than ever to take advantage of new growth opportunities

The Directors are pleased to present their 2009 Annual Report and the audited financial statements of the UC RUSAL Group for the year ended 31 December 2009.

1 Principal activities

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

2 Financial summary

The results of the Group for the year ended 31 December 2009 are set out in the financial statements on pages 122 to 237.

3 Dividends

The Company is required to satisfy certain conditions under the debt restructuring agreements before it is permitted to pay dividends. Information on these conditions is set out in note 26 of the financial statements. As these conditions were not met during the financial year, the Board does not recommend the payment of any dividends in respect of the financial year.

4 Reserves

The directors propose to carry the amount of USD1,049 million to reserves within the meaning of the Tenth Schedule to the Hong Kong Companies Ordinance.

The amount of the reserves available for distribution to shareholders as at 31 December 2009 is USD5,433 million.

5 Fixed assets

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

While certain items of property were valued at the time of the IPO (the valuation report prepared by American Appraisal is set out in Appendix V to the Prospectus), this valuation was not included in the Company's accounts. The amount of such valuation of the properties included in the Prospectus was USD1,744,480,000. If the valuation would have been included in the accounts, the effect on depreciation charges would have been USD2 million.

6 Share capital

Share repurchases

There were no Share repurchases, sales or redemptions by the Company or its subsidiaries during the financial year.

Share issues

Other than Shares which were issued to Onexim on 7 December 2009 as part of the Onexim Restructuring and which represented approximately 6% of the Company's share capital at the time, there were no Share issues by the Company

during the financial year. Full details of that issue of Shares, together with details of other Shares issued by the Company post year end (as a result of the Company's debt restructuring arrangements and upon the IPO and the IPO bonus share issues to the CEO and certain senior managers of the Company) are set out in notes 25 and 35 to the financial statements and/or mentioned elsewhere in this report.

During the financial year, the Fee Warrants were issued to certain of the international lenders of the Company on the date of the effectiveness of the International Override Agreement. All such warrants were converted after the end of the financial year upon the IPO into Shares or cash, at the choice of each of the lenders.

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

There were no mandates granted to the Directors to issue or repurchase Shares in effect during the financial year.

The details of the general mandates granted to the Directors to issue and repurchase Shares which came into effect after the end of the financial year are as follows:

Type of mandate	Term	Maximum amount	Utilisation during the financial year
Issue of Shares			
A general unconditional mandate was given to the Directors on 26 December 2009 to allot, issue and deal with Shares and such mandate came into effect on 27 January 2010	The earlier of the Company's next annual general meeting of shareholders, the expiration of the period within which the Company's next annual general meeting of shareholders is required to be held and the variation or revocation of the mandate by the shareholders in a general meeting	Not more than the sum of 20% of the aggregate nominal value of the share capital immediately after the Listing and the aggregate nominal value of share capital repurchased by the Company (if any)	NIL
Repurchase of Shares			
Subject to compliance with the Jersey Companies Law, a general unconditional mandate was given to the Directors on 26 December 2009 to repurchase Shares and such mandate came into effect on 27 January 2010. The maximum price for each Share repurchased is 105 per cent of the average of the middle market quotations as derived from the Stock Exchange for the five business days immediately preceding the date of purchase and the minimum price for each Share repurchased is its nominal value	The earlier of the date falling 18 months from the passing of the resolution, the Company's next annual general meeting of shareholders, the expiration of the period within which the Company's next annual general meeting of shareholders is required to be held and the variation or revocation of the mandate by the shareholders in a general meeting	Not more than 10% of the aggregate nominal value of the Company's share capital on Listing	NIL

8 Shareholders' agreements

(a) Shareholders' Agreement with the Company

The principal terms are described at pages 293-295 of the Prospectus.

(b) Shareholders' Agreement between Major Shareholders only

The Shareholders' Agreement between Major Shareholders only sets out certain agreed matters between the Major Shareholders in relation to Board appointments, Board committees, voting, transfers of Shares and certain other matters. The principal terms of the Shareholders' Agreement between Major Shareholders only in relation to board appointments, voting rights and share transfers are described below and other principal terms are described at pages 287-293 of the Prospectus. Unless otherwise stated, references to EN+, SUAL Partners, Glencore and Onexim are deemed to include references to other entities controlled by those Major Shareholders (other than any member of the Group).

Board of the Company

- For as long as EN+ holds at least 30% of the Major Shareholders' Shares, the Major Shareholders have agreed to use their respective voting and other rights to procure, so far as they are able, that the Board shall consist of a minimum of 16 and a maximum of 18 Directors and that Directors proposed for nomination or removal under the Articles of Association or otherwise by the shareholders of the Company will be appointed to or removed from the Board to achieve the following:
    - For as long as EN+ holds at least 40% of the Major Shareholders' Shares, Directors representing at least 50% of the Board shall be directors proposed by EN+ (excluding independent Directors), one of whom shall be the Vice Chairman of the Board. For as long as EN+ holds at least 30% of the Major Shareholders' Shares, EN+ shall have the right to nominate for appointment and removal, the CEO. The appointment of the CEO will be subject to approval by a majority of the Board and the Board will retain the ability to remove the CEO. The number of Directors (other than independent Directors) which EN+ is entitled to propose for nomination and removal to the Board shall reduce by one for as long as its shareholding, as a percentage of the Major Shareholders' Shares, is between 35% and 40%, and by two for as long as such percentage is between 30% and 35%. In addition, EN+ shall be entitled to propose for nomination and removal two independent Directors for as long as it holds at least 40% of the Major Shareholders' Shares and one independent Director for as long as that percentage remains between 10% and 40%. EN+ shall have the right to veto the appointment of any independent Director nominated by SUAL Partners or Onexim on the grounds set out in the Shareholders' Agreement between Major Shareholders only.
    - For as long as Glencore holds at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share

issue), Glencore shall have the right to propose for nomination and removal as a Director the chief executive officer of Glencore and to veto the appointment of any independent Director nominated by EN+, SUAL Partners or Onexim on the grounds set out in the Shareholders' Agreement between Major Shareholders only.

- For as long as SUAL Partners holds at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue), SUAL Partners shall have the right to propose for nomination and removal three Directors, one of whom shall be independent, and to veto the appointment of any independent Director nominated by EN+ or Onexim on the grounds set out in the Shareholders' Agreement between Major Shareholders only.
- For as long as Onexim holds at least 5% of the total Shares in issue, Onexim shall have the right to propose for nomination and removal one Director and to veto the appointment of any independent Director nominated by EN+ or SUAL Partners on the grounds set out in the Shareholders' Agreement between Major Shareholders only. In addition, if Mr. Barry Cheung Chun-yuen resigns as a Director, Onexim shall be entitled to propose for nomination and removal one independent Director.
- For as long as it is required pursuant to the facilities agreement between VEB and the Group, one director shall be proposed by VEB.
- Victor Vekselberg will remain as Chairman for so long as both EN+ holds at least 40% of the Major Shareholders' Shares and SUAL Partners holds at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue).

- For as long as EN+ holds less than 30% of the Major Shareholders' Shares, the Major Shareholders have agreed to use their respective voting and other rights to procure, so far as they are able, that the Board shall consist of between 15 and 19 directors comprising:
  - four independent Directors, to be nominated in accordance with the rights of proposal of EN+, SUAL Partners and Onexim described above (if relevant) and, to the extent required, by the corporate governance and nomination committee;
  - one director proposed by VEB, if required; and
  - Directors (other than independent Directors) who shall be proposed for nomination and removal by the Major Shareholders in proportion to their respective holdings of Shares from time to time.
- The Major Shareholders have agreed to exercise their respective voting and other rights to procure that, for as long as the Company is able to appoint between two and five Directors to the board of Norilsk Nickel, Onexim is entitled to propose one Director for appointment to that board, and for as long as the Company is able to appoint six or more directors, Onexim is entitled to propose two directors for appointment to that board.

Boards of Subsidiaries

The Major Shareholders have agreed to use their respective voting and other rights to procure, so far as they are able, that the Directors proposed for nomination or dismissal by the shareholders of the Company will be appointed to or removed from the boards of the Agreed Subsidiaries to achieve the following:

- The board of each of RUSAL Global Management B.V. and RUSAL America Corp. shall comprise:
    - four directors proposed by EN+, for as long as the shareholding of EN+ as a percentage of the Major Shareholders' Shares is at least 40%, provided that the number of directors to be proposed by EN+ shall be three where such percentage is between 30% and 40%, shall be two where it is between 20% and 30% and shall be one where it is less than 20%; and
    - one director proposed by each of Glencore, SUAL Partners and Onexim, for as long as in each case the relevant Major Shareholder holds at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue), in the case of each of Glencore and SUAL Partners, and 5% of the total Shares in issue, in the case of Onexim.
- The board of each other Agreed Subsidiary shall comprise:
    - three directors proposed by EN+ for as long as the shareholding of EN+ as a percentage of the Major Shareholders' Shares is at least 40%, provided that the number of directors to be proposed by EN+ shall be two where such percentage is between 20% and 40% and shall be one where it is less than 20%; and
    - one director proposed by each of Glencore and SUAL Partners, for as long as in each case the relevant Major Shareholder holds at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue).

Committees of the Board

The Major Shareholders have agreed to procure, so far as they are able, that certain committees of the Board are to be established, with the composition, functions and responsibilities set out below.

- An audit committee, remuneration committee and corporate governance and nomination committee, each to be established in accordance with the requirements of the CG Code. The audit committee shall consist of five members, of whom three shall be independent Directors (as approved by the Board), one shall be appointed by EN+ and one by Onexim. The remuneration committee shall consist of five members, of whom three shall be independent Directors (as approved by the Board), one shall be appointed by EN+ and one by SUAL Partners. The corporate governance and nomination committee shall consist of five members, of whom three shall be independent Directors (as approved by the Board), one shall be appointed by EN+ and one by Glencore. Summaries of the functions of these committees are set out in "Directors and Senior Management — Committees".

- A marketing committee consisting of one member proposed for appointment by each of EN+, SUAL Partners and Glencore, whose responsibilities include the review and approval of the Company's marketing strategy, recommending the appointment of marketing directors for aluminium and alumina and recommending to the CEO the removal of marketing directors.

- A health, safety and environmental committee, whose composition, functions and terms of reference are to be determined from time to time by the Board.

- A standing committee consisting of four members who may or may not be Directors, one proposed for appointment by each of EN+, SUAL Partners, Glencore and Onexim. The standing committee shall have authority to take certain decisions in relation to the Group without further approval of the Board or the shareholders of the Company.

Exercise of voting rights by Onexim

At general meetings of the Company, with respect to certain agreed matters customarily reserved to shareholders, Onexim will undertake to exercise its voting rights in the same manner as EN+ exercises its voting rights, provided that in no event shall Onexim be required to vote its holding of Shares: (A) in a manner that would contravene applicable law; (B) in a manner that would be directly and materially adverse to the interests of Onexim in its capacity as a direct or indirect holder of Shares; (C) if Onexim shall have exercised a right of "veto" (as described below) in respect of the relevant matter; or (D) if and for so long as EN+ is in material breach of the Shareholders' Agreement between Major Shareholders only or the Shareholders' Agreement with the Company.

Veto rights

- The Major Shareholders have agreed to exercise their voting rights with a view to giving the Major Shareholders effective veto rights as set out below, by procuring that Directors proposed by them for appointment vote against any resolution in respect of which a Major Shareholder has exercised its "veto":

  - Each of EN+, Glencore, SUAL Partners and Onexim is to be given an effective right of veto in relation to any related party transaction (or amendment to or renewal of an existing related party transaction).

  - Each of EN+, Glencore and SUAL Partners and Onexim is to be given an effective right of veto in respect of any matter proposed to be undertaken by the Company or any of its subsidiaries which would require a special resolution were the Company or the relevant subsidiary incorporated in England and Wales (e.g., alteration of Articles of Association; change of name; re-registration of a private company as a public company; re-registration of an unlimited company as limited; re-registration of a public company as a private company; offer to issue shares or rights to subscribe for shares other than pro rata to existing shareholders by applying statutory pre-emption rights; reduction of share capital; to give, revoke, renew or vary the authority for the Company to purchase (off market) shares in itself; and to redeem or purchase own Shares out of capital).

- The Company does not believe that these veto rights will have any material impact on the operation of the Company.

Matters inconsistent with the Shareholders' Agreement between Major Shareholders only

The Major Shareholders have agreed that they shall use their voting and other rights available to them to procure that no resolutions are passed or actions taken or refrained from being taken by the Company or any other member of the Group to the extent that they would be inconsistent with the terms of the Shareholders' Agreement between Major Shareholders only.

KraMZ/OJSC KUMZ supply agreements and agreements with Glencore

- The Major Shareholders have agreed to use their voting and other rights available to them to procure that all Board and shareholder approvals and resolutions which are required under the Listing Rules in respect of the supply agreement entered into between the Group and OJSC KUMZ, and the supply agreement entered into between the Group and KraMZ group companies, a group of companies owned by Mr. Deripaska are passed in accordance with those laws and rules.
- If the entry into, amendment of or exercise of any rights under any agreements between the Group and Glencore require shareholder approval under the Listing Rules, the Major Shareholders have agreed to use their voting and other rights available to them to procure that such approvals and resolutions are passed in accordance with those laws and rules.

Dividend policy

The Major Shareholders have agreed to procure compliance by the Group with a dividend policy, to the extent permissible under the terms of the restructuring agreements, under which not less than 50% of the annual consolidated net profits of the Group in each financial year are distributed to Shareholders within four months after the end of the relevant financial year, subject to any applicable legislation. Currently, the Company does not expect to declare dividends in respect of any year through to at least 2013.

Encumbrances over Shares

- Until 26 March 2012, and subject to the exception stated below, EN+ has agreed not to encumber Shares comprising 40% of the Major Shareholders Shares. Notwithstanding the foregoing, EN+ will be entitled to encumber Shares equal to a maximum of 17% of the total Shares in issue from time to time in favour of a finance provider as bona fide security for indebtedness of EN+ or its subsidiaries.
- Glencore and SUAL Partners have agreed not to encumber any Shares except for (i) pursuant to certain Glencore security agreements; (ii) a pledge as set out below; and (iii) the same proportion of their holding of Shares as the proportion which EN+ is entitled to encumber as stated above.
- There will be no restrictions on Onexim encumbering its Shares.
- The Major Shareholders acknowledge that they may be required to pledge in aggregate 5% of the total issued Shares, on a pro rata basis, as security for indebtedness owed by the Group to VEB. The rights of the Major Shareholders to encumber a certain proportion of their Shares as described above is in addition to any such pledge granted by them to VEB.

Rights of first refusal — SUAL Partners Shares

- Subject to certain exceptions, if SUAL Partners wishes to sell any of its holding of Shares in an on-market transaction, it must serve notice on EN+, offering it a right of first refusal. The price at which EN+ will be entitled to acquire the Shares offered by SUAL Partners is the volume weighted average price per Share for the three trading days prior to the date on which the relevant notice is sent by SUAL Partners.
- SUAL Partners will not be obliged to offer EN+ a right of first refusal in respect of Shares sold by it to the extent that:
  - the aggregate number of Shares sold in any one trading day by SUAL Partners does not exceed 20% of the daily average trading volume for the 30 trading days immediately preceding that trading day; and
  - the aggregate number of Shares sold within the above limits does not in any period of four months exceed 0.5% of the total Shares in issue at the time of the relevant sale.

Rights of first refusal — Glencore's Shares

Glencore must offer EN+ and SUAL Partners a right of first refusal in respect of any proposed sale of Shares by Glencore in an on-market transaction, on substantially the same terms as the right of first refusal to be offered in respect of Shares held by SUAL Partners (as described above), subject to the same carve outs as described above in relation to SUAL Partners.

Onexim tag along rights

Upon any sale of Shares by EN+, SUAL Partners or Onexim, such that the aggregate number of Shares sold by those three Major Shareholders in any rolling four month period exceeds 25% of the Shares then in issue, the sale shall not proceed unless the purchaser has also offered, on the same terms, to acquire the Shares then held by Onexim which were received by Onexim as part consideration for the acquisition by the Company of a stake of 25% plus one share in Norilsk Nickel.

Share placing

To the extent that the Company proposes to undertake a bookbuild placing or underwritten offering of Shares of in excess of 1% of the issued share capital of the Company, the Major Shareholders have agreed to use their voting and other rights to procure that the Major Shareholders are also entitled to sell a pro rata proportion of their Shares as part of such placing or offering.

No mandatory offer

The Major Shareholders have agreed not to acquire or dispose of any voting rights which would be exercisable at a general meeting of the Company, if such acquisition or disposal would trigger a mandatory obligation under the Hong Kong Codes on Takeovers and Mergers and Share Repurchases to make an offer for Shares and have undertaken to indemnify each other in the event of a breach of such undertaking.

Licences

For as long as Onexim is a shareholder, EN+, SUAL Partners and Glencore have agreed not to, and to use their respective voting and other rights to procure that neither the Company nor any of its subsidiaries will, bid for or acquire, and that the Company will take reasonable steps to procure that Norilsk Nickel will not bid for or acquire, certain specified geological licences relating to nickel, copper, platinum and cobalt without the prior written consent of Onexim.

9 Management contracts

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

10 Connected transactions

Set out below is a summary of the transactions which were entered into by members of the Group before the end of the financial year, and are expected to continue after the financial year.

A Electricity and Capacity Supply Contracts

The Company has entered into the following long-term electricity capacity contracts:

(a) On 1 December 2009, Bratsk aluminium smelter, a subsidiary of the Company, and Irkutskenergo, a power generating company owned by EN+, entered into a long-term electricity and capacity supply contract pursuant to which Bratsk aluminium smelter has agreed to purchase electricity and capacity from Irkutskenergo for a period of nine years from 2010 to 2018;

(b) On 15 November 2009, SUAL, a subsidiary of the Company, and Irkutskenergo entered into a long-term electricity and capacity supply contract pursuant to which SUAL has agreed to purchase electricity and capacity for Irkutsk aluminium smelter, a branch of SUAL, from Irkutskenergo for a period of nine years from 2010 to 2018; and

(c) On 4 December 2009, Krasnoyarsk aluminium smelter, a subsidiary of the Company, and Krasnoyarskaya hydro power plant, a hydroelectric power station controlled by EN+ entered into a long-term electricity and capacity supply contract pursuant to which Krasnoyarsk aluminium smelter has agreed to purchase electricity from Krasnoyarskaya hydro power plant for a period of eleven years from 2010 to 2020.

EN+ is the controlling shareholder of the Company. Accordingly, the electricity and capacity supply contracts between members of the Group and Irkutskenergo and Krasnoyarskaya hydro power plant constitute continuing connected transactions for the Company under the Listing Rules after the Listing Date.

It is estimated that each of Bratsk, Krasnoyarsk and Irkutsk aluminium smelters will purchase approximately 60% of its electricity requirements from the power companies operated by EN+ in the first half of 2010, which will increase to approximately 80% in the second half of 2010, and further increase to 100% of its requirements from 2011 onwards. During 2010, each of the Bratsk, Krasnoyarsk and Irkutsk aluminium smelters will satisfy the balance of its electricity demand with power to be supplied from the open market.

The prices for these long-term electricity and capacity contracts are not regulated strictly by the Market Council and the electricity supplied by Irkutskenergo and Krasnoyarskaya hydro power plant are based on a fixed formula which is tied to the market prices of electricity and the prices of aluminium quoted on the LME to link electricity costs to the Group's revenue.

In addition, the tariff for Bratsk aluminium smelter and Irkutsk aluminium smelter is also affected by changes in power generating costs at the supplier company. Electricity under these long-term electricity and capacity supply contracts is supplied at the contract price rather than the market price. Depending on the prices of aluminium on the LME and the market prices of electricity, the prices of the electricity supplied by Irkutskenergo and Krasnoyarskaya hydro power plant may be adjusted.

In addition to the long-term contracts, the Company also enters into short-term electricity and capacity supply contracts with power generating plants which are controlled either through equity ownership or management arrangements, by CJSC Integrated Energy Systems, which in turn is controlled by one of the ultimate beneficial owners of SUAL Partners, a substantial shareholder of the Company. All such contracts are entered into at government prescribed prices, on terms determined by the Market Council and JSC "TSA", an entity controlled by the Market Council, a non-profit partnership that regulates the electricity market in Russia, with no negotiation possible of the price paid by the Company.

The amounts paid under the long-term and short-term electricity supply contracts listed above for the year ending 31 December 2009 was USD347 million, compared to the annual cap of USD540 million previously disclosed in the Prospectus.

The Company has obtained a waiver from the Stock Exchange from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the electricity and supply contracts as set out above between members of the Group and EN+.

B. Aluminium Sale Contracts

As part of the Group's ordinary course of business and pursuant to antimonopoly requirements to supply aluminium to Russian purchasers, members of the Group have entered into long-term aluminium sales contracts in Russia with OJSC KUMZ and LLC Tradecom and LLC GAZ.

OJSC KUMZ

OJSC KUMZ is a company owned by certain shareholders of SUAL Partners who in aggregate have a controlling interest in SUAL Partners. As SUAL Partners is a substantial shareholder of the Company, transactions between companies of the Group and OJSC KUMZ constitute continuing connected transactions for the Company under the Listing Rules after the Listing Date.

On 4 October 2007, open joint stock company UCR Trade, a wholly-owned subsidiary of the Company entered into a supply contract for the supply of aluminium to OJSC KUMZ, for a period until December 2021 in amounts that vary between 115,000 tonnes per year (in 2008) and 330,000 tonnes per year (in 2016).

The price is set on arm's length terms, tied to the price of aluminium on the LME. The parties may, at the purchaser's request, no later than two calendar months in advance of the beginning of a new year of supplies, agree in writing on a new annual volume of goods to be supplied provided that the variance should not be more than 10% of the original agreed volume. From the execution of the contract until 1 January 2010, the purchaser was entitled to request a reduction in the annual volume of goods to be supplied up to 160,000 tonnes of aluminium per annum. Such reduction would come

into effect two years after the date of receipt of such notification by the supplier. From 2 January 2010 until 1 January 2014, the purchaser is entitled to request an increase in the annual volume of goods to be supplied up to the original agreed volume. Such increase will take effect two years after the date of receipt by the supplier of such notification. The volume of goods to be supplied from 2017 to 2021 will be further agreed by the parties.

LLC Tradecom and LLC GAZ

LLC Tradecom and LLC GAZ are companies controlled by Mr. Deripaska, an executive Director and the ultimate beneficial owner of EN+, the controlling shareholder of the Group. As such, transactions between companies of the Group and LLC Tradecom and LLC GAZ constitute continuing connected transactions for the Company under the Listing Rules after the Listing Date.

The following contracts have been entered into with companies controlled by Mr. Deripaska, an executive Director and the ultimate beneficial owner of EN+:

(a) On 14 December 2006, UCR Trade entered into a long-term supply contract with LLC Tradecom for the supply of aluminium to LLC Tradecom for a period of fifteen years until December 2021. Pursuant to such contract, the Group will supply between 147,000 tonnes per year (in 2008) and 164,132 tonnes of aluminium per year (in 2016) to the purchaser at arm's length prices tied to the price of aluminium on the LME. The parties may, at the purchaser's request, no later than two calendar months in advance of the beginning of a new year of supplies, agree in writing a new annual volume of goods to be supplied subject to the variation not exceeding 10% of the original agreed volume. From the execution of the contract until 1 January 2010, the purchaser was entitled to request a reduction in the annual volume of goods to be supplied up to 80,000 tonnes of aluminium per annum. Such reduction would come into effect in a year from the date of receipt of such notification by the supplier. From 2 January 2010, the purchaser is entitled to request an increase in the annual volume of goods to be supplied up to the original agreed volume. Such increase will take effect in a year from the date of receipt by the supplier of such notification. The volume of goods to be supplied from 2017 to 2021 shall be further agreed between the parties.

(b) On 28 February 2009, UCR Trade entered into a framework agreement with LLC GAZ pursuant to which the Group will supply aluminium at prices and in amounts to be agreed on arm's length terms on a monthly basis until December 2010. The agreement will be automatically extended for the next calendar year unless the parties declare their intention to terminate it.

The actual monetary volume of aluminium supply to the subsidiaries of OJSC KUMZ under the aluminium supply contracts for the year ending 31 December 2009 was USD44 million, compared to the annual cap of USD45 million previously disclosed.

The actual monetary volume of aluminium supply to LLC Tradecom and LLC GAZ under the aluminium supply contracts for the year ending 31 December 2009 were USD164 million for LLC Tradecom and USD7 million for LLC GAZ which is USD46 million in excess of the annual cap of USD125 million. The excess amount was caused by the significant increase in the market price of aluminium in the second half of 2009, in particular in November and December 2009. Further details in relation to this issue are contained in the announcement made by the Company to the Stock Exchange on Monday 26 April 2010.

The Company has obtained a waiver from the Stock Exchange from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the aluminium supply contracts set out above.

The Directors, including the independent Directors, consider that the electricity supply contracts and the aluminium supply contracts are conducted in the ordinary and usual course of business of the Group, on normal commercial terms and are fair and reasonable and in the interests of the shareholders as a whole.

11 Agreements subject to change of control provisions

The following finance facilities with the Company contain change of control provisions allowing the lenders under such agreements to cancel their commitments in full and declare all outstanding loans immediately due and payable if EN+ does not control or ceases to control the Company or any person (or persons acting in concert) other than EN+ has or gains control of the Company:

1. International Override Agreement;
2. amendment deed relating to the sale and purchase and share exchange agreement relating to certain shares in Norilsk Nickel dated 1 December 2009; and
3. USD200,000,000 secured credit facility in favour of Alumina & Bauxite Company Ltd dated 10 November 2006 with Natixis as facility agent and security agent.

12 Major customers and suppliers

Large scale end-customers of the Company include Glencore, Alcoa, Trafigura, Norsk Hydro and Gerald.

The largest customer and the five largest customers of the Group accounted for 31% and 45%, respectively, of the Group's total sales for the year ended 31 December 2009.

The major suppliers of the Company are ENRC Marketing AG with respect to alumina supply, JSC Russian Railways with respect to railway transportation, Irkutsk Joint Stock Power and Electricity Seller (Irkutskenergo) and JSC MRSK Siberia with respect to transfer of electricity and power supply and Glencore with respect to fuel oil and gas.

The amount of purchases from the largest supplier and the five largest suppliers of the Group accounted for 5% and 15%, respectively, of the Group's total cost of sales for the year ended 31 December 2009.

No Directors or their respective associates (as defined in the Listing Rules) or any shareholders (which to the knowledge of the Directors own more than 5% of the share capital of UC RUSAL) had any discloseable interests in the Group's five largest customers or suppliers of the primary aluminium or alumina at any time during 2009.

13 Directors

The following individuals served as Directors during the financial year:

Name	Position at year end (unless notes specify otherwise)	Notes
Oleg Deripaska	Chief Executive Officer, executive Director	
Vladislav Soloviev	First Deputy Chief Executive Officer, executive Director	Served as a non-executive Director during the financial year but was redesignated as an executive Director on 9 April 2010
Petr Sinshinov	Deputy Chief Executive Officer, executive Director	
Tatiana Soina	Chief Financial Officer, executive Director	
Victor Vekselberg	Chairman and non-executive Director	
Dmitry Afanasiev	Non-executive Director	
Len Blavatnik	Non-executive Director	
Alexander Bulygin	Non-executive Director	Ceased to be a Director on 23 November 2009
Maxim Bystrov	Non-executive Director	Ceased to be a Director on 10 June 2009
Ivan Glasenberg	Non-executive Director	
Vladimir Kiryukhin	Non-executive Director	
Michael Nossal	Non-executive Director	Ceased to be a Director on 9 November 2009
Alexander Popov	Non-executive Director	
Dmitry Razumov	Non-executive Director	
Jivko Savov	Non-executive Director	
Anatoly Tikhonov	Non-executive Director	
Peter Nigel Kenny	Independent non-executive Director	
Philip Lader	Independent non-executive Director	
Elsie Leung Oi-sie	Independent non-executive Director	
Simon Thompson	Independent non-executive Director	Ceased to be a Director on 27 November 2009

Igor Ermilin was appointed as a non-executive Director and Barry Cheung Chun-yuen was appointed as an independent non-executive Director after the financial year end and with effect from the Listing Date.

Particulars of appointments of Directors

A. Executive Directors

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

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

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

Paragraph A.4.1 of the CG Code provides that non-executive Directors should be appointed for a specific term, subject to re-election, and paragraph A.4.2 provides that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least every three years. The Company has addressed these requirements by including Article 24.2 of the Articles of Association which provides that if any Director has at the start of the annual general meeting been in office for 3 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 3 years depending upon the timing of the relevant annual general meeting.

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

C. Confirmation of Independence

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

14 Directors' interests in Shares

The following Directors had the following beneficial interests in Shares at the end of the financial year:

Beneficial Owner	Number of Shares at the end of the financial year	Percentage of issued share capital
Oleg Deripaska	660,000	53.35%
Victor Vekselberg	78,800	6.37%
Len Blavatnik	67,300	5.44%
Total	806,100	65.16%

Other than as stated above, no Director or chief executive of UC Rusal had any interest or short position, whether beneficial or non-beneficial, in the Shares or underlying shares (including options) and debentures of the Company or in any of its associated corporations (within the meaning of Part XV of the SFO).

15 Directors' interests in businesses that may compete with the Company

Mr. Deripaska, Messrs Vekselberg and Blavatnik and Mr. Glasenberg are interested in and/or are directors of EN+, SUAL Partners and Glencore respectively, being businesses which compete or are likely to compete, either directly or indirectly, with the Company. The summary below provides a description of these businesses, as well as facts demonstrating that UC RUSAL is capable of carrying on its own business independently of and at arms length from these businesses.[9]

Please note, in considering whether the Board and senior management of the Company are independent from the senior management of each of EN+, SUAL Partners and Glencore, the Directors have taken into account the following general reasons, as well as the specific reasons applicable to each of EN+, SUAL Partners and Glencore:

(a) the Board consists of eighteen Directors, comprising four executive Directors, ten non-executive Directors and four independent non-executive Directors;

(b) the decision-making mechanism of the Board set out in the Articles of Association provides that in the event of a conflict of interest or duty, all Directors with a conflicting interest shall abstain from voting when a conflicted resolution is to be discussed and voted on;

(c) the Board has four independent non-executive Directors with extensive corporate governance and financial experience and is able to review, enhance and implement measures to manage any conflict of interests between EN+ and the Group in order to protect minority shareholders' interests and to manage the affairs of the Group independently of EN+. A committee of the independent non-executive Directors will make recommendations to the independent shareholders on how to vote for any resolution relating to future connected transactions.

In respect of each specific relevant business:

A. EN+

EN+ is a limited liability company incorporated under the laws of Jersey with its registered office at Whiteley Chambers, Don Street, St. Helier, Jersey, Channel Islands, JE4 9WG. EN+ is ultimately controlled by its sole beneficial owner Mr. Oleg Deripaska.

EN+'s strategy is to focus on businesses which extract raw materials for energy production, generate electricity and produce non-ferrous metals. EN+ specialises in metals that require high energy consumption and then look for synergies between its energy producing and energy consuming businesses.

EN+'s origins lie in its core business of aluminium production. Apart from being the Company's Controlling Shareholder, EN+ also owns CEAC which operates an aluminium smelter and bauxite mine in Montenegro.

Independence from EN+

Having considered all relevant factors, including the following, the Directors are satisfied that the Group can conduct its business independently of EN+:

Independence of the Board and the Group's Senior Management from the Senior Management of EN+

The Board currently comprises a majority of non-executive Directors due to a historical arrangement between EN+, SUAL Partners, Glencore and Onexim, pursuant to which they are each entitled to nominate a certain number of candidates for appointment as Directors. As at the year end, nine of the Directors were nominated by EN+ and one of such Director was also a director of EN+. The overlapping Director at year end, namely Mr. Vladislav Soloviev, was a non-executive Director in both the Company and EN+ and had been elected on the basis of his qualifications and breadth of experience, as set out in more detail in the "Profiles of Directors and Senior Management" section. Mr. Deripaska, CEO and executive Director of the Company, was not a director of and held no other position at EN+ at year end. After the end of the financial year, on 9 April 2010, Mr. Soloviev was appointed as First Deputy Chief Executive Officer of the Company. On the same date, Mr. Deripaska was appointed as Chief Executive Officer of EN+ Management Limited, the Company providing management services to EN+ but otherwise Mr. Deripaska holds no other position at EN+. The Company's non-executive Directors attend Board meetings and provide guidance to and decide on the Company's important matters. Certain of the non-executive Directors also sit on the committees of the Board and are responsible for the matters related to such committees.

For the general reasons stated above, the Directors are of the view that the Group is able to operate independently from EN+ notwithstanding that nine Directors, including the CEO and the First Deputy Chief Executive Officer, are nominated by EN+ and the latter Director is also a director of EN+ because the Group's day-to-day operations are managed by four executive Directors, each of whom is nominated by EN+, together with our senior management team. All non-Board members of our senior management are independent of and not connected with EN+. Mr. Deripaska devotes approximately 80% of his time to the Group.

Based on the above, the Board is satisfied that the Board as a whole, together with our senior management team, are able to perform their managerial role in the Group independently.

Operational Independence

The Group has full control of its assets and its businesses, and operates as a business group which is separate from and fully independent of EN+.

The Group has, as disclosed under the section entitled "Connected Transactions" of this Annual Report, entered into contracts with companies controlled by Mr. Deripaska for the purchase of electricity, and may continue to do so in the future.

As aluminium production is energy intensive, access to relatively inexpensive Siberian hydropower is central to the competitive strategy of the Group. However, notwithstanding the volume of such purchases from companies owned and controlled by Mr. Deripaska, and the importance of electricity cost to the production activities of the Group, the Company for the following reasons does not consider that it is as a consequence overly reliant on Mr. Deripaska:

(1) the Group has access to alternative sources of electricity as the Group's Russian smelters are connected to the Russian power grid, meaning that electricity supplies can be obtained from various power plants, all of which are also connected to the grid. These supplies are available to the Group at market prices;

(2) a fixed tariff set by the Russian Government currently applies to approximately 50% of the electricity supplies purchased from companies controlled by the Controlling Shareholder. The remainder is purchased primarily at prices determined independently of these power producers by an independent market council that sets applicable daily prices on the basis of a pricing model applied across Russia and is entitled to apply market smoothing mechanisMs. As a result, there would be relatively limited price impact in switching to suppliers unrelated to the Controlling Shareholder except to the extent the Group was to obtain supplies from higher-cost coal producers;

(3) none of the contracts is in take-or-pay format;

(4) even with the staged reduction of the proportion of each supply contract which is subject to regulated tariffs in accordance with existing regulations in Russia, which are expected to reduce such regulated proportion to zero by 1 January 2011, the Group is currently already a very large volume user with significant negotiating power in the Russian power market. For the year ended 31 December 2008, the Group consumed approximately 30% of the power generated in Siberia; and

(5) the power plants owned or controlled by Mr. Deripaska are located in remote regions where there are a limited number of large volume users located in proximity to such plants. Sales to distant users would involve significant transmission losses and, because Siberia is a surplus energy producer, the result is that these plants are more reliant on the customer than vice versa.

Financial Independence

The Group's financial auditing system is independent from EN+ and employs a sufficient number of dedicated financial accounting personnel responsible for financial auditing of the Group's accounts. The Company has independent bank accounts and independent tax registration.

The Group's treasury operations are handled by the Company's Treasury Department, whose functions include financing, treasury and cash management and which operates independently from EN+ and shares no functions or resources with EN+.

The Group's choice of financial institutions is mainly based on the credit standing of the institutions and the terms offered by them.

As at the year end, EN+ had not provided any security and/or guarantee over the Group's borrowings but it is possible that it, together with Onexim, SUAL Partners and Glencore proportionately to their holdings of Shares, may be obliged to provide a pledge over 5% of the Shares in favour of VEB in accordance with a loan facility in favour of the Company provided by VEB.

As a result of the above analysis, the Directors believe that the Group is able to maintain financial independence from EN+.

Extent of Competition

The only EN+ businesses which compete with or are likely to compete with the Group's business, either directly or indirectly, are those excluded businesses described below. However, by reason of the nature of such excluded businesses and the clear delineation between the Group's business and such excluded business, the Group is fully capable of carrying on its business independently of and at arm's length from such excluded business.

There is no real competitive threat to the Group's business from the excluded business and there is no intention for the Company to acquire such excluded business.

Mr. Deripaska owns CEAC (which operates in Montenegro an aluminium smelter called KAP and a bauxite mine called Rudnic Boxita Niksic which supplies raw material for the smelter). One of CEAC's assets is the KAP, based in Montenegro, which manufactures a wide range of aluminium alloys. CEAC employs more than 2,500 people and produces 120,000 tonnes of aluminium annually. KAP's main suppliers are the electricity company of Montenegro, the Port of Bar, Montenegro Railways and bauxite mines. KAP's largest customers are aluminium traders (KAP sells most of its aluminium into the market at LME based prices).

Mr. Deripaska also owns the KraMZ group of companies (which operate the KraMZ). The KraMZ plant was opened in the 1960s and currently employs in excess of 2,000 individuals. In 2008 the KraMZ plant produced approximately 112,000 tonnes of semi-finished aluminium alloys. Most of the KraMZ plant's raw materials (principally aluminium) are purchased from companies within the Group (primarily KrAZ). KraMZ's main customers are industrial customers located within Russia that purchase aluminium rods, tools, dies and cast aluminium alloys.

In addition, Mr. Deripaska is a beneficial owner of DOZAKL (the sole manufacturer in Russia and the CIS of aluminium tape for soft food cans and aluminium strips for lamplight reflectors and lath ceilings). The DOZAKL

plant was opened in 1972 and currently employs more than 360 individuals. It manufactures aluminium tape for food cans and lamplight reflectors in Russia or the CIS. DOZAKL purchases most of its raw materials (principally aluminium) from the Group's Russian aluminium smelters. DOZAKL's main customers are industrial customers located within Russia and the CIS.

KraMZ and DOZAKL are focused on the downstream market for aluminium products, and not the upstream market on which the Group has taken a strategic decision to focus. As a result, a decision was taken not to include them in the Group at the time of the 2007 merger that formed the Group because they do not fit the Group's strategic profile, which is to focus on more profitable upstream businesses. CEAC is a geographically isolated producer of aluminium and would not be of interest to the Group due to its relatively high cost structure and certain privatisation obligations.

The Company does not consider the above operations to pose any real competitive threat due to their small size, limited geographical reach and focus on the downstream segment, which is not part of the Company's business strategy.

B. SUAL Partners

SUAL Partners is a limited liability company incorporated under the laws of the Bahamas whose registered office is at 2nd Terrace West, Centreville, Nassau, Commonwealth of the Bahamas. SUAL Partners is beneficially owned by a number of individuals, with Mr. Victor Vekselberg and Mr. Len Blavatnik together being the controlling shareholders of SUAL Partners. SUAL Partners is a holding company that holds interests in UC RUSAL and a separate kitchenware and houseware business.

The Group has, as disclosed under the section entitled "Connected Transactions" of this Annual Report, entered into contracts with companies controlled by SUAL Partners for aluminium sales, and may continue to do so in the future. These aluminium sales contracts have been entered into as part of the ordinary course of business and pursuant to antimonopoly requirements to supply aluminium to Russian producers.

Independence from SUAL

Having considered all relevant factors, including the following, the Group is satisfied that it can conduct its business independently of SUAL Partners:

Independence of the Board and the Group's Senior Management from the Senior Management of SUAL Partners

For the general reasons stated above, the Directors are of the view that the Group is able to operate independently from SUAL Partners notwithstanding that two Directors are also directors of SUAL Partners because the Group's day-to-day operations are managed by four executive Directors who are independent of and not connected with SUAL Partners and the senior management team, who are all independent of and not connected with SUAL Partners.

Based on the above, the Board is satisfied that the Board as a whole, together with the senior management team, are able to perform their managerial role in the Group independently.

Operational Independence

The Group has full control of its assets and its businesses, and operates as a business group which is separate from and fully independent of SUAL Partners.

Financial Independence

The Group's financial auditing system is independent from SUAL Partners and employs a sufficient number of dedicated financial accounting personnel responsible for financial auditing of the Group's accounts. The Company has independent bank accounts and independent tax registration.

The Group's treasury operations are handled by the Company's Treasury Department, whose functions include financing, treasury and cash management and which operates independently from SUAL Partners and shares no functions or resources with SUAL Partners.

The Group's choice of financial institutions is mainly based on the credit standing of the institutions and the terms offered by them.

As at the year end, SUAL Partners had not provided any security and/or guarantee over the Group's borrowings but it is possible that it, together with Onexim, EN+ and Glencore proportionately to their holdings of Shares, may be obliged to provide a pledge over 5% of the Shares in favour of VEB in accordance with a loan facility in favour of the Company provided by VEB.

As a result of the above analysis, the Directors believe that the Group is financially independent from SUAL Partners.

Extent of Competition

The Board is of the opinion that SUAL Partners is not a competitor of the Company.

C. Glencore

Amokenga Holdings is a company incorporated in Bermuda whose registered office is at 22 Victoria Street, Canon's Court, Hamilton, HM12, Bermuda. Amokenga Holdings is ultimately controlled by Glencore, which is 100% owned by Glencore's management and key employees, none of which controls more than 20% of the share capital of Glencore. Glencore directly or indirectly employs over 2,000 people worldwide in its marketing operations in some 50 offices in over 40 countries. In its industrial operations it directly or indirectly employs over 50,000 people in 15 plants in 13 countries.

Mr. Glasenberg is a shareholder, director and chief executive officer of Glencore, whose principal business is the production and trading of commodities including aluminium. Mr. Glasenberg is a non-executive Director of the Company and is also a member of the remuneration committee and the standing committee. As he is not an executive Director, he does not participate in the day-to-day management of the Company, and accordingly is not involved in the daily operations of the aluminium trading division and so does not have access to confidential contracts entered into by that division. Notwithstanding that his role on the Board as a non-executive Director does not require his involvement in the day-to-day management of the Company, this does not preclude Mr. Glasenberg from fulfilling his fiduciary duties. In

case Mr. Glasenberg has a conflicting interest, pursuant to the Articles of Association, he shall abstain from voting at Board meetings when a conflicted resolution is to be discussed and voted on, subject to certain exceptions.

When the Group acquired certain of the alumina businesses of Glencore in late March 2007, it became subject to a contract for the supply of alumina to Glencore that continued through 2008, in declining amounts. The Group sold to Glencore approximately 36% and 42% of its excess alumina in 2008 and 2009 respectively. The Company also has long term supply contracts with Glencore for alumina and primary aluminium, and Glencore was the Group's largest customer of alumina and primary aluminium in the financial year, accounting for approximately 35% of the Group's sales of primary aluminium.

Independence from Glencore

Having considered all relevant factors, including the following, the Group is satisfied that it can conduct its business independently of Glencore:

Independence of the Board and the Group's Senior Management from the Senior Management of Glencore

For the general reasons stated above, the Directors are of the view that the Group is able to operate independently from Glencore notwithstanding that one Director is also a director of Glencore because the Group's day-to-day operations are managed by four executive Directors who are independent of and not connected with Glencore and the senior management team, who are all independent of and not connected with Glencore.

Based on the above, the Board is satisfied that the Board as a whole, together with the senior management team, are able to perform their managerial role in the Group independently.

Operational Independence

The Group has full control of its assets and its businesses, and operates as a business group which is separate from and fully independent of Glencore.

Financial Independence

The Group's financial auditing system is independent from Glencore and employs a sufficient number of dedicated financial accounting personnel responsible for financial auditing of the Group's accounts. The Company has independent bank accounts and independent tax registration.

The Group's treasury operations are handled by the Company's Treasury Department, whose functions include financing, treasury and cash management and which operates independently from Glencore and shares no functions or resources with Glencore.

The Group's choice of financial institutions is mainly based on the credit standing of the institutions and the terms offered by them.

As at the year end, Glencore had not provided any security and/or guarantee over the Group's borrowings but it is possible that it, together with Onexim, EN+ and SUAL Partners proportionately to their holdings of Shares, may be obliged to provide a pledge over 5% of the Shares in favour of VEB in accordance with a loan facility in favour of the Company provided by VEB.

As a result of the above analysis, the Directors believe that the Group is financially independent from Glencore.

Extent of Competition

Glencore and its subsidiaries are involved in the production of primary aluminium. Glencore and its subsidiaries also participate in the marketing of both aluminium and alumina from world markets as well as from its owned industrial assets. Glencore's subsidiaries own 100% of the Columbia Falls aluminium smelter, 100% of the Sherwin alumina refinery and have an interest of 44% of Century Aluminium Company, a NASDAQ-quoted company whose assets include: the Ravenswood aluminium smelter, a 49.7% equity interest in the Mt. Holly aluminium smelter, a 100% equity interest in the Hawesville aluminium smelter and a 100% equity interest in the Nordural aluminium smelter. Consequently, Glencore competes with the Group as an aluminium producer. Glencore, in its business of production and trading, is also a customer of the Group and an aluminium producer.

16 Substantial shareholders

As at 31 December 2009, so far as the Directors are aware, the following persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and of article L.233-7 of the French commercial code:

Name of shareholder	Capacity/Nature of interest	Details of ultimate controller	Number of Shares held	Approximate percentage of interest in the Company as at 31 December 2009
Oleg Deripaska	Interest of a controlled corporation	N/A	660,000 Shares held by EN+	53.35%
EN+	Beneficial owner	Oleg Deripaska	660,000 Shares	53.35%
Onexim	Beneficial owner	Mikhail Prokhorov	237,000 Shares	19.16%
SUAL Partners	Beneficial owner	Victor Vekselberg Len Blavatnik	220,000 Shares	17.79%
Amokenga Holdings	Beneficial owner	Glencore	120,000 Shares	9.70%

As of the date of this Annual Report, no shareholders notified the Company of their change in ownership of the share capital or voting rights in application of article L.233-7 of the French commercial code.

In application of article L.621-18-2 of the French Monetary and Financial Code and articles 223-23A to 223-25 of the General Regulations of the AMF on 19 April 2010, Mr. Oleg Deripaska notified the AMF, with a copy to the Company, of the transfer of 16,920,000 of his bonus Shares to a third party (See the paragraphs under the "Directors' securities and transactions" in the Corporate Governance Report section below).

None of the Major Shareholders have or will have different voting rights attached to the Shares they hold in the Company.

17 Share pledge

As part of the restructuring of its approximately USD1.04 billion of debts, EN+ has given its lenders a pledge over 15% of the outstanding Shares (currently 227,454,547 Shares) as security for the performance of its obligations under a new facilities agreement with those lenders. If EN+ defaults under the terms of the restructuring, its lenders may exercise security and seek to sell the Shares pledged by EN+. This in turn may, amongst other things, result in the sale of Shares into the market that would not otherwise occur and/or trigger an acceleration of the Group's indebtedness under the Company's debt restructuring agreements.

18 Pre-emptive rights

There are no applicable statutory pre-emption rights which apply to the Company and there are no restrictions on the exercise of voting rights or share transfers included in the Articles of Association. There are, however, certain restrictions and preferential terms and conditions relating to sales and acquisitions of certain Shares held by the Major Shareholders (see section 8 of the Directors' Report - Shareholders' agreements).

19 Emolument policy

There are no arrangements under which a Director has waived or agreed to waive any emoluments due by the Group.

The aggregate remuneration that the Group's Directors have received (including fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind) for the financial year was approximately USD32,872,000. Additional information on the remuneration of the Directors and the individuals with the highest emoluments can be found in notes 10 and 11 of the financial statements.

Basis for Compensation of Directors and Senior Management

Remuneration policies of UC RUSAL are considered by the remuneration committee on the basis of an employee's qualifications and performance, as well as the complexity of his or her job. Wages for each employee are generally reviewed annually and revised in accordance with a performance assessment and local labour market conditions. The following was approved by the Board, on the recommendation of the remuneration committee in relation to the compensation of the non-executive Directors, CEO and certain members of senior management and other employees:

A. Non-Executive Directors

1 *Non-executive Chairman*

The Chairman is to be paid a chairman's fee of USD400,000 per annum paid monthly as well as a bonus of USD400,000 for services rendered in connection with the IPO.

2 *Non-executive Directors*

(a) Commencing on 27 January 2010, all non-executive Directors are to be paid a pro-rated GBP 120,000 per annum, paid monthly; those non-executive Directors who are employed or retained by EN+, SUAL Partners, Glencore and Onexim will consult with those entities as to whether the Directors, as individuals, may retain such fees or whether such fees should be paid to their respective employing entities.

(b) Each non-executive Director will be paid additional fees for committee assignments at the rate of GBP 15,000 per annum for acting as the chairman and GBP 10,000 per annum for participating as a member.

(c) The two independent non-executive Directors who contributed to the establishment of the Company's governance structure and preparation for the Global Offering each received an IPO bonus in the amount of GBP 60,000 following completion of the Listing in January 2010.

B. Chief Executive Officer

1. The CEO's annual compensation before 27 January 2010 was detailed in the Prospectus.

2. For his services in preparation of the Global Offering, the CEO was paid an IPO bonus of USD70,314,558 million in the form of 50,625,000 restricted Shares, with a two-year lock-up (but permitting a transfer by the CEO of 16,920,000 of his bonus Shares to a third party subject to an undertaking by such third party to continue to hold such Shares for the remainder of such two-year lock-up period).

3. From 27 January 2010, the CEO's annual compensation comprises the following:

(a) USD10 million per annum base salary, paid monthly;

(b) STIP: a performance-linked cash payment within 30 days after the audit committee's approval of entire-year audited financial statements for the previous year, in the potential amount of 200% of base salary, to be decided on the basis of the remuneration committee's specific criteria;

(c) LTIP: all such awards, based strictly on the 12-month share price appreciation, comprising:

(i) 50% restricted Shares, vesting annually in equal amounts over three years with no performance conditions other than continued employment; and

(ii) 50% performance Shares, vesting in three equal tranches over three years, subject to the CEO's continued employment and each of such subsequent year's substantial achievement of that prior year's business plan and such Shares being in the form of restricted Shares, with each tranche to be released after a further two-year holding period from the date of vesting and subject to continued employment through such period.

The quantum of the LTIP award will be based strictly on share price appreciation compared with a comparator group of 6 to 15 global, public, complex and (though not exclusively) extractive-industry companies' share price movements.

No emoluments have been paid to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years presented.

C. Other Management/Employee Bonus Shares

Certain members of senior management and other employees will be awarded restricted Shares (with the same terms as the CEO's restricted Share potential awards) and performance Shares (also with the same terms as the CEO's potential performance Shares).

For services provided in preparation of the Global Offering, certain members of senior management and other employees were awarded an IPO bonus of USD13,950,000 million, 60% of which was paid in the form of 6,026,216 Shares, with a two-year lock-up, and 40% of which shall be paid in cash. In addition, on the recommendation of the remuneration committee, the Board also adopted in principle a management incentive compensation plan, the details of which remain to be specified. It is expected that the management incentive compensation plan will involve short-term and long-term elements, and a mixture of cash and stock incentive compensation, and that the stock portion will include restricted Shares, some of which will vest only if performance criteria are met going forward.

The implementation of certain aspects of the future compensation arrangements set forth above may require the consent of the Company's lenders under its debt restructuring agreements.

The Company does not have any agreements in place providing for indemnities to Directors in case of dismissal without cause or in case of tender offer, other than in relation to an obligation to pay unpaid salaries and expenses at termination of employment. The Company has agreements in place with several of its employees that provide for indemnities in case of dismissal without cause.

The Company has not adopted any employee share option schemes.

20 Pension schemes

Information on the Company's pension schemes is set out in note 27(a) of the financial statements.

21 Sufficiency of public float

The Stock Exchange has granted the Company a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules to accept a lower public float percentage of the Company of the higher of: (i) 10% of the Shares, and (ii) the percentage of public shareholding that equals HK$6 billion at the Listing Date, as the minimum percentage of public float of the Company. From the information publicly available to the Company and within the knowledge of the Directors as at the date of this Annual Report, the Company has sufficiently maintained the abovementioned public float.

22 Auditors

The consolidated financial statements have been audited by KPMG who, having served for the whole of the financial year, retire and, being eligible, offer themselves for re-appointment as the Company's auditors. A resolution for the re-appointment of KPMG as international auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

23 Amendments to constitution

The Articles of Association provide that the Memorandum and the Articles of Association are only capable of being amended by the passing of a special resolution. A special resolution is defined in the Articles of Association as a resolution of the Company passed by a majority of not less than three quarters of members who (being entitled to do so) vote in person, or by proxy, at a general meeting of the Company of which not less than twenty-one clear days' notice, specifying the intention to propose the special resolution, has been given. Provided that, if it is so agreed by a majority in number of the members having the right to attend and vote at such meeting upon the resolution, being a majority together holding not less than ninety-five per cent. of the total voting rights of the members who have that right, a resolution may be proposed and passed as a special resolution at a meeting at which less than twenty-one clear days' notice has been given in accordance with the Jersey Companies Law.

24 Public information

The following information has been made public by the Company in the previous 12 month period pursuant to legislative or regulatory requirements.

This section has been prepared in accordance with L451-1-1 of the French Monetary and Financial Code and Article 222-7 of the General Regulations of the AMF.

This information is available on the Company's website (www.rusal.com).

Date	Announcement
1.	Listings/Global Offering
	1.1 Hong Kong Listing
31 December 2009	Announcement of Global Offering of 1,610,292,840 Shares by way of placing only
31 December 2009	Hong Kong Global Offering Prospectus
21 January 2010	Announcement to correct certain statements in the Prospectus
25 January 2010	Announcement of listing on the Stock Exchange by way of placing
26 January 2010	Announcements to clarify certain statements reported in the press about the Company and a letter received by the Stock Exchange from the Minister of Mines, Energy and Hydraulics of the Republic of Guinea
1 March 2010	Announcement that the stabilisation period in connection with the Global Offering ended and the Over-allotment Option lapsed on 26 February 2010

Date	Announcement
1.2 Euronext Listing	
21 January 2010	Euronext Listing Prospectus
25 January 2010	Announcement of approval of Euronext Listing Prospectus
27 January 2010	NYSE Euronext welcomes UC RUSAL to its European market
1 March 2010	Announcement that the stabilisation period in connection with the Global Offering ended and the Over-allotment Option lapsed on 26 February 2010
2. Monthly returns	
4 February 2010	Monthly Return for the month ended 31 January 2010
4 March 2010	Monthly Return for the month ended 28 February 2010
9 April 2010	Monthly Return for the month ended 31 March 2010
3. Annual, interim and quarterly financial information	
22 February 2010	Announcement of full year production results for 2009
24 February 2010	Press release: UC RUSAL announces full year production results for 2009
12 April 2010	Announcement of full year preliminary results for 2009
4. Other announcements and press releases	
11 January 2010	Press Release: UC RUSAL announces new appointments in the Aluminium Division
2 February 2010	Press Release: UC RUSAL informs about an explosion at Shelekhov Powder metallurgy
4 February 2010	Press Release: UC RUSAL pays creditors USD2.143 Billion
9 February 2010	Press Release: UC RUSAL's Aluminium Division confirms compliance with health, safety, environment and quality management systems under ISO 9001, ISO 14001 and OHSAS 18001
11 February 2010	Announcement of change of Company name from "United Company RUSAL Limited" to "United Company RUSAL Plc"
19 February 2010	Press Release: Guinean Government and UC RUSAL establish a commission to develop cooperation in Guinea
1 March 2010	Press Release: UC RUSAL announces new appointment in the Engineering and Construction Division
9 March 2010	Announcement of settlement of claims with Norden A/S (against UC RUSAL subsidiary RTI Ltd)
10 March 2010	Press Release: UC RUSAL announces restart of idled smelting capacity at Novokuznetsk smelter
22 March 2010	Announcements of update on claim by Republic of Guinea (against UC RUSAL subsidiary Russkij Aluminij LLC)
	Press Release: UC RUSAL wins appeal in Friguia case in Guinean court
24 March 2010	Announcement of change in principal place of business in Hong Kong

Date	Announcement
25 March 2010	Announcement of date of Board meeting to be held on 9 April 2010
12 April 2010	Announcement of re-designation of Director
	Press Release: UC RUSAL strengthens its senior management team
12 April 2010	Announcement of the restart of Ewarton Works Plant
	Press Release: UC RUSAL plans to restart Ewarton alumina refinery in Jamaica
14 April 2010	Announcement of issue and allotment of IPO bonus Shares
14 April 2010	Next Day Disclosure Return
5. Other publications	
8 April 2010	Invitation to the annual results analyst presentation
12 April 2010	Annual results analyst presentation
6. Transactions by Directors and Relevant Officers (published on the AMF's website)	
21 April 2010	Information No. 210D1925 relating to the transfer of 16,920,000 shares by the CEO on 13 April 2010
7. Other filings of the Company (made pursuant to the Jersey Companies Law)	
26 February 2009	Annual return of the Company for the year ending 31 December 2008
24 March 2009	Special resolution amending the Company's articles of association
7 December 2009	Special resolution amending the Company's memorandum and articles of association
8 December 2009	Special resolution waiving pre-emption right article in the Company's articles of association for the purposes of the Onexim Restructuring
18 December 2009	Special resolution amending the Company's articles of association in their application to certain of the Group's agreements with VEB
29 December 2009	Registrar's consent to the issue of a prospectus
29 December 2009	Registrar's consent to the issue of a prospectus
29 December 2009	Special resolution amending the Company's memorandum and articles of association
30 December 2009	Prospectus pursuant to the IPO
8 January 2010	Prospectus pursuant to the IPO
15 January 2010	Prospectus pursuant to the IPO
20 January 2010	Registrar's consent to the issue of a prospectus
26 January 2010	Special resolution amending the Company's memorandum and articles of association, conditional on the IPO, approving the Global Offering and the issue of shares thereunder, granting the directors mandates, conditional on the completion of the Global Offering, to issue and repurchase shares and reappointing all existing directors on the IPO

Date	Announcement
27 January 2010	Special resolution amending the Company's articles of association
27 January 2010	Change in status of the Company to a public company
27 January 2010	Change in name of the Company to United Company RUSAL Plc
26 February 2010	Annual return of the Company for the year ending 31 December 2009

25 Litigation

Details of the litigation in which the Company, its subsidiaries and certain beneficial owners are involved in are set out in notes 27(c) (provisions for legal claims) and 31(c) (legal contingencies) to the financial statements.

26 Charitable donations

Charitable donations of the Company amounted to USD4 million in 2009 and USD31 million in 2008. Charitable donations in both years related to UC RUSAL's donations to various charities, including orphanages, cancer treatment hospitals and nursing homes.

27 Post balance sheet events

The details of post balance sheet events of the Company are set out in note 35 to the consolidated financial statements.

On behalf of the Board

Wong Po Ying, Aby
Company Secretary

29 April 2010

CORPORATE GOVERNANCE REPORT

RUSAL implements corporate governance standards based on international best practices

1 Corporate governance practices

The Company adopts international standards of corporate governance. The Directors believe that high quality corporate governance leads to successful business development and increases the investment potential of the Company, providing more security for shareholders, partners and customers as well as reinforcing the Company's internal control systems.

By working with international institutions such as the European Bank for Reconstruction and Development and the International Finance Corporation, the Company developed and implemented its corporate governance standards, based on the principles of transparent and responsible business operations.

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

The Directors believe that high quality corporate governance leads to successful business development and increases the investment potential of the Company, providing more security for shareholders, partners and customers as well as reinforcing the Company's internal control systems

Although the Company has not yet formally adopted the CG Code, the Directors consider that the Company has complied with the code provisions of the CG Code during the Review Period, other than the provision described in paragraph 3(b) of this Corporate Governance Report.

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the shareholders.

Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company from the Listing Date and through the Review Period.

2 Directors' securities transactions

The Company has adopted a Code for Securities Transactions by Directors of the Company. The Code for Securities Transactions was based on Appendix 10 to the Listing Rules but it was made more exacting than the required standard set out in Appendix 10. It was also based on the provisions of articles L.451-2-1, L.465-2 and L.621-18-2 of the French Monetary and Financial Code, Chapters II and III of Title II of Book II of the General Regulation of the AMF and Titles II and III of Book VI of the General Regulation of the AMF with respect to insider dealing and market misconduct. The Code for Securities Transactions was adopted by the Board on 9 April 2010. Having made specific enquiry of all Directors, all Directors confirmed that they had fully complied with the required standard set out in the Code for Securities Transactions throughout the Review Period.

All Directors confirmed that they had fully complied with the required standard set out in the Code for Securities Transactions throughout the Review Period

On 13 April 2010, the CEO transferred 16,920,000 of his IPO bonus Shares to a third party (see section entitled Basis for Compensation of Directors and Senior Management of the Directors' Report above) subject to an undertaking by such third party to continue to hold such Shares for the remainder of the two-year lock-up period. In application of article L.621-18-2 of the French Monetary and Financial Code and articles 223-22 A to 223-25 of the General Regulations of the AMF, this transaction was notified to the AMF with a copy to the Company on 19 April 2010.

The Company has not been notified of any other transaction by the Directors in application of the aforementioned provisions.

3 Board of Directors

(a) Composition of the Board and attendance at Board meetings

The Board currently comprises a combination of executive, non-executive and independent non-executive Directors. As at the date of this Annual Report, the Board consists of the Directors listed below and their attendance record for the three Board meetings held by the Board during the Review Period is as follows:

	Attendance at meeting		
	19.02. 2010	09.04. 2010	22.04. 2010
Executive Directors			
Mr. Oleg Deripaska (Chief Executive Officer)	X[12]	X	X
Mr. Vladislav Soloviev (First Deputy Chief Executive officer)	X	X	X
Mr. Petr Sinshinov (Deputy Chief Executive officer)	A[13]	A	X
Ms. Tatiana Soina (Chief Financial Officer)	X	X	X
Non-executive Directors			
Mr. Victor Vekselberg (Chairman)	X	X	X
Mr. Dmitry Afanasiev	X	X	—
Mr. Len Blavatnik	X	X	X
Mr. Igor Ermilin	A	A	—
Mr. Ivan Glasenberg	X	X	X
Mr. Vladimir Kiryukhin	A	A	—
Mr. Alexander Popov	X	X	X
Mr. Dmitry Razumov	A	X	X
Mr. Jivko Savov	A	—	—
Mr. Anatoly Tikhonov	A	X	X
Independent non-executive Directors			
Mr. Barry Cheung Chun-yuen	X	X	X
Dr. Peter Nigel Kenny	X	X	X
Mr. Philip Lader	—	X	X
Ms. Elsie Leung Oi-sie	X	X	X

Biographical details of the above Directors are set out in the section headed Profiles of Directors and Senior Management on pages 62 to 77 of this Annual Report.

During the Review Period, Mr. Vladislav Soloviev was appointed to the newly established position of First Deputy Chief Executive Officer and, as such, became an executive Director and ceased to be a non-executive Director. This change took effect on 9 April 2010 and was part of the Company's programme to strengthen the team of top managers and further improve the management system of UC RUSAL as a public company.

[12] X indicates that the Director was present at the relevant meeting.
[13] A indicates that the Director was represented at the relevant meeting by an Alternate Director.

(b) Term of appointment of Directors

Paragraph A.4.1 of the CG Code provides that non-executive Directors should be appointed for a specific term, subject to re-election. Paragraph A.4.2 of the CG Code provides that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least every three years. Each of the non-executive Directors signed an appointment letter with the Company with no fixed term agreed. However, the Company has substantially addressed these requirements by enshrining a term in its Articles of Association. Article 24.2 of the Articles of Association provides that if any Director has at the start of the annual general meeting been in office for three years or more since his last appointment or re-appointment, he shall retire at the annual general meeting. As such, it is possible that a director may be in office for more than three years depending upon the timing for calling the annual general meeting.

(c) Board meetings

During the Review Period, three Board meetings were held.

At the Board meeting held on 9 April 2010, the Directors approved, among other things, the annual results of the Company for the year ended 31 December 2009.

The schedule for Board meetings is approved on an annual basis. The Directors are then also provided on a timely basis with the relevant documents and copies of the draft resolutions to be approved at that particular meeting. All Directors are given an opportunity to include matters in the agenda for the Board meeting and have access to the secretary of the Company to ensure that all board procedures and all applicable rules are followed. The Board also enables the Directors to seek independent professional advice at the Company's expense in appropriate circumstances. The Board secretary is responsible for keeping minutes of the Board meetings and the secretary of the Company is responsible for the safe keeping of minutes and resolutions of the Board at the registered office of the Company.

(d) Board functions and duties

The Board is collectively responsible for the management and operations of the Company. The principal functions and duties conferred on the Board include:

- responsibility for the approval and monitoring of the overall development strategies, annual budgets, business plans and material investment plans relating to the Company's business;
- monitoring and evaluating the performance of the Company in respect of its strategies, budgets and plans;
- approving and supervising the management;
- giving an account of the Company's activities to the parties to whom an account is properly due; and
- ensuring the maintenance of accounting records in compliance with the legal obligations of the Company.

The Board has delegated the day-to-day operation of the Company to executive Directors and the executive committee to ensure effectiveness and appropriateness of functions. The Board has formally approved the terms of reference for the executive committee.

The primary role of the executive committee is to assist the Chief Executive Officer and senior management with the day-to-day management of the Group and to assist the Board in formulating and implementing the strategy of the Group and monitoring its performance.

Additional duties and responsibilities of the executive committee include, but are not limited to, developing Group strategy for Board approval and implementing such strategy once approved, reviewing and opining on any matter involving expenditure of more than USD75 million before referring such matter to the Board, and overseeing and monitoring the financial performance of the Group. In addition, the executive committee is empowered to establish committees of its members from time to time.

The executive committee meets as frequently as necessary, but not less than twice per month. The executive committee operates as the management board of the Company's subsidiary, RUSAL Global Management B.V. The Chief Executive Officer formally reports the decisions and actions of the executive committee to the Board at meetings of the Board.

(e) Board powers to issue and repurchase shares

The Board has been given authority by the Company's shareholders to issue and repurchase the Shares in accordance with written resolutions. These mandates are described on page 80 of this report.

(f) Relationships among members of the Board

Shareholders' Agreements

The Shareholders' Agreement with the Company and the Shareholders Agreement between Major Shareholders only have been entered into. For brief details of these shareholders agreements, please see pages 81-86 of this report. For a more detailed summary of these agreements, please see pages 287 to 295 of the Prospectus.

Shareholder Options

Glencore has granted EN+ and SUAL Partners the Glencore Call Option to acquire all Shares held by Glencore on the date of exercise of the Glencore Call Option that were also (i) held by Glencore on 26 March 2007 or (ii) issued to Glencore by the Company after 26 March 2007 but before the exercise of the Glencore Call Option. The Glencore Call Option may only be exercised by EN+ but, following exercise, SUAL Partners has the right to participate in proportion to their holding of Shares at that time vis-à-vis EN+. The Glencore Call Option is exercisable until 26 March 2017.

The exercise price of the option will be determined by an investment bank as 120% of the higher of (i) market value of Glencore's option securities, which is determined by reference to the enterprise value of the Group on the relevant option exercise date or after an initial public offering, the volume weighted average price of a Share over the preceding five trading days; and (ii) a valuation calculated by reference to the cumulative aggregate EBITDA of the Group for the preceding 12 quarters and the discounted enterprise value/ EBITDA multiple at which certain of the Group's competitors trade.

4 Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are segregated. Mr. Victor Vekselberg is the Chairman and is chiefly responsible for maintaining the effective operation of the Board. Mr. Vekselberg also chairs Board meetings, briefs Board members on issues discussed at Board meetings and takes responsibility for ensuring good corporate governance practices and procedures are established. Mr. Oleg Deripaska is the Chief Executive Officer and his role is primarily concerned with the supervision of the execution of the policies determined by the Board.

The Company has approved a policy statement setting out those responsibilities to be undertaken by the Chairman and those to be undertaken by the Chief Executive Officer. The Chairman is responsible for leadership of the Board and for creating the conditions necessary to allow the Board and individual Directors to operate effectively. The Chief Executive Officer is responsible for the day to day management of the Company's business and ensuring that the strategic decisions made by the Board are implemented.

5 Independent non-executive Directors

The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of shareholders of the Company

The Company has appointed four independent non-executive Directors.

The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of shareholders of the Company. One of the independent non-executive Directors, Dr. Nigel Kenny, started his career at PriceWaterhouse and is a Chartered Accountant.

Each of the independent non-executive Directors has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the independent non-executive Directors in respect of their independence. The Board considers that all independent non-executive Directors are independent by reference to the factors stated in the Listing Rules.

The attendance of the independent non-executive Directors at each of the Board meetings held during the Review Period is indicated on page 110. At each Board meeting, the independent non-executive Directors present provided independent judgment on the issues discussed. Out of the written resolutions of the Directors passed during the Review Period, the majority of the independent non-executive Directors had signed most of the resolutions (for instance, as at the date of the printing of this Annual Report, Mr. Lader and Dr. Kenny had signed 12, Ms. Leung had signed 11 and Mr. Cheung had signed 11 of the 14 written resolutions proposed during the Review Period with two of the resolutions still being considered by the Directors at the date of the printing of this Annual Report). During the Review Period, the independent non-executive Directors of the Company did not propose any objection to the proposed resolutions at Board meetings and proposals of other meetings.

6 Nomination of directors

The Company established a corporate governance and nominations committee with written terms of reference which were amended to be in compliance with the CG Code on and from the Listing Date.

The primary functions of the corporate governance and nominations committee are to develop, recommend and annually review corporate governance guidelines for the Company and its consolidated subsidiaries, to oversee corporate governance matters and to make recommendations to the Board in relation to the appointment and removal of Directors. The corporate governance and nominations committee is provided with sufficient resources to discharge its duties and its terms of reference also permit it to obtain access to a legal adviser.

The corporate governance and nominations committee consists of a majority of independent non-executive Directors. The members are as follows: three independent non-executive Directors, Mr. Philip Lader (chairman), Dr Nigel Kenny and Mr. Barry Cheung, one non-executive Director, Mr. Ivan Glasenberg, and one executive Director, Mr. Vladislav Soloviev. The corporate governance and nominations committee has held two meetings during the Review Period. At these meetings the corporate governance and nominations committee considered the Code for Securities Transactions by Directors and the Code for Securities Transactions by the Relevant Officers, the Annual General Meeting - Compliance Policy, the establishment of the Disclosure Committee, the redesignation of Mr. Soloviev as Executive Director and other corporate governance issues.

The members of the corporate governance and nominations committee have regularly attended and actively participated in meetings. The following is the attendance record of the meetings held by the corporate governance and nominations committee during the Review Period:

	Attendance	
Member	March 22, 2010	April 9, 2010
Mr. Philip Lader (chairman)	X	X
Dr. Nigel Kenny	X	X
Mr. Barry Cheung	X	X
Mr. Ivan Glasenberg	X	X
Mr. Vladislav Soloviev	X	—

There have not been any new directors appointed to the corporate governance and nominations committee since the Listing Date.

Prior to the Listing Date, the Directors were provided with training on their duties and responsibilities as a director of a listed company and compliance issues arising under the Listing Rules. Ongoing training will be provided.

According to the Articles of Association, at every annual general meeting one-third of the Directors or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office; but if any Director has at the start of the annual general meeting been in office for three years or more since his last appointment or reappointment, he shall retire at the annual general meeting. The Directors to retire by rotation shall be, first, those who wish to retire and not be re-appointed to office and, second, those who have been longest in office since their last appointment or re-appointment. As between persons who became or were last re-appointed directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. The Directors chosen to retire at this annual general meeting have been chosen by lot by the Board as all of the Directors were reappointed by resolution on the Listing Date or their appointments became effective on that date.

Remuneration policies are determined on the basis of an employee's qualifications and performance, as well as the complexity of his or her job. Wages for each employee are generally reviewed annually and revised in accordance with a performance assessment and local labour market conditions

7 Information relating to the Directors' remuneration policy and the work of the remuneration committee

The Company has established a remuneration committee with written terms of reference which were amended to be in compliance with the CG Code on and from the Listing Date. The primary function of the remuneration committee is to make recommendations to the Board on the remuneration package of the Directors and senior management, and to evaluate and make recommendations on employee benefit arrangements. Remuneration policies are determined on the basis of an employee's qualifications and performance, as well as the complexity of his or her job. Wages for each employee are generally reviewed annually and revised in accordance with a performance assessment and local labour market conditions. The remuneration committee consists of a majority of independent non-executive Directors. The members are as follows: three independent non-executive Directors, Mr. Philip Lader (chairman), Dr. Nigel Kenny and Mr. Barry Cheung, one non-executive Director, Mr. Len Blavatnik, and one executive Director, Mr. Vladislav Soloviev.

The remuneration committee has held two meetings during the Review Period. At those meetings the remuneration committee discussed and recommended that the Board approve the issue of the IPO bonus Shares. The members of the remuneration committee have regularly attended and actively participated in meetings. The following is the attendance record of the meetings held by the remuneration committee during the Review Period:

	Attendance	
Member	February 15, 2010	February 19, 2010
Mr. Philip Lader (chairman)	X	X
Dr. Nigel Kenny	X	X
Mr. Barry Cheung	X	X
Mr. Len Blavatnik	X	X
Mr. Vladislav Soloviev	X	X

The total remuneration, including the basic salary, performance-linked salary, incentive-linked salary and discretionary bonus of the Directors in 2009 amounted to USD32,872,000. The two independent non-executive Directors, Mr. Philip Lader and Dr. Nigel Kenny, who contributed to the establishment of the Company's corporate governance structure and the Listing received a bonus in the amount of GBP60,000 upon completion of the Listing. All other independent non-executive Directors are only entitled to receive Director's fees but not other remuneration. Other bonuses payable to the Directors and senior management in connection with the Listing or otherwise, are detailed in the Directors' Report on pages 78 to 107.

8 Audit committee work and composition

The Company established an audit committee with written terms of reference which were amended to be in compliance with the CG Code on and from the Listing Date.

The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process, internal control and risk management systems, to oversee the audit process and to perform other duties and responsibilities as are assigned to the audit committee by the Board. The audit committee is assisted by the Company's internal audit function which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The audit committee consists of a majority of independent non-executive Directors. The members are as follows: three independent non-executive Directors, Dr. Nigel Kenny (chairman), Mr. Philip Lader, Ms. Elsie Leung, and two non-executive Directors, Mr. Alexander Popov and Mr. Dimitry Razumov. Dr. Nigel Kenny holds relevant professional qualifications and knowledge related to accounting and financial management.

Up to the date of this Annual Report, the audit committee has held two meetings. The Company's external auditors are regularly invited to attend meetings of the audit committee. At the meeting on 9 April 2010, members of the audit committee reviewed the financial statements for the year ended 31 December 2009. The audit committee is of the opinion that such statements have complied with the applicable accounting standards, the Listing Rules, other legal requirements and that adequate disclosures have been made. Minutes of audit committee meetings are taken, recorded and stored.

The members of the audit committee have regularly attended and actively participated in meetings. The following is the attendance record of meetings held by the audit committee during the Review Period:

Member	Attendance	
	February 19, 2010	April 9, 2010
Dr. Nigel Kenny	X	X
Mr. Philip Lader	X	X
Ms. Elsie Leung	X	X
Mr. Alexander Popov	X	X
Mr. Dimitry Razumov	—	—

9 Auditors' remuneration in respect of audit and non-audit services

For the year ended 31 December 2009, apart from the provisions of annual audit services, the Group's external auditors, KPMG and ZAO KPMG, were also the reporting accountants of the Company in relation to the Listing. For the year ended 31 December 2009, the total fee paid or payable in respect of audit and non-audit services provided by the Group's external auditors, KPMG and ZAO KPMG, are set out below.

	For the year ended 31 December 2009 USD'000
Audit services	
Annual audit services	8,697
Reporting accountants in relation to the Listing	8,500
Review of internal controls in connection with the Listing	350

The audit committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditors, which is subject to the approval by the Board and at annual general meetings of the Company by its shareholders.

10 Director's Responsibility for the Financial Statements

The Directors acknowledge that it is their responsibility to prepare the financial statements for the year ended 31 December 2009 and that these financial statements must give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period.

The Chief Financial Officer of the Group is required to regularly present and explain to the audit committee and the Board reports on the Group's financial position and operating results, and report other matters that may have a material impact upon the financial performance and operations in order that the audit committee and the Board may make informed decisions.

The consolidated financial statements have been prepared in accordance with IFRS. The reporting responsibility of the external auditors of the Company on the financial statements of the Group are set out in the independent auditors' report on page 133 of this Annual Report.

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

11 Internal Control

The Company's internal control system has been designed to safeguard the assets of the Company, maintain proper accounting records, ensure execution with appropriate authority and compliance with relevant laws and regulations.

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

In 2009, the Company engaged ZAO KPMG to conduct a review of the Group's internal controls as part of the Listing. For the year ended 31 December 2009, the Board considered that the Group's internal control system complied with the CG Code.

12 Relevant officers' securities transactions

The Company has also adopted a Code for Securities Transactions by Relevant Officers of the Company. The Relevant Officers Code was based on Appendix 10 to the Listing Rules but it was made more exacting. It was also based on the provisions of articles L.451-2-1, L.465-2, L.621-18-2 of the French Monetary and Financial Code, Chapters II and III of Title II of Book II of the General Regulation of the AMF and Titles II and III of Book VI of the General Regulation of the AMF with respect to insider dealing and market misconduct. It applies to any employee of the Company or a director or employee of a subsidiary of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. The Relevant Officers Code was adopted by the Board on 9 April 2010.

The Company has not been notified of any transaction by any Relevant Officer in application of article L.621-18-2 of the French monetary and financial code and articles 223-22 A to 223-25 of the General Regulations of the AMF.

13 Going concern

As of 31 December 2009, there are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

14 Investor Relations

The Company has established a designated department for investor relations, which is responsible for matters concerning investor relations and has developed its own systems and process for communications with investors. The Company's management also maintains close communication with investors, analysts and the media.

INDEPENDENT AUDITORS' REPORT

UC RUSAL ended the year with its market leadership enhanced and competitive position significantly strengthened

Independent auditors' report to the shareholders of United Company RUSAL Plc

(Incorporated in Jersey with limited liability)

We have audited the consolidated financial statements of United Company RUSAL Plc ("the Company") set out on pages 122 to 237, which comprise the consolidated and Company balance sheets as at 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

9 April 2010

ZAO KPMG KPMG

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Year ended 31 December 2009 USD million	2008 USD million
Revenue	5	8,165	15,685
Cost of sales		(6,710)	(11,073)
Gross profit		1,455	4,612
Distribution expenses		(566)	(798)
Administrative expenses		(713)	(1,103)
Loss on disposal of property, plant and equipment		(5)	(56)
Impairment of non-current assets	15, 16	(68)	(3,668)
Other operating expenses	6	(166)	(215)
Results from operating activities		(63)	(1,228)
Finance income	7	1,321	106
Finance expenses	7	(1,987)	(1,594)
Share of profits/(losses) and impairment of associates	17	1,417	(3,302)
Share of profits/(losses) and impairment of jointly controlled entities	18	151	(35)
Profit/(loss) before taxation		839	(6,053)
Income tax	8	(18)	69
Net profit/(loss) for the year		821	(5,984)
Attributable to:			
Shareholders of the Company		821	(5,952)
Non-controlling interests		—	(32)
Net profit/(loss) for the year		821	(5,984)
Earnings/(loss) per share			
Basic and diluted earnings/(loss) per share (USD)	14	0.06	(0.49)

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 131 to 237. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 25(e).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	Year ended 31 December	
	2009	2008
	USD million	USD million
Net profit / (loss) for the year	821	(5,984)
Other comprehensive income		
Actuarial gains/(losses) on post retirement benefit plans (refer to 27(a))	29	(25)
Share of other comprehensive income of associate	130	—
Foreign currency translation differences for foreign operations	(270)	(3,623)
	(111)	(3,648)
Total comprehensive income for the year	710	(9,632)
Attributable to:		
Shareholders of the Company	710	(9,600)
Non-controlling interests	—	(32)
Total comprehensive income for the year	710	(9,632)

There was no tax effect relating to each component of other comprehensive income/(loss).

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 131 to 237.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Note	31 December 2009 USD million	31 December 2008 USD million
ASSETS			
Non-current assets			
Property, plant and equipment	15	6,088	6,602
Intangible assets	16	4,112	4,187
Interests in associates	17	8,968	7,536
Interests in jointly controlled entities	18	778	506
Financial investments	19	54	—
Deferred tax assets	21	144	59
Other non-current assets		118	43
Total non-current assets		20,262	18,933
Current assets			
Inventories	22	2,150	2,938
Trade and other receivables	23	1,238	1,426
Cash and cash equivalents	24	236	708
Total current assets		3,624	5,072
Total assets		23,886	24,005

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 131 to 237.

	Note	31 December 2009 USD million	31 December 2008 USD million
EQUITY AND LIABILITIES			
Equity	25		
Share capital		—	—
Share premium		13,641	12,517
Other reserves		3,081	2,912
Currency translation reserve		(3,527)	(3,257)
Accumulated losses		(6,863)	(7,684)
Total equity attributable to shareholders of the Company		6,332	4,488
Non-controlling interests		—	—
Total equity		6,332	4,488
Non-current liabilities			
Loans and borrowings	26	11,117	—
Provisions	27	385	393
Deferred tax liabilities	21	512	509
Derivative financial liabilities	29	510	—
Other non-current liabilities		62	27
Total non-current liabilities		12,586	929

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 131 to 237.

	Note	31 December 2009 USD million	31 December 2008 USD million
Current liabilities			
Loans and borrowings	26	2,752	13,971
Current taxation		44	48
Trade and other payables	28	1,911	1,618
Derivative financial liabilities	29	60	—
Deferred consideration	17(a)	—	2,782
Provisions	27	201	169
Total current liabilities		4,968	18,588
Total liabilities		17,554	19,517
Total equity and liabilities		23,886	24,005
Net current liabilities		(1,344)	(13,516)
Total assets less current liabilities		18,918	5,417

Approved and authorised for issue by the board of directors on 9 April 2010.

Oleg V. Deripaska
Chief Executive Officer

Tatiana V. Soina
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 131 to 237.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER 2009

	Note	31 December 2009 USD million	31 December 2008 USD million
ASSETS			
Non-current assets			
Investments in subsidiaries	20	14,687	13,533
Other non-current assets		66	—
Total non-current assets		14,753	13,533
Current assets			
Loans to group companies	32	2,657	2,957
Other receivables	23	38	349
Cash and cash equivalents	24	2	6
Total current assets		2,697	3,312
Total assets		17,450	16,845
EQUITY AND LIABILITIES			
Equity	25		
Share capital		—	—
Share premium		13,641	12,517
Additional paid-in capital		100	100
Accumulated losses		(8,308)	(9,357)
Total equity		5,433	3,260
Non-current liabilities			
Loans and borrowings	26	8,859	—
Other non-current liabilities		45	—
Total non-current liabilities		8,904	—
Current liabilities			
Loans and borrowings	26	1,954	10,688
Deferred consideration	17(a)	—	2,782
Trade and other payables	28	1,159	115
Total current liabilities		3,113	13,585
Total liabilities		12,017	13,585
Total equity and liabilities		17,450	16,845
Net current liabilities		(416)	(10,273)
Total assets less current liabilities		14,337	3,260

Approved and authorised for issue by the board of directors on 9 April 2010.

Oleg V. Deripaska
Chief Executive Officer

Tatiana V. Soina
Chief Financial Officer

The 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 131 to 237.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2009

		Attributable to the shareholders of the Company							
	Note	Share capital USD million	Share premium USD million	Other reserves USD million	Currency translation reserve USD million	Retained profits/ (accumulated losses) USD million	Total USD million	Non-controlling interests USD million	Total equity USD million
Balance at 1 January 2008		—	6,425	2,937	366	367	10,095	44	10,139
Total comprehensive loss for the year		—	—	(25)	(3,623)	(5,952)	(9,600)	(32)	(9,632)
Shares issued for acquisition of associates	17	—	6,092	—	—	—	6,092	—	6,092
Acquisition of non-controlling interests		—	—	—	—	—	—	(12)	(12)
Dividends paid to shareholders		—	—	—	—	(2,099)	(2,099)	—	(2,099)
Balance at 31 December 2008		—	12,517	2,912	(3,257)	(7,684)	4,488	—	4,488
Balance at 1 January 2009		—	12,517	2,912	(3,257)	(7,684)	4,488	—	4,488
Total comprehensive profit / (loss) for the year		—	—	159	(270)	821	710	—	710
Shares issued upon restructuring of deferred consideration	25(c)	—	1,124	—	—	—	1,124	—	1,124
Other changes resulting from transactions with entities under common control		—	—	10	—	—	10	—	10
Balance at 31 December 2009		—	13,641	3,081	(3,527)	(6,863)	6,332	—	6,332

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 131 to 237.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Year ended 31 December	
	2009	2008
	USD million	USD million
OPERATING ACTIVITIES		
Net profit/(loss) for the year	821	(5,984)
Adjustments for:		
Depreciation (note 9(b))	569	914
Amortisation (note 9(b))	17	116
Impairment of non-current assets (notes 15, 16)	68	3,668
Gain on restructuring (note 7(a))	(1,209)	—
(Gain)/loss on fair-value adjustment on financial investments (note 19)	(77)	554
Gain on disposal of financial investments	—	(42)
Impairment of trade and other receivables (note 6)	92	117
(Reversal of impairment) /impairment of inventories	(251)	339
(Reversal of provision)/provision for legal claims (note 6)	(5)	50
Tax provision	13	14
Change in fair value of derivative financial liabilities	570	—
Foreign exchange losses	22	119
Loss on disposal of property, plant and equipment	5	56
Loss on disposal of intangible assets	12	—
Interest expense	1,258	839
Interest income	(35)	(41)
Changes in fair value of financial instruments	—	(23)
Income tax expense/(benefit)	18	(69)
Share of (profits) /losses and impairment of associates (note 17)	(1,417)	3,302
Share of (profits) /losses and impairment of jointly controlled entities (note 18)	(151)	35
	320	3,964
Decrease/(increase) in inventories	993	(341)
(Increase)/decrease in trade and other receivables	(42)	465
(Increase)/decrease in prepaid expenses and other assets	(8)	17
Increase/(decrease) in trade and other payables	69	(6)
Increase/(decrease) in provisions	1	(89)
Cash generated from operations	1,333	4,010
Income taxes paid	(47)	(368)
Interest paid	(965)	(599)
Net cash generated from operating activities	321	3,043

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 131 to 237.

	Year ended 31 December	
	2009	2008
	USD million	USD million
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	57	32
Interest received	19	15
Proceeds from bank deposits	—	79
Acquisition of property, plant and equipment	(239)	(1,348)
Proceeds from disposal of jointly controlled entities (note 18)	25	345
Cash outflow on disposal of subsidiaries	—	(47)
Dividends from associate	—	205
Dividends from jointly controlled entities	16	125
Acquisition of intangible assets	(5)	(26)
Acquisition of associates	—	(4,438)
Acquisition of financial instruments	—	(554)
Contributions to jointly controlled entities	(176)	(195)
Acquisition of non-controlling interests	—	(12)
Changes in restricted cash	2	(9)
Net cash used in investing activities	(301)	(5,828)
FINANCING ACTIVITIES		
Proceeds from borrowings	1,568	16,530
Repayment of borrowings	(1,850)	(10,943)
Restructuring fees	(204)	—
Repayment of bonds	—	(238)
Dividends paid	—	(2,099)
Net cash (used in) /generated from financing activities	(486)	3,250
Net (decrease)/increase in cash and cash equivalents	(466)	465
Cash and cash equivalents at beginning of the year	685	247
Effect of exchange rate fluctuations on cash and cash equivalents	(4)	(27)
Cash and cash equivalents at the end of the year (note 24)	215	685

Major non-cash transactions:

(i) On 24 April 2008, the Company issued 1,628 shares as part of the consideration for the acquisition of the NN Stake. Details of the transaction are disclosed in notes 17(a) and 25(c).

(ii) On 7 December 2009, the Company issued 742 shares upon restructuring of the deferred consideration for the acquisition of the NN Stake. Details of the transaction are set out in notes 17(a) and 25(c).

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 131 to 237.

1 Background

(a) Organisation

UC RUSAL, formerly United Company RUSAL Limited was established by the controlling shareholder of RUSAL Limited (change of name approved by resolution of the shareholders of the Company on 26 December 2009) as a limited liability company under the laws of Jersey on 26 October 2006. Subsequent to 31 December 2009, the Company has successfully completed a dual placing on The Hong Kong Stock Exchange Limited and Euronext Paris and changed its legal form from a limited liability to a public company. For details of the Global Offering refer to note 35.

The Company's registered office is Whiteley Chambers, Don Street, 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 33) engaged in the aluminium business and other entities, which together with the Company are referred to as "the Group".

On 27 March 2007, the Company (which had no business or assets of its own) became the holding company of the Group through transfer of the interest in RUSAL from the common control shareholder and the acquisitions of SUAL and the Glencore Businesses from third parties.

In April 2008 the Company issued 1,628 new shares to Onexim representing 14% of the total shares outstanding post issue (refer to note 25). The shares were issued as a partial consideration upon acquisition of the NN Stake (refer to note 17(a)). In December 2009, Onexim increased its ownership in the Company to 19.16% in connection with the restructuring of the deferred consideration (for details refer to note 25(c)).

As at 31 December 2009, the Group was controlled by EN+ which held 53.35% of the Company's shares with Onexim, SUAL and Amokenga Holdings holding 19.16%, 17.79% and 9.7 % of the Company's shares, respectively.

EN+ is controlled by Mr. Oleg V. Deripaska. SUAL is controlled by Mr. Victor Vekselberg and Mr. Len Blavatnik together. Onexim is controlled by Mr. Mikhail Prokhorov. Amokenga Holdings is a wholly owned subsidiary of Glencore which is controlled by its management and key employees.

Related party transactions are detailed in note 32.

1 Background *(Continued)*

(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, 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. In addition, the continued contraction in the capital and credit markets has further increased the level of economic uncertainty in these environments.

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 the IFRSs, which includes all IASs and related interpretations, promulgated by the IASB.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing these consolidated financial statements, the Group has adopted all these new and revised IFRSs, except for any new standards or interpretations that are not yet effective as at 31 December 2009. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on 1 January 2009 are set out in note 37.

The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

2 Basis of preparation *(Continued)*

(b) Basis of measurement

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

(c) Functional and presentation currency

The Company's functional currency is the US dollar 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, RUR, Ukrainian Hryvna and EUR. The consolidated financial statements are presented in USD, rounded to the nearest million, except as otherwise stated herein.

(d) Going concern

In the second half of 2008, the ongoing global liquidity crisis resulted in, among other things, a lower level of capital markets funding, lower liquidity levels across the international and Russian banking sectors, higher interbank lending rates and the significant contractions in many sectors of the real economy. In the fourth quarter of 2008, aluminium prices suffered a sharp decline due to a significant decrease in the demand for aluminium which forced the Group to decrease production at a number of its production sites. During the year ended 31 December 2009, the Group reduced production levels by 10% for aluminium, by 36% for alumina and by 40% for bauxite compared to the same period of the prior year.

These factors had a significant adverse impact on the revenue and profitability of the Group. As a result, at 31 December 2008 the Group was in breach of a number of covenants relating to its debt agreements and subsequently suspended servicing certain loans and borrowings.

In December 2009, the Group completed restructuring negotiations with its lenders in order to establish financial stability and to put the necessary arrangements in place to allow the Group to meet its obligations when they fall due as part of ongoing operations. The restructuring arrangements contain a number of terms and conditions, including conditions subsequent. Details of the debt restructuring arrangements are set out in note 26. The following summarises the principal terms of the debt restructuring:

- The Group signed an International Override Agreement, subject to certain conditions subsequent, with its international lenders implementing the long-term restructuring of the Group's debt to the international lenders which became effective on 7 December 2009 with all conditions precedent having been satisfied by that date. In addition, in November 2009 the Group signed amendments to the bilateral loan agreements with its Russian and Kazakh lenders providing for the long-term restructuring of these loans on similar terms, except in the case of the loan agreement with VEB, which was extended until 29 October 2010.

2 Basis of preparation *(Continued)*

(d) Going concern *(Continued)*

- In addition, on 1 December 2009 the Group entered into an amendment agreement in relation to a stock purchase agreement between the Group, Onexim and certain other parties relating to the acquisition of shares in Norilsk Nickel (refer to note 17(a)), in order to restructure the outstanding deferred consideration in the amount of USD2,700 million plus accrued interest. In accordance with the amendment agreement, on the effective date of the International Override Agreement, part of the Group's obligations with a nominal value of USD1,820 million was converted into ordinary shares of the Company representing 6% of the Company's share capital post conversion (refer to note 25). The remaining USD880 million plus interest will be settled on the terms similar to those agreed under the International Override Agreement (refer to note 26). Accrued interest of USD226 million and a restructuring fee of USD49 million have been paid in cash as follows: USD160 million was paid on 7 December 2009 and USD 115 million was paid out of proceeds from the Global Offering in January 2010.
- No fixed amortisation schedule applies to the Group's loans to its international, Russian and Kazakh lenders and Onexim during the Override Period with all debt outstanding under the international, Russian and Kazakh facilities and Onexim, except for the VEB loan, becoming due at the end of the Override Period. As there is no fixed amortisation schedule for the debt, debt repayment is based on a cash sweep mechanism, which is designed to structure the repayment of debt based on the Group's financial performance and is subject to minimum debt reduction covenants.
- The debt restructuring agreements provide for the acceleration of debt repayment if a person other than Mr. Oleg V. Deripaska acquires effective control of the Company.
- The debt restructuring agreements contain certain targets and financial covenants, which, if not met, could result in acceleration of the Group's debt repayment, as described below, or require the Group to dispose of certain assets, including the compulsory disposal of shares in Norilsk Nickel.

2 Basis of preparation *(Continued)*

(d) Going concern *(Continued)*

The Directors believe that the restructuring terms agreed on 7 December 2009 allow the Group to successfully continue its operations and repay its debts as and when they fall due and, therefore, the Directors have prepared the consolidated financial statements on a going concern basis. As part of their assessment of the applicability of the going concern basis of preparation of the consolidated financial statements, the Directors have considered the following factors/additional sources of financing:

- The VEB loan may be assigned to Sberbank upon the request of the Company should the VEB loan not be extended beyond 29 October 2010, as is currently anticipated. For these purposes, the Group has obtained an irrevocable and unconditional letter from Sberbank which allows the Group to request Sberbank to assume the rights, claims and obligations under the VEB loan by notifying Sberbank in writing during the period from 1 August to 1 September of each year from 2010 to 2013, inclusive. Following such assumption, the maturity of the existing VEB loan will be extended to 7 December 2013 from the original repayment date. Commission of 2.00% of the outstanding principal amount and any other outstanding amounts as of the date of the assignment will be payable to Sberbank by the Group as follows: a) USD22.5 million by 31 December 2009, b) 1/4 (one quarter) of the commission annually by 31 December of the years 2010, 2011 and 2012, provided that no assignment occurred in such year or any previous year and c) the amount of the commission to be reduced by amounts paid in a) and b) once the assignment has occurred. The Company has also entered into an unconditional and irrevocable deed with its current shareholders, pursuant to which the current shareholders guarantee to Sberbank to pay on demand the commission when it falls due should the payment be inconsistent with the obligations of the Group under the International Override Agreement;
- The Group repaid USD2,143 million of the outstanding debt, including payable to Onexim, subsequent to successful completion of the Global Offering in January 2010 (for details refer to note 35), thus exceeding minimum repayment requirements until 31 December 2010; and
- The likelihood of an adverse outcome in any litigation in excess of USD50 million resulting in an event of default and acceleration of the Group's debt repayment and realisation by its lenders of the security provided as described above is remote.

If the repayment of the whole of Group's indebtedness is accelerated, for example because a relevant member of the Group is unable to comply with or satisfy any of the terms or conditions of, or triggers any event of default under the debt restructuring or other debt obligations, or should the Company be unable to extend or refinance or repay the VEB loan as and when it falls due the Group may cease to continue as a going concern.

Future unfavourable changes in the prices of aluminium and alumina could have a further material adverse effect on the Group's business, financial condition and results of operations. A sustained fall in the price of or demand for aluminium could also adversely affect the Company's ability to meet certain targets and financial covenants under its debt restructuring agreements.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amount and classification of liabilities that may be necessary if the Group was unable to comply with the terms of its debt restructuring agreements and/or if the Group was unable to continue as a going concern.

2 Basis of preparation *(Continued)*

(e) Use of judgements, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported revenue and costs during 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 significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 36.

(f) Changes in accounting policies and presentation

With effect from 1 January 2009, the Group changed its accounting policies due to the adoption of IFRS 8, *Operating Segments*. As at 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. Previously operating segments were determined and presented in accordance with IFRS IAS 14 *Segment Reporting*.

Comparative segment information has been re-presented in conformity with the transitional requirements of the standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

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. Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of consolidation

(i) Subsidiaries and non-controlling interests

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

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

Where losses applicable to the non-controlling interests exceed the non-controlling shareholders' interest in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling shareholders, are charged against the Group's interest except if the non-controlling shareholders have a binding obligation to, and are able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the non-controlling shareholders' share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, 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.

3 Significant accounting policies *(Continued)*

(a) Basis of consolidation *(Continued)*

(iii) Acquisitions from entities under common control

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

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

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

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

(v) Jointly controlled assets and operations

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

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

3 Significant accounting policies *(Continued)*

(a) Basis of consolidation *(Continued)*

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on retranslation are recognised in the statement of income, except for differences arising on the retranslation of available-for-sale equity instruments which is recognised in the statement of comprehensive income.

(ii) Foreign operations

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

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

When a foreign operation is disposed of, in whole or in part, the relevant amount of the currency translation reserve is transferred to the statement of income as part of the gain or loss on disposal.

3 Significant accounting policies *(Continued)*

(c) Financial instruments

(i) Non-derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not classified as at fair value through statement of income (see below), 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 balance sheets 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.

Cash and cash equivalents comprise cash balances and call deposits.

Accounting for finance income and expenses is discussed in note 3(o).

Held-to-maturity investments

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

Available-for-sale financial assets

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

Other

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

3 Significant accounting policies *(Continued)*

(c) Financial instruments

(ii) Derivative financial instruments

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

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

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

The measurement of fair value of derivative financial instruments, including embedded derivatives, is based on quoted market prices. Where no price information is available from a quoted market source, alternative market mechanisms or recent comparable transactions, fair value is estimated based on the Group's views on relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of income.

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

The cost of periodic relining of electrolysers is capitalised and depreciated over the expected production period.

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within gain/(loss) on disposal of property, plant and equipment in the statement of income.

3 Significant accounting policies *(Continued)*

(d) Property, plant and equipment *(Continued)*

(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.

3 Significant accounting policies *(Continued)*

(d) Property, plant and equipment *(Continued)*

(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	40 to 50 years
• Plant, machinery and equipment	15 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)	5 to 20 years

3 Significant accounting policies *(Continued)*

(e) Intangible assets

(i) Goodwill

On the acquisition of a subsidiary, an interest in a jointly controlled entity or an associate or an interest in a joint arrangement that comprises a business, the identifiable assets, liabilities and contingent liabilities of the acquired business (or interest in a business) are recognised at their fair values unless the fair values cannot be measured reliably. Where the fair values of assumed contingent liabilities cannot be measured reliably, no liability is recognised but the contingent liability is disclosed in the same manner as for other contingent liabilities.

Goodwill arises when the cost of acquisition exceeds the fair value of the Group's interest in the net fair value of identifiable net assets acquired. Goodwill is not amortised but is tested for impairment annually. For this purpose, goodwill arising on a business combination is allocated to the cash-generating units expected to benefit from the acquisition and any impairment loss recognised is not reversed even where circumstances indicate a recovery in value. In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate and jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment.

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

(ii) Research and development

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

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

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

3 Significant accounting policies *(Continued)*

(e) Intangible assets *(Continued)*

(iii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

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

(v) Amortisation

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

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

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

(f) Leased assets

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

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

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

3 Significant accounting policies *(Continued)*

(g) Inventories

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

The cost of inventories is principally determined under the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(h) Impairment

(i) Financial assets

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

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

3 Significant accounting policies *(Continued)*

(h) Impairment *(Continued)*

(i) Financial assets *(Continued)*

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

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

All impairment losses are recognised in the statement of income. Any cumulative loss in respect of an available-for-sale financial asset recognised in the statement of comprehensive income, and presented in equity, is transferred to the statement of income.

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

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

3 Significant accounting policies *(Continued)*

(h) Impairment *(Continued)*

(ii) Non-financial assets

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

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

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

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

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

(i) Insurance contracts

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

3 Significant accounting policies *(Continued)*

(j) Dividends

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

(k) Employee benefits

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

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

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

The Group's net obligation in respect of defined benefit pension and other post-retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

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

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

(iii) State pension fund

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

3 Significant accounting policies *(Continued)*

(l) Provisions

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

(i) Site restoration

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

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

Restoration and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. Discount rates used are specific to the country in which the operation is located. Significant judgments 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.

3 Significant accounting policies *(Continued)*

(l) Provisions *(Continued)*

(i) Site restoration *(Continued)*

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 judgments and estimates involved. Factors influencing those changes include revisions to estimated reserves, resources and lives of operations; developments in technology; regulatory requirements and environmental management strategies; changes in the estimated costs of anticipated activities, including the effects of inflation and movements in foreign exchange rates; and movements in general interest rates affecting the discount rate applied.

(ii) Restructuring

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

(m) Revenue

(i) Goods sold

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods. This is generally when title passes.

In the majority of sales, sales agreements specify that title passes on the bill of lading date, which is the date the commodity is delivered to the shipping agent. Revenue is recognised on the bill of lading date.

Revenue is not reduced for royalties or other taxes payable from production.

(n) Other expenses

(i) Social expenditure

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

3 Significant accounting policies *(Continued)*

(o) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established.

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

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

(p) Income tax expense

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group has both the right and the intention to settle its current tax assets and liabilities on a net or simultaneous basis.

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

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

3 Significant accounting policies *(Continued)*

(q) Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups comprising assets and liabilities), that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRSs. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Group's accounting policies.

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

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

(r) Segment reporting

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

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

3 Significant accounting policies *(Continued)*

(s) Related parties

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

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

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

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

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

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

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

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

4 Segment reporting

Reportable segments

The Group has four reportable segments, as described below, which are the Group's strategic business units. These business units are managed separately and 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 aluminum and related products.

Alumina. The Alumina segment is involved in the mining and refining of bauxite into alumina and the sale of alumina.

Energy. The Energy segment includes the group companies and projects engaged in the mining and sale of coal and the generation and transmission of electricity produced from various sources. Where the generating facility is solely a part of an alumina or aluminium production facility it is included in the respective reportable segment.

Mining and Metals. The Mining and Metals segment includes the equity investment in Norilsk Nickel.

Other operations include manufacturing of semi-finished products from primary aluminium for the transportation, packaging, building and construction, consumer goods and technology industries; and the activities of the Group's administrative centres. None of these segments meets any of the quantitative thresholds for determining reportable segments.

The Aluminium and Alumina segments are vertically integrated whereby the Alumina segment supplies alumina to the Aluminium segment for further refining and smelting with limited sales of alumina outside the Group. Integration between the Aluminium, Alumina and Energy segments also includes shared servicing and distribution.

4 Segment reporting *(Continued)*

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.

4 Segment reporting *(Continued)*

Segment results, assets and liabilities *(Continued)*

(i) Reportable segments

Year ended 31 December 2009

USD million	Aluminium USD million	Alumina USD million	Energy USD million	Mining and Metals USD million	Other operations USD million	Total USD million
Revenue from external customers	7,127	741	149	—	148	8,165
Inter-segment revenue	163	1,190	—	—	291	1,644
Total segment revenue	7,290	1,931	149	—	439	9,809
Segment profit/(loss)	268	(185)	29	1,437	(31)	1,518
Impairment of non-current assets	(20)	(46)	—	—	(2)	(68)
Share of losses of associates	—	(20)	—	—	—	(20)
Share of profits of jointly controlled entities	—	—	151	—	—	151
Depreciation/amortisation	(450)	(116)	(10)	—	(10)	(586)
Non-cash income/(expense) other than depreciation	114	39	—	(4)	8	157
Additions to non-current segment assets during the year	164	62	8	—	10	244
Segment assets	11,381	2,509	204	8,557	382	23,033
Interests in associates	—	401	—	—	10	411
Interests in jointly controlled entities	—	—	778	—	—	778
Total segment assets						24,222
Segment liabilities	(2,919)	(528)	(19)	—	(191)	(3,657)
Total segment liabilities						(3,657)

4 Segment reporting *(Continued)*

Segment results, assets and liabilities *(Continued)*

(i) Reportable segments *(Continued)*

Year ended 31 December 2008

USD million	Aluminium USD million	Alumina USD million	Energy USD million	Mining and Metals USD million	Other operations USD million	Total USD million
Revenue from external customers	12,497	2,511	372	—	305	15,685
Inter-segment revenue	325	3,804	3	—	500	4,632
Total segment revenue	12,822	6,315	375	—	805	20,317
Segment profit/(loss)	1,068	1,407	74	(3,290)	25	(716)
Impairment of non-current assets	(934)	(2,734)	—	—	—	(3,668)
Share of losses of associates	—	(12)	—	—	—	(12)
Share of losses of jointly controlled entities	—	—	(35)	—	—	(35)
Depreciation/amortisation	(490)	(521)	(4)	—	(15)	(1,030)
Non-cash expenses other than depreciation	(313)	(172)	—	—	(21)	(506)
Additions to non-current segment assets during the year	1,104	238	6	—	26	1,374
Segment assets	13,615	4,373	50	7,158	470	25,666
Interests in associates	—	369	—	—	9	378
Interests in jointly controlled entities	—	—	506	—	—	506
Total segment assets						26,550
Segment liabilities	(3,099)	(1,565)	(16)	—	(199)	(4,879)
Total segment liabilities						(4,879)

4 Segment reporting *(Continued)*

Segment results, assets and liabilities *(Continued)*

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

	For the year ended 31 December	
	2009 USD million	2008 USD million
Revenue		
Reportable segment revenue	9,809	20,317
Elimination of inter-segment revenue	(1,644)	(4,632)
Consolidated revenue	8,165	15,685

	For the year ended 31 December	
	2009 USD million	2008 USD million
Profit/(loss)		
Reportable segment profit/(loss)	1,518	(716)
Impairment of non-current assets	(68)	(3,668)
Share of losses of associates	(20)	(12)
Share of profits/(losses) of jointly controlled entities	151	(35)
Finance income	1,321	106
Finance expenses	(1,987)	(1,594)
Unallocated expenses	(76)	(134)
Consolidated profit/(loss) before taxation	839	(6,053)

4 Segment reporting *(Continued)*

Segment results, assets and liabilities *(Continued)*

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

	31December 2009 USD million	31 December 2008 USD million
Assets		
Reportable segment assets	24,222	26,550
Elimination of inter-segment receivables	(530)	(2,627)
Unallocated assets	194	82
Consolidated total assets	23,886	24,005

	31 December 2009 USD million	31 December 2008 USD million
Liabilities		
Reportable segment liabilities	(3,657)	(4,879)
Elimination of inter-segment payables	530	2,627
Unallocated liabilities	(14,427)	(17,265)
Consolidated total liabilities	(17,554)	(19,517)

(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 the bauxite mines and an alumina refinery in Guinea and an aluminium plant under construction in Nigeria. In the Americas the Group operates two production facilities in Jamaica, one in Guyana and a trading subsidiary in the United States of America.

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

4 Segment reporting *(Continued)*

Segment results, assets and liabilities *(Continued)*

(iii) Geographic information *(Continued)*

	Revenue from external customers Year ended 31 December	
	2009	2008
	USD million	USD million
Netherlands	1,906	1,878
Russia	1,469	3,366
USA	739	1,523
China	516	397
South Korea	507	1,117
Turkey	467	1,204
Japan	413	1,275
Norway	361	854
United Kingdom	250	399
Sweden	172	334
Italy	171	242
Germany	118	271
Greece	102	297
Canada	12	242
Other countries	962	2,286
	8,165	15,685

	Specified non-current assets	
	At 31 December 2009	At 31 December 2008
	USD million	USD million
Russia	4,956	5,512
Sweden	141	131
Ireland	302	315
Ukraine	241	237
Guinea	225	238
Guyana	29	31
Unallocated	14,368	12,469
	20,262	18,933

5 Revenue

	Year ended 31 December	
	2009	2008
	USD million	USD million
Sales of primary aluminium and alloys	6,770	12,057
Third parties	4,104	10,118
Related parties – companies capable of exerting significant influence	2,486	1,607
Related parties – companies under common control	180	332
Sales of alumina	410	1,948
Third parties	237	1,232
Related parties – companies capable of exerting significant influence	173	716
Sales of foil	243	271
Third parties	239	263
Related parties – companies under common control	4	8
Other revenue including chemicals and energy	742	1,409
Third parties	540	1,146
Related parties – companies capable of exerting significant influence	11	11
Related parties – companies under common control	26	14
Related parties – associates	165	238
	8,165	15,685

6 Other operating expenses

	Year ended 31 December	
	2009	2008
	USD million	USD million
Impairment loss on trade and other receivables	92	117
(Reversal of provision)/provision for legal claims	(5)	50
Tax provision	13	14
Charitable donations	4	31
Other operating expenses	62	3
	166	215

7 Finance income and expenses

	Year ended 31 December 2009 USD million	2008 USD million
Finance income		
Interest income on third party loans and deposits	32	38
Interest income on loans to related parties	3	3
Revaluation of financial instruments	77	23
Gain on extinguishment of debt (a)	1,209	—
Gain on disposal of financial investments	—	42
	1,321	106
Financial expenses		
Interest expense on bank loans wholly repayable within five years and other bank charges (b)	1,033	766
Less: interest expense capitalised into property, plant and equipment (c)	—	(58)
Total interest expense	1,033	708
Revaluation of financial instruments (note 19)	—	554
Change in fair value of derivative financial liabilities	570	—
Interest expense on deferred consideration	163	99
Listing and restructuring related expenses	86	—
Net foreign exchange loss	73	201
Interest expense on provisions	62	32
	1,987	1,594

a) On 7 December 2009 the Group completed its debt restructuring arrangements and as a result recognised a gain in amount of USD1,209 million consisting of USD740 million related to restructuring of the deferred consideration (refer to notes 17(a) and 25) and USD469 million related to the extinguishment of existing debt and the recognition of the new debt at fair value at the date of restructuring (for details of the debt restructuring refer to note 26).

b) During the year ended 31 December 2009, the Group incurred charges of USD131 million in respect of the "Standstill and waiver agreement" and "Waiver agreement", which are included in this line.

c) During the year ended 31 December 2008, interest was capitalised at rate of 5.04% per annum.

8 Income tax

	Year ended 31 December	
	2009	2008
	USD million	USD million
Current tax - overseas		
Current tax for the year	82	410
Under/(over) provision in respect of prior years	9	(14)
Deferred tax		
Origination and reversal of temporary differences	(73)	(364)
Changes in enacted tax rates	—	(101)
Actual tax expense/(benefit)	18	(69)

Pursuant to the rules and regulations of Jersey, the Company is not subject to any income tax in Jersey. The Company's applicable tax rate is 0%. 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 the corporate income tax rate of 20% (31 December 2008-24%); in Ukraine of 25% (31 December 2008-25%); Guinea of 0% (31 December 2008 – 0%); China of 25% (31 December 2008-25%); Kazakhstan of 20% (31 December 2008-30%); Australia of 31.3% (31 December 2008-31.3%); Jamaica of 33.3% (31 December 2008-33.3%); Ireland of 10% (31 December 2008 – 10 %); Sweden of 26.3% (31 December 2008-28%) and Italy of 37.25% (31 December 2008-37.25%). 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 may vary 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 the year ended 31 December 2009 were 10.1% and 16.5% for different subsidiaries (31 December 2008: 10.1% and 16.1%). For a number of the Group's holding subsidiaries domiciled in Cyprus the applicable tax rate is 10% (31 December 2008-10%). The same rates were used in measuring deferred taxes except for Russia, Kazakhstan and Sweden. For the Group's significant trading companies the applicable tax rate is 0% (31 December 2008-0%).

During the year ended 31 December 2008, the Russian, Kazakh and Swedish governments enacted a change in the national income tax rates from 24% to 20%, from 30% to 20% and from 28% to 26.3% respectively. The new tax rates are applicable for financial year starting 1 January 2009 and deferred taxes at 31 December 2008 for Russian, Kazakh and Swedish entities were measured using these rates. For subsidiaries in other jurisdictions tax rates remained the same for the years 2008 and 2009.

	Year ended 31 December			
	2009		2008	
	USD million	%	USD million	%
Profit/(loss) before taxation	839	100%	(6,053)	100%
Income tax at applicable tax rates	168	20%	(1,453)	24%
Non-deductible expenses	17	2%	92	(2%)
Effect of unrecognised deferred tax assets	141	17%	552	(9%)
Under/(over)-provision in prior years	9	1%	(14)	0%
Effect from changes in enacted tax rates	—	—	(101)	2%
Effect of different income tax rates	(317)	(38%)	855	(14%)
Actual tax expense/(benefit)	**18**	**2%**	**(69)**	**1%**

9 Profit/(loss) for the year

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

(a) Personnel costs

	Year ended 31 December 2009 USD million	2008 USD million
Wages and salaries	902	1,206
Contributions to defined contribution retirement plans	120	180
Contributions to defined benefit retirement plans	(4)	21
	1,018	1,407

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 2009 USD million	2008 USD million
Amortisation of intangible assets	17	116
Depreciation (net of amount included in inventories)	569	914
(Reversal of impairment losses)/impairment losses in respect of:		
– property, plant and equipment	68	3,532
– interests in associates	(929)	2,408
– interests in jointly controlled entities	(144)	144
– goodwill	—	67
– other intangible assets	—	69
Mineral restoration tax	17	77
Increase in provisions (including provisions for legal claims)	92	67
Auditors' remuneration	9	7
Operating lease charges in respect of property	16	42
Cost of inventories (note 22)	3,140	6,374

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

10 Directors' remuneration *(Continued)*

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

(b) Petr Sinshinov, Deputy CEO, was appointed as a member of the Board in November 2009.

(c) Tatiana Soina, CFO of the Company, was appointed as a member of the Board in November 2009.

(d) Elsie Leung Oi-sie, an independent Director of the Company, was appointed as a member of the Board in November 2009.

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

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

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

(h) Retirement scheme contributions to the Directors who are members of management are not disclosed as the amount is considered not significant. There are no retirement scheme contributions to non-executive Directors.

	Year ended 31 December 2008		
	Directors' fees USD thousand	Salaries, allowances, benefits in kind and discretionary bonuses USD thousand	Total USD thousand
Executive Director			
Oleg Deripaska (note (a))	—	—	—
Non-executive Directors			
Victor Vekselberg (Chairman)	—	—	—
Dmitry Afanasiev	—	—	—
Len Blavatnik	241	—	241
Alexander Bulygin (note (a))	—	2,362	2,362
Ivan Glasenberg	217	—	217
Vladimir Kiryukhin	—	—	—
Michael Nossal	—	—	—
Alexander Popov (note (c))	—	—	—
Dmitry Razumov (note (c))	—	—	—
Jivko Savov	—	—	—
Vladislav Soloviev (note (b))	—	11,713	11,713
Anatoly Tikhonov	—	—	—
Independent Non-executive Directors			
Nigel Kenny	216	—	216
Philip Lader	304	—	304
Simon Thompson	227	—	227
	1,205	14,075	15,280

10 Directors' remuneration *(Continued)*

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

(b) Vladislav Soloviev was CFO of the Group during the year ended 31 December 2007 and resigned from the position of CFO in February 2008.

(c) Alexander Popov and Dmitry Razumov were appointed as members of the Board in April 2008.

(d) Retirement scheme contributions to the Directors who are members of management are not disclosed as the amount is considered not significant. There are no retirement scheme contributions to non-executive Directors.

11 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two and one were Directors during the years ended 31 December 2009 and 31 December 2008, 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	
	2009 USD thousand	2008 USD thousand
Salaries and bonuses	3,673	14,729

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

	Year ended 31 December	
	2009 Number of individuals	2008 Number of individuals
HK$8,000,001-HK$8,500,000 (US$ 1,000,001-US$ 1,100,000)	1	—
HK$9,500,001-HK$10,000,000 (US$ 1,200,001-US$ 1,300,000)	1	—
HK$10,000,001-HK$10,500,000 (US$1,300,001-US$ 1,400,000)	1	—
HK$23,500,001-HK$24,000,000 (US$3,000,001-US$ 3,100,000)	—	1
HK$27,500,001-HK$28,000,000 (US$ 3,500,001-US$ 3,600,000)	—	1
HK$28,500,001-HK$29,000,000 (US $ 3,700,001-US$ 3,800,000)	—	1
HK$34,000,001-HK$34,500,000 (US$ 4,400,001-US$ 4,500,000)	—	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.

12 Dividends

Dividends totalling USD nil and USD2,099 million were declared and paid by the Company during the years ended 31 December 2009 and 31 December 2008, respectively.

The Directors consider that the dividend payments made during 2008 are not indicative of the future dividend policy of the Company. The Company is subject to external capital requirements as described in note 26.

13 Profit/(loss) attributable to equity shareholders of the Company

The profit/(loss) attributable to equity shareholders of the Company includes profits of USD1,049 million for the year ended 31 December 2009 and losses of USD7,236 million for the year ended 31 December 2008, which have been dealt with in the financial statements of the Company.

14 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company and the weighted average number of shares in issue during the years ended 31 December 2009 and 31 December 2008 respectively. On 24 December 2009, the Company undertook a share split of 1:100 as further described in note 25(a). Immediately prior to the Global Offering the Company issued 13,498,763,000 shares to its existing shareholders as a capitalisation share issue as further detailed in note 35. Accordingly, earnings/(loss) per share of all years presented have been retrospectively adjusted to give the effect of the share split and bonus share issue.

Weighted average number of shares:

	Year ended 31 December	
	2009	2008
Issued ordinary shares at beginning of the year	11,628	10,000
Effect of share issuance (refer to note 25(a))	49	1,116
Effect of share subdivision (refer to note 25(a))	1,156,023	1,100,484
Effect of capitalisation issue (refer to note 35)	12,743,110,100	12,130,890,800
Weighted average number of shares at end of the year	12,744,277,800	12,132,002,400
Net profit/(loss) for the year	821	(5,952)
Earnings/(loss) per share	0.06	(0.49)

	Year ended 31 December	
	2009	2008
Effect of warrants issuance	8,966,377	—
Weighted average number of shares at end of the year adjusted for warrants issuance	12,753,244,177	12,132,002,400
Diluted earnings / (loss) per share	0.06	(0.49)

15 Property, plant and equipment

USD million Cost/Deemed cost	Land and buildings	Machinery and equipment	Electrolysers	Other	Mining assets	Construction in progress	Total
Balance at 1 January 2008	3,367	4,930	1,015	353	700	1,854	12,219
Additions	3	103	196	10	2	1,034	1,348
Disposals	(18)	(82)	—	(7)	(5)	(22)	(134)
Transfers	363	809	201	(165)	83	(1,291)	—
Foreign currency translation	(193)	(191)	(72)	(20)	(108)	(108)	(692)
Balance at 31 December 2008	3,522	5,569	1,340	171	672	1,467	12,741
Balance at 1 January 2009	3,522	5,569	1,340	171	672	1,467	12,741
Additions	6	12	114	3	1	103	239
Disposals	(5)	(29)	(11)	(3)	—	(65)	(113)
Transfers	108	66	87	(49)	—	(212)	—
Transfers to intangibles assets	—	—	—	—	—	(19)	(19)
Foreign currency translation	(24)	(21)	(11)	(1)	(17)	(27)	(101)
Balance at 31 December 2009	3,607	5,597	1,519	121	656	1,247	12,747
Accumulated depreciation and impairment losses							
Balance at 1 January 2008	313	851	515	43	68	—	1,790
Depreciation charge	143	497	216	2	111	—	969
Impairment loss (note a)	821	1,650	187	19	499	356	3,532
Disposals	(5)	(35)	—	(5)	(1)	—	(46)
Foreign currency translation	(17)	(36)	(23)	(3)	(24)	(3)	(106)
Balance at 31 December 2008	1,255	2,927	895	56	653	353	6,139
Balance at 1 January 2009	1,255	2,927	895	56	653	353	6,139
Depreciation charge	144	242	138	4	—	—	528
Impairment loss (a)	9	10	2	—	1	46	68
Disposals	(4)	(17)	(11)	(2)	—	(5)	(39)
Transfers	8	31	—	1	—	(40)	—
Foreign currency translation	1	1	(9)	(9)	(16)	(5)	(37)
Balance at 31 December 2009	1,413	3,194	1,015	50	638	349	6,659
Net book value							
At 31 December 2008	2,267	2,642	445	115	19	1,114	6,602
At 31 December 2009	2,194	2,403	504	71	18	898	6,088

During the year ended 31 December 2009, no interest cost was capitalised due to postponement of construction projects as a result of economic environment (for the year ended 31 December 2008 – USD58 million). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation during the year ended 31 December 2008 was 5.04%.

Included into construction in progress at 31 December 2009 and 31 December 2008 respectively are advances to suppliers of property, plant and equipment of USD132 million and USD223 million, respectively.

15 Property, plant and equipment *(Continued)*

(a) Impairment

At 31 December 2009, management analysed changes in the economic environment and developments in the aluminium industry and the Group's operations since 31 December 2008 and considered it necessary to carry out impairment tests for all significant cash-generating units of the Group. Key assumptions and results of the impairment tests are set out below:

- Sales prices were based on the long-term aluminium price outlook derived from available industry and market sources at USD2,101 per metric tonne for primary aluminium in 2010, USD2,181 in 2011, USD2,201 in 2012, USD2,286 for 2013-2016 and thereafter. The Group was expected to consume substantially all alumina produced internally with a slight increase in planned production. Projected prices for alumina for the purposes of determining recoverable amounts for individual cash-generating units were estimated to be 14% of the aluminium price per tonne;
- Cash flow projections were in nominal terms and covered a period of seven years. A terminal value was derived following the forecast period assuming a 2.8% annual growth rate;
- Production volumes were assumed at the currently planned levels for 2010 during the initial forecast period and thereafter representing near full capacity. Operating costs were projected based on historical performance of the Group and adjusted for planned cost reductions and estimated increases in certain costs, particularly electricity;
- Real foreign currency exchange rates applied to convert operating costs of the Group denominated in RUR into USD were RUR29.50 for one USD in 2010, RUR25.80 for one USD in 2011, RUR24.30 for one USD in 2012, RUR23.20 for one USD in 2013-2016 and thereafter. Inflation of 3.5%-8.5% in RUR and 2.8% in USD was assumed in determining recoverable amounts;
- The pre-tax discount rate was estimated in nominal terms based on the weighted average cost of capital basis and was in the range of 15.25%-19.75%.

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.

Based on the results of impairment testing, management has concluded that no impairment or reversal of previously recorded impairment should be recorded in these consolidated financial statements, except for impairment of specific items that were no longer considered recoverable as at 31 December 2009 and 31 December 2008 respectively.

15 Property, plant and equipment *(Continued)*

(a) Impairment *(Continued)*

At 31 December 2008, following the sharp decline in aluminium prices in the fourth quarter of 2008 resulting from the general economic downturn around the world and the significant decrease in demand for aluminium, management considered that it was necessary to carry out impairment tests for all significant cash-generating units of the Group at that date. The recoverable amount of each cash-generating unit was determined by discounting expected future net cash flows of each cash-generating unit. Key assumptions and results of the impairment tests are set out below:

Cash generating unit	Production 000' tonnes	Carrying amount USD million	Impairment USD million
RUSAL Krasnoyarsk, RUSAL Achinsk	957 (a)	1,414	—
RUSAL Bratsk	980 (a)	646	—
RUSAL Novokuznetsk	224 (a)	213	—
RUSAL Sayanogorsk, RUSAL Khakassky Aluminum Smelter	818 (a)	1,339	—
RUSAL Taishet	750 (a)	309	—
Aluminium Smelter of Nigeria	22 (a)	157	157
Friguia	622 (b)	176	—
Severouralboksitruda, Bogoslovsky Aluminium Smelter, Ural Aluminium Smelter	191 (a)	963	963
Irkutsk Aluminium Smelter	332 (a)	654	16
Boksitogorsk Alumina Refinery	139 (a)	34	34
Volgograd Aluminium Smelter	141 (a)	137	—
Kandalaksha Aluminium Smelter	53 (a)	68	68
Nadvoitsk Aluminium Smelter	54 (a)	63	63
Volkhov Aluminium Smelter	16 (a)	20	20
Nikolaev Alumina Refinery	1,500 (b)	334	98
Zaporozhye Aluminum Smelter	107 (a)	9	9
Sual Komi B.V.	2,244 (c)	280	161
Aughinish	1,214 (b)	1,130	815
Kubal	74 (a)	290	159
Compagnie Des Bauxite De Kindia	3,001 (c)	41	—
Alpart	258 (b)	281	281
Windalco	196 (b)	428	428
Eurallumina	88 (b)	199	199
Other cash generating units	N/A	949	43
Total	N/A	10,134	3,514

(a) – aluminium production, (b) – alumina production and (c) – bauxite mining.

- Sales prices were based on the long-term aluminium price outlook derived from available industry and market sources at USD1,566 per metric tonne for primary aluminium in 2009, USD1,912 in 2010, USD2,143 in 2011, USD2,409 for 2012-2014 and thereafter. The Group was expected to consume substantially all alumina produced internally following the planned reduction in production. Projected prices for alumina for the purposes of determining recoverable amounts for individual cash-generating units were estimated to be 13% of the aluminium price per tonne;
- Cash flow projections were in nominal terms and covered a period of seven years. A terminal value was derived following the forecast period assuming a 2% annual growth rate;

15 Property, plant and equipment *(Continued)*

(a) Impairment *(Continued)*

(a) – aluminium production, (b) – alumina production and (c) – bauxite mining. *(Continued)*

- The Group is in a mature stage of operations and volume of production was assumed to continue at the current planned levels for 2009 during the initial forecast period and thereafter. Operating costs were projected based on historical performance of the Group and adjusted for planned cost reductions;
- Real foreign currency exchange rates applied to convert operating costs of the Group denominated in RUR into USD were RUR 30 for one USD in 2009, RUR 29 for one USD in 2010-2015 and thereafter. Inflation of 6.0 – 11.4% in RUR and 2% in USD was assumed in determining recoverable amounts;
- The pre-tax discount rate was estimated in nominal terms based on the weighted average cost of capital basis and was in the range of 15.97%-19.66%.

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.

In addition to the above, an impairment of USD68 million and USD18 million was recognised in relation to specific items no longer considered recoverable at 31 December 2009 and 31 December 2008 respectively.

(b) Security

The carrying value of property, plant and equipment subject to lien under loan agreements was USD866 million as at 31 December 2009 (31 December 2008: USD739 million) refer to note 26.

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

The Group	31 December 2009 USD million	31 December 2008 USD million
Owned properties		
In the Russian Federation	1,975	2,022
Outside the Russian Federation	219	245
	2,194	2,267
Representing		
Land and buildings	2,194	2,267

16 Intangible assets

	Goodwill USD million	Other intangible assets USD million	Total USD million
Cost			
Balance at 1 January 2008	4,562	478	5,040
Additions	—	26	26
Disposals	—	(6)	(6)
Transfers	—	10	10
Foreign currency translation	(481)	(6)	(487)
Balance at 31 December 2008	4,081	502	4,583
Balance at 1 January 2009	4,081	502	4,583
Additions	—	5	5
Disposal	—	(12)	(12)
Transfers from property, plant and equipment	—	19	19
Foreign currency translation	(70)	—	(70)
Balance at 31 December 2009	4,011	514	4,525
Amortisation and impairment losses			
Balance at at 1 January 2008	—	(145)	(145)
Impairment loss (refer to note 16(c))	(67)	(69)	(136)
Amortisation charge	—	(116)	(116)
Foreign currency translation	—	1	1
Balance at 31 December 2008	(67)	(329)	(396)
Balance at 1 January 2009	(67)	(329)	(396)
Amortisation charge	—	(17)	(17)
Balance at 31 December 2009	(67)	(346)	(413)
Net book value			
At 31 December 2008	4,014	173	4,187
At 31 December 2009	3,944	168	4,112

(a) Amortisation charge

The amortisation charge is included in cost of sales in the consolidated statement of income.

(b) Goodwill

Goodwill recognised in these consolidated financial statements principally arose on the formation of the Group in 2000 and the acquisition of a 25% additional interest in the Group by its controlling shareholder in 2003. The amount of goodwill was increased in 2007 as a result of the acquisition of SUAL and the Glencore Businesses.

16 Intangible assets *(Continued)*

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

- Total production was estimated based on adjusted sustainable production levels of 4.1 million metric tonnes of primary aluminium, of 7.8 million metric tonnes of alumina and of 11.7 million metric tonnes of bauxite. Change in the production volumes is not significant as compared to 2009 production levels. 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. For details refer to note 15. Operating costs were projected based on historical performance of each cash generating unit and adjusted for planned cost reductions and estimated increases in certain costs, particularly electricity.
- Real foreign currency exchange rates applied to convert operating costs of the Group denominated in RUR into USD were RUR29.50 for one USD in 2010, RUR25.80 for one USD in 2011, RUR24.30 for one USD in 2012, RUR23.20 for one USD in 2013-2016 and thereafter. Inflation of 3.5 – 8.5% in RUR and 2.8% in USD was assumed in determining recoverable amounts.
- The pre-tax discount rate was estimated in nominal terms based on the weighted average cost of capital basis and was 15.10%.
- A terminal value was derived following the forecast period assuming a 2.8% annual growth rate.

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

- A 5% reduction in the projected aluminium price level would have resulted in a decrease in the recoverable amount by 24% and would not lead to an additional impairment;
- A 5% increase in the projected level of operating costs would have resulted in a 20% decrease in the recoverable amount and would not lead to an additional impairment;
- A 1% increase in the discount rate would have resulted in a 10% change in the recoverable amount and would not lead to an additional impairment.

16 Intangible assets *(Continued)*

(c) Impairment testing of goodwill and other intangible assets *(Continued)*

At 31 December 2008, management analysed developments in the aluminium industry and the Group's operations since 31 December 2007. The economic environment in the aluminium industry had changed significantly compared to 2007 and the impairment test for goodwill was carried out at 31 December 2008 using the following assumptions to determine the recoverable amount of the segment:

- Total production was estimated based on adjusted sustainable production level of 3.9 million metric tonnes of primary aluminium, of 7.6 million metric tonnes of alumina and of 12.6 million metric tonnes of bauxite. This represented a 10% decrease in aluminium production, a 33% decrease in alumina production and a 29% decrease in bauxite production compared to 2008 production levels. Bauxite and alumina will be used primarily internally for production of primary aluminium. No production growth was included in the cash flow projections.
- Sales prices were based on the long-term aluminium price outlook based on available industry and market sources. For details refer to note 15. Operating costs were projected based on historical performance of each cash generating unit and adjusted for planned cost reductions.
- Real foreign currency exchange rate applied to convert operating costs of the Group denominated in RUR into USD were RUR 30 for one USD in 2009, RUR 29 for one USD in 2010-2015 and thereafter. Long-term inflation of 6% in RUR and 2% in USD was assumed in determining the recoverable amounts.
- The pre-tax discount rate was estimated in nominal terms based on the weighted average cost of capital basis and was 17.26%.
- A terminal value was derived at the end of a seven-year period assuming a 2% annual growth rate.

Values assigned to key assumptions and estimates used to measure the unit's recoverable amount are consistent with external sources of information and historic data for the Group's aluminium segment. 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 followed key assumptions:

- A 5% reduction in the projected aluminium price level would have resulted in a decrease in the recoverable amount by 19% and would not lead to an additional impairment;
- A 5% increase in the projected level of operating costs would have resulted in a 18% decrease in the recoverable amount and would not lead to an additional impairment;
- A 1% increase in the discount rate would have resulted in a 7% change in the recoverable amount and would not lead to an additional impairment.

At 31 December 2008 goodwill and intangible assets of USD67 million and USD69 million, respectively, were considered to be impaired.

17 Interests in associates

	2009 USD million	2008 USD million
Balance at beginning of the year	7,536	442
Acquired during the year	—	13,230
Acquired as a result of unwinding of financial instrument	23	—
Group's share of post acqusition profits/(losses)	488	(894)
Impairment loss	—	(2,408)
Reversal of impairment loss	929	—
Dividends received	—	(205)
Group's share of other comprehensive income	130	—
Foreign currency translation	(138)	(2,629)
Balance at end of the year	8,968	7,536
Goodwill included in interests in associates	5,585	5,745

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, RUR1 par value	27.48%	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 consolidated financial statements of associates is presented below:

	Assets USD million	Liabilities USD million	Revenues USD million	Profit/ (loss) USD million
31 December 2009				
100 per cent	22,962	8,530	10,943	2,274
Group's effective interest including post acquisition adjustments	13,520	2,698	2,959	488
31 December 2008				
100 per cent	21,574	9,649	14,708	(510)
Group's effective interest including post acquisition adjustments	13,387	3,084	3,962	(894)

17 Interests in associates *(Continued)*

(a) Norilsk Nickel

In November 2007, the Group entered into a number of agreements with Onexim relating to the purchase of the NN Stake. On 24 April 2008, (the Completion date), the acquisition was completed for a total consideration of USD13,230 million. For reporting purposes, the fair value of the investment has been determined by reference to the quoted market price on the Russian Trading System stock exchange on the dates of transfer of the NN Stake to the Company.

To effect the transaction, the Company issued 1,628 shares to Onexim in partial consideration, which following their allotment and issue, represent approximately 14% of the Company's ordinary shares. The cash component of the consideration amounted to USD7,138 million, of which USD2,700 million was deferred at the date of acquisition and payable over 12 months following the Completion date bearing interest at 5% per annum. In the second half of 2008, the maturity of a portion of the deferred consideration amounting to USD700 million plus interest was extended from 24 October 2008 to 1 December 2008 and the interest payable on the outstanding portion was increased to 10% per annum. The interest payable as of 31 December 2008 was USD82 million.

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

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

The carrying value and market value of the Group's investment in Norilsk Nickel as at 31 December 2009 and 31 December 2008 were as follows:

	31 December 2009 USD million	31 December 2008 USD million
Carrying value	8,557	7,158
Market value (a)	6,707	3,011

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

At 31 December 2009 the Group reassessed the recoverable amount of the Group's investment in Norilsk Nickel after application of the equity method of accounting. Management analysed changes in the economic environment and nickel and related industries since 31 December 2008 and concluded that the value in use or the recoverable amount of the Group's investment in Norilsk Nickel had increased to USD8,557 million. As a result, the Group recognised a partial reversal of the previously recorded impairment in the amount of USD929 million during the year ended 31 December 2009.

17 Interests in associates *(Continued)*

(a) Norilsk Nickel *(Continued)*

The recoverable amount of the investment 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:

Type of metal	Units	2010	2011	2012	2013	2014	2015	2016
Nickel	USD/tonne	17,637	19,658	20,884	19,015	19,414	19,822	20,238
Copper	USD/tonne	6,445	7,000	6,876	6,500	6,637	6,776	6,918
Platinum	USD/kg	45,011	49,030	48,226	49,030	50,060	51,111	52,184
Palladium	USD/kg	11,253	12,539	12,700	13,182	13,459	13,741	14,030

- Total production volume was based on existing production levels for 2009 adjusted for a growth rate of 1.5-3.0% per year.

- The real foreign currency exchange rates applied to convert operating costs denominated in RUR into USD were RUR29.50 for one USD in 2010, RUR25.80 for one USD in 2011, RUR24.30 for one USD in 2012, RUR23.20 for one USD in 2013-2016 and thereafter. Inflation of 3.5 – 8.5% in RUR was assumed in determining recoverable amounts;

The pre-tax discount rate was estimated in nominal terms based on the weighted average cost of capital and was 17.64%.

At 31 December 2008 following the sharp decline in share prices of Norilsk Nickel resulting from significant decrease demand for metals and the worldwide general economic downturn, management considered that it was necessary to carry out an impairment test of its investment after application of the equity method of accounting. The recoverable amount of the investment 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:

Type of metal	Units	2009	2010	2011	2012	2013	2014	2015
Nickel	USD/tonne	11,088	13,163	15,542	17,094	17,436	17,785	18,140
Copper	USD/tonne	4,161	4,740	5,579	5,952	6,071	6,192	6,316
Platinum	USD/kg	29,859	34,214	34,214	38,102	38,864	39,641	40,434
Palladium	USD/kg	6,532	8,553	10,186	12,690	12,944	13,203	13,467

- Total production volume was based on the existing sustaining production level of 317 thousand tonnes of nickel, 382 thousand tonnes of copper, 25.4 tonnes of platinum and 97 tonnes of palladium.

- The real foreign currency exchange rate was applied to convert operating costs denominated in RUR into USD, being RUR 30 for one USD in 2009, RUR 29 for one USD in 2010-2015 and thereafter. Inflation of 6.0 – 11.4% in RUR was assumed in determining the recoverable amounts.

The discount rate was based on the weighted average cost of capital and was 16.68% pre-tax. As a result, an impairment loss of USD2,408 million was recognised at 31 December 2008 in addition to the Group's share of losses of associates.

17 Interests in associates *(Continued)*

(b) Queensland Alumina Limited

In October 2004 the Group won the auction sale of 20% percent of the common shares of QAL and signed the purchase agreement with the seller subject to the United States Bankruptcy Court, Australian state authorities, QAL's shareholders and creditors approvals, which were obtained in 2005. This acquisition was completed on 1 April 2005. In accordance with the agreement the Group paid USD418 million in cash, assumed the sellers' debt to QAL of USD35 million and a guarantee of QAL's debts of USD60 million and acquired alumina and bauxite inventory of the former shareholder of QAL of USD10 million.

18 Interests in jointly controlled entities

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

	2009 USD million	2008 USD million
Balance at the beginning of the year	506	219
Acquired during the year	—	303
Contributions to jointly controlled entities	176	195
Group's share of post acquisition profits	7	109
Impairment loss	—	(144)
Reversal of impairment loss	144	—
Dividends received	(16)	(125)
Foreign currency translation	(39)	(51)
Balance at the end of the year	778	506

Details of the Group's interest in the jointly controlled entities are as follows:

				Proportion of ownership interest		
Name of jointly controlled entity	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
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

18 Interests in jointly controlled entities *(Continued)*

A summary of the consolidated financial statements of the jointly controlled entities in which the Group has an interest is presented below:

	31 December 2009 USD million	31 December 2008 USD million
Non-current assets	1,066	810
Current assets	119	130
Non-current liabilities	(42)	(402)
Current liabilities	(365)	(32)
Net assets	778	506
Income	454	557
Expenses	(447)	(448)
Profit for the year	7	109
Foreign currency translation differences for foreign operations	(32)	(64)

(a) LLP Bogatyr Komir and its trading companies

On 27 March 2007, as a consequence of the acquisition of SUAL, the Group acquired the right to receive a 100% interest in LLP Bogatyr Komir (formerly LLP Bogatyr Access Komir), a partnership organised under the laws of Kazakhstan and engaged in the mining and processing of coal at Ekibastuz, Kazakhstan together with related trading companies. The trading companies were transferred to the Group with effect from this date. However, the transfer of the interest in LLP Bogatyr Komir to the Group was pending receipt of regulatory approvals in Kazakhstan.

In November 2007 the Group signed a memorandum of cooperation with the Government of Kazakhstan whereby it agreed to sell a 50% interest in LLP Bogatyr Komir to the Government of Kazakhstan immediately upon receipt of the necessary governmental approvals. In April 2008 the necessary approvals were received and the Group signed a sale-and-purchase agreement with OJSC Samruk Energo, a company controlled by the state of Kazakhstan, to sell a 50% interest in LLP Bogatyr Komir and a 50% interest in related coal traders for USD345 million. This transaction resulted in a gain of USD42 million.

Management carried out an impairment test of its investment in LLP Bogatyr Komir and its coal trading companies and recognised an impairment loss of USD144 million in addition to application of the equity method at 31 December 2008. At 31 December 2009, due to the change of economic environment the impairment loss previously recognised in 2008 was reversed in full.

(d) BEMO Project

In May 2006, the Group signed a Co-operation agreement with OJSC RosHydro and RAO UES. Under this Co-operation agreement, OJSC RosHydro and the Group jointly committed to finance the construction and future operation of Boguchansk hydropower station (BoGES) and an aluminum plant which is planned to be the main customer of the hydropower station (note 30(a)), together referred to as the "BEMO Project".

During 2007, the Group and HydroOGK established two joint companies to control BoGES and the Boguchansky Aluminium Smelter (BoAZ). By 31 December 2007, the Group had contributed USD206 million to the joint companies as total consideration for its 50% interest in the joint business including its 29.4% interest in BoGES valued at USD23 million. During the year ended 31 December 2009 and 31 December 2008 the Group contributed an additional USD176 million and USD195 million to the BEMO Project, respectively.

19 Financial investments

In the second half of 2008 the Group acquired a derivative financial instrument linked to the share price of Norilsk Nickel for a total consideration of USD554 million. Under the terms of the contract the Group had an option to acquire up to 5% of the issued shares of Norilsk Nickel from a third party on certain future dates at the market prices prevailing at those future dates. Management estimated the fair value of the financial instrument at 31 December 2008 to be USD nil. The change in fair value is included in "finance expenses" in the consolidated statement of income.

In October 2009 the Group partially unwound this arrangement in respect of an option to acquire 0.13% of the shares of Norilsk Nickel, the value of which approximated USD23 million on the date of unwind. Management estimated the fair value of the remaining financial instrument at 31 December 2009 at USD54 million. The change in fair value is included in "finance income" in the consolidated statement of income.

20 Investments in subsidiaries

The Company

	31 December	
	2009 USD million	2008 USD million
Unlisted shares, at cost	23,043	23,057
Less: impairment	(8,356)	(9,524)
	14,687	13,533

Details of the principal subsidiaries are set out in note 33 to the consolidated financial statements. The decrease in the amount of impairment loss relates to partial reversal of previously recorded impairment of the Company's investments in subsidiaries.

21 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Property, plant and equipment	35	14	(567)	(537)	(532)	(523)
Inventories	20	59	(11)	(3)	9	56
Trade and other receivables	10	12	(6)	(8)	4	4
Derivative financial liabilities	114	—	—	—	114	—
Others	60	38	(23)	(25)	37	13
Deferred tax assets/(liabilities)	239	123	(607)	(573)	(368)	(450)
Set off of deferred taxation	(95)	(64)	95	64	—	—
Net deferred tax assets/(liabilities)	144	59	(512)	(509)	(368)	(450)

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

USD million	1 January 2008	Recognised in the statement of income	Recognised in the statement of income due to changes in enacted tax rates	Foreign currency translation	31 December 2008
Property, plant and equipment	(1,016)	386	107	—	(523)
Inventories	(11)	69	(2)	—	56
Trade and other receivables	17	(12)	(1)	—	4
Others	94	(79)	(3)	1	13
Total	(916)	364	101	1	(450)

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

21 Deferred tax assets and liabilities *(Continued)*

(c) Unrecognised deferred tax assets

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

	31 December 2009 USD million	31 December 2008 USD million
Deductible temporary differences	359	344
Tax loss carry-forwards	383	257
	742	601

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 2009 USD million	31 December 2008 USD million
Without expiry	21	7
2019	51	—
2018	13	14
2017	3	4
2016	2	2
2015	3	4
2014	64	—
2013	188	188
2012	2	1
2011	36	36
2010	—	1
	383	257

(d) Unrecognised deferred tax liabilities

Retained earnings of the Group's subsidiaries where dividend distributions are subject to taxation included USD3,506 million and USD3,816 million as at 31 December 2009 and 31 December 2008, 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.

21 Deferred tax assets and liabilities *(Continued)*

(e) Current taxation in the consolidated statement of financial position represents:

	31 December 2009 USD million	31 December 2008 USD million
Net income tax (receivable)/payable at the begining of the year	(12)	(40)
Income tax for the year	91	396
Income tax paid	(47)	(368)
Translation difference	(3)	—
	29	(12)
Represented by:		
Income tax payable	44	48
Prepaid income tax (note 23)	(15)	(60)
Net income tax payable/(recoverable)	29	(12)

22 Inventories

The Group

	31 December 2009 USD million	31 December 2008 USD million
Raw materials and consumables	954	1,379
Work in progress	621	808
Finished goods and goods held for resale	676	1,103
	2,251	3,290
Provision for inventory obsolescence	(101)	(352)
	2,150	2,938

Inventories at 31 December 2009 are stated at cost. Inventories at 31 December 2008 included USD1,985 million of inventories stated at net realisable value.

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

No inventories were pledged at 31 December 2008.

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

	Year ended 31 December	
	2009 USD million	2008 USD million
Carrying amount of inventories sold	3,391	6,035
(Reversal of write-down) / write-down of inventories	(251)	339
	3,140	6,374

23 Trade and other receivables

The Group

	31 December 2009 USD million	31 December 2008 USD million
Trade receivables from third parties	203	274
Impairment loss on trade receivables	(44)	(26)
Net trade receivables from third parties	159	248
Trade receivables from related parties, including:	67	113
Companies capable of exerting significant influence	53	47
Impairment loss	(11)	(9)
Net trade receivables from companies capable of exerting significant influence	42	38
Companies under common control	20	65
Impairment loss	(1)	—
Net trade receivables from entities under common control	19	65
Related parties – associates	6	10
VAT recoverable	617	572
Impairment loss on VAT recoverable	(54)	(3)
Net VAT recoverable	563	569
Advances paid to third parties	118	115
Advances paid to related parties, including:	59	57
Related parties – companies capable of exerting significant influence	—	3
Related parties – companies under common control	1	—
Related parties – associates	58	54
Prepaid expenses	48	43
Prepaid income tax (note 21(e))	15	60
Prepaid other taxes	37	37
Other receivables from third parties	117	125
Impairment loss on other receivables	(19)	—
Net other receivables from third parties	98	125
Other receivables from related parties, including:	74	59
Related parties – companies capable of exerting significant influence	3	—
Related parties – companies under common control	13	2
Related parties – associates	58	57
	1,238	1,426

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

23 Trade and other receivables *(Continued)*

(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 2009 USD million	31 December 2008 USD million
Current	205	231
Past due 0-90 days	7	109
Past due 91-365 days	10	19
Past due over 365 days	4	2
Amounts past due	21	130
	226	361

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 29(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 2009 USD million	Year ended 31 December 2008 USD million
Balance at the beginning of the year	(35)	(37)
Impairment loss recognised	(21)	(117)
Uncollectible amounts written off	—	119
Balance at the end of the year	(56)	(35)

As at 31 December 2009 and 31 December 2008, the Group's trade receivables of USD56 million and USD35 million respectively were individually determined to be impaired. Management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts were recognised.

The Group does not hold any collateral over these balances.

23 Trade and other receivables *(Continued)*

The Company

	31 December 2009 USD million	31 December 2008 USD million
Receivable on disposal of subsidiary	—	345
Other receivables	38	4
	38	349

24 Cash and cash equivalents

The Group

	31 December 2009 USD million	31 December 2008 USD million
Bank balances, USD	164	419
Bank balances, RUR	32	237
Bank balances, other currencies	12	17
Cash in transit	2	10
Short-term bank deposits	5	2
Cash and cash equivalents in the consolidated statement of cash flows	215	685
Restricted cash	21	23
Cash and cash equivalents in the statement of financial position	236	708

As at 31 December 2009 and 31 December 2008 included in cash and cash equivalents was restricted cash of USD21 million and USD23 million, respectively, for letters of credit pledged with the banks.

As at 31 December 2009 there were no cash and cash equivalents at a bank, which is a related party (31 December 2008: USD137 million).

The Company

	31 December 2009 USD million	31 December 2008 USD million
Bank balances, USD	2	6

25 Equity

(a) Share capital

	2009		2008	
	USD	Number of Shares	USD	Number of Shares
Ordinary shares at the end of the year, authorised	200 million	20 billion	11,628	11,628
Ordinary shares at the end of the year, issued and paid	12,370	1,237,000	11,628	11,628
Ordinary shares issued at 1 January	11,628	11,628	10,000	10,000
Ordinary shares issued during the year	742	742	1,628	1,628
Ordinary shares at the end of the year before share split of USD1 each	12,370	12,370	11,628	11,628
Ordinary shares at the end of the year post share split of USD0.01 each	12,370	1,237,000	11,628	1,162,800

The Company was incorporated on 26 October 2006 with an authorised share capital of USD10,000 divided into 10,000 ordinary shares of USD1 each, of which one subscriber share was issued to each of two subscribers on incorporation. On 27 October 2006, these two shares were transferred to EN+. In March 2007, 6,598 ordinary shares were issued to EN+, 2,200 ordinary shares were issued to SUAL Partners and 1,200 ordinary shares were issued to a wholly owned subsidiary of Glencore in partial consideration for the transfer to RUSAL, SUAL and the Glencore Businesses respectively.

On 24 April 2008, the authorised share capital of the Company was increased to USD11,628 divided into 11,628 ordinary shares of USD1 each. In April 2008, 1,628 ordinary shares were issued to Onexim in partial consideration for the acquisition of the NN Stake (refer to note 17(a)).

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

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

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

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.

25 Equity *(Continued)*

(b) Movement in components of the equity within the Company

USD million	Share capital	Share premium	Additional paid-in capital	Retained profits/ (accumulated losses)	Total
Balance at 1 January 2008	—	6,425	100	(22)	6,503
Total comprehensive loss for the year	—	—	—	(7,236)	(7,236)
Shares issued for acquisition of subsidiaries	—	6,092	—	—	6,092
Dividends paid to shareholders	—	—	—	(2,099)	(2,099)
Balance at 31 December 2008	—	12,517	100	(9,357)	3,260
Balance at 1 January 2009	—	12,517	100	(9,357)	3,260
Total comprehensive income for the year	—	—	—	1,049	1,049
Shares issued upon restructuring of deferred consideration	—	1,124	—	—	1,124
Balance at 31 December 2009	—	13,641	100	(8,308)	5,433

(c) Changes in equity

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

During the year ended 31 December 2008, 1,628 shares were issued by the Company in partial consideration for the acquisition of the NN Stake. The Directors estimated the total value of these shares at USD6,092 million. The issue of these shares gave rise to an increase in share premium of this amount.

In connection with this acquisition, the Company entered into the Option Deed. The Option Deed was amended and restated on 11 April 2008 and came into effect on 24 April 2008 upon completion of the acquisition following which it was further amended on a number of occasions in 2008 and 2009. The Option Deed gave Onexim a right to sell its shares in the Company to the Group at the higher of the market value determined by an independent investment bank and USD6,227 million or USD7,325 million (depending on certain payment conditions), if the Company does not achieve a listing on a major international stock exchange on or before 31 December 2013. Under the conditions of the Option Deed the Group could avoid the exercise of the put option by using its best endeavours to achieve a listing on a major international stock exchange on or before 31 December 2013. On 27 January 2010 the Company successfully completed a dual placing on the Stock Exchange and Euronext Paris resulting in termination of the Option Deed (for details refer to note 35).

25 Equity *(Continued)*

(d) Other reserves

The acquisition of RUSAL Limited by the Company has been accounted for as a non-substantive acquisition. The consolidated share capital and share premium represent only the share capital and share premium of the Company and the share capital and other paid in capital of RUSAL Limited prior to the acquisition has been included in other reserves. In addition other reserves include the cumulative unrealised actuarial gains and losses on the Group's defined post retirement benefit plans and cumulative unrealised gains and losses on its available-for-sale investments which have been recognised directly in equity.

(e) Distributions

In accordance with the Jersey Companies 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 reserve 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. As at 31 December 2009 and 31 December 2008 respectively, the aggregate amount of reserves available for distribution to equity shareholders of the Company was USD5,433 million and USD3,260 million, respectively.

During the year ended 31 December 2009 and 31 December 2008 respectively, the Company declared and paid dividends in the amount of nil and USD2,099 million, respectively. Future dividends payouts are restricted in accordance with the debt restructuring agreements (refer to note 26).

(f) 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).

26 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk refer to notes 29(c)(ii) and 29(c)(iii), respectively.

	31 December 2009 USD million	31 December 2008 USD million
Non-current liabilities		
Secured bank loans	9,677	—
Unsecured bank loans	856	—
Unsecured company loans	584	—
	11,117	—
Current liabilities		
Secured bank loans	2,091	10,575
Unsecured bank loans	293	3,303
Unsecured company loans	216	—
Accrued interest	152	93
	2,752	13,971

26 Loans and borrowings *(Continued)*

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

	TOTAL USD million	2010 USD million	2011 USD million	2012 USD million	2013 USD million
Secured bank loans					
Variable					
USD – Libor + 1.6% and less	132	33	33	33	33
USD – Libor + 7 %	6,181	1,811	425	721	3,224
EUR – EURIBOR + 7%	71	21	5	8	37
RUR – refinancing rate of RCB + 3%	164	42	17	24	81
Fixed					
USD – fixed at 8%	9	2	1	1	5
USD – fixed at 8.49%	4,496	—	—	—	4,496
USD – fixed at 10,25%	715	182	74	100	359
Unsecured bank loans					
Variable					
RUR – refinancing rate of RCB + 3%	491	126	52	71	242
Fixed					
USD - fixed at 8%	436	110	44	5	223
USD - fixed at 8.35%	23	6	3	3	11
EUR - fixed at 8%	199	51	21	28	99
	12,917	2,384	675	1,048	8,810
Unsecured company loans					
Variable					
USD - Libor + 7 %	800	216	53	94	437
Total	13,717	2,600	728	1,142	9,247
Accrued interest	152	152	—	—	—
Total	13,869	2,752	728	1,142	9,247

(a) The debt repayment schedule presented in the table above is based on the expected repayments forecasted using the Group's financial model which considers the cash sweep mechanism stipulated in the International Override Agreement. These repayments exceed minimum repayment targets established in the International Override Agreement.

26 Loans and borrowings *(Continued)*

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

- the NN Stake
- 100% shares of Gershvin Investments Corp Limited
- 25% of RUSAL Bratsk
- 25% of RUSAL Krasnoyarsk
- 100% of the shares of Albaco
- 100% of Khakas Aluminium Smelter
- 100% of Tameko
- 100% of Noirieux

In accordance with the International Override Agreement the loans are secured by pledges of shares of the following Group companies:

- 100% Bauxite & Alumina Mining Ventures Limited
- 100% Limerick Alumina Refining Limited
- 100% Auginish Alumina Limited
- 100% Eurallumina SpA
- 100% UC Rusal Jamaica Limited
- 100% UC Rusal Jamaica II Limited
- 100% of UC RUSAL Energy Limited
- 100% of UC RUSAL BOAZ Limited
- 100% Kubal
- 39% less 1 share of Rusal Achinsk
- 39% less 1 share of Rusal Novokuznetsk
- 39% less 1 share of SUAL
- 27.15% Rusal Sayanogorsk
- 25% Rusal Bratsk pledged as first-ranking security
- 1 share of Rusal Bratsk pledged as second-ranking security
- 25% Rusal Krasnoyarsk pledged as first-ranking security
- 1 share of Rusal Krasnoyarsk pledged as second-ranking security

In accordance with the restructuring agreements with Russian banks the loans are secured by pledges of shares of the following Group companies:

- 7.85% - Rusal Sayanogorsk

The secured bank loans are also secured by the following:

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

26 Loans and borrowings *(Continued)*

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

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

Terms and debt repayment schedule as at 31 December 2008

	TOTAL USD million	Within 1 year USD million
Secured bank loans		
Variable		
USD - Libor + 1.5% and less	5,598	5,598
USD - Libor + 1.6 %-2.5 %	329	329
USD - Libor + 2.6% and more	8	8
Fixed		
USD - 7.0% and more	4,640	4,640
Unsecured bank loans		
Variable		
USD - Libor + 1.5% and less	819	819
USD - Libor + 1.6 %-2.5 %	250	250
USD - Libor + 2.6% and more	200	200
USD - Cost of funds +1.7%	25	25
EUR - Euribor +0.35%-2.5%	40	40
EUR - Euribor +0.7%	36	36
EUR - Euribor +1.6%	29	29
EUR - Euribor +2.0%	3	3
EUR - Euribor +2.93%	4	4
Fixed		
USD - 4.41%	3	3
USD - 6.85%	23	23
USD - 7.0% and more	1,190	1,190
RUR - 7.0% and more	681	681
	13,878	13,878
Accrued interest	93	93
	13,971	13,971

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

- the NN Stake
- 100% shares of Gershvin Investments Corp Limited
- 25% of RUSAL Bratsk
- 25% of RUSAL Krasnoyarsk
- 100% of the shares of Albaco
- 100% of Khakas Aluminium Smelter
- 100% of Tameko
- 100% of Noirieux

26 Loans and borrowings *(Continued)*

The secured bank loans were also secured by properties with a carrying amount of USD739 million and the assignment of certain sales and purchase contracts and rights of the Group, including all moneys and claims, arising out of these contracts.

At 31 December 2008 rights, including all moneys and claims, arising out of certain sales and purchase contracts between the Group's major trading subsidiaries, RTI Limited and RS International GmbH, and certain counterparties, were assigned to secure syndicated bank loans.

(a) Fair value of loans and borrowings

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

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

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

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

- The forecasted repayment schedule, including interest and principal repayments and excluding restructuring and other related fees of USD287 million payable immediately as presented in the table below;
- The nominal interest rates, including cash and PIK interest were determined based on expected net debt to EBITDA ratios as presented in the table below; and
- The discount rate was determined by reference to the yield curve for securities with B-credit rating, which management believes to approximate the characteristics of the Group's loans and borrowings following the restructuring as presented in the table below.

26 Loans and borrowings *(Continued)*

(a) Fair value of loans and borrowings *(Continued)*

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

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

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

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

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

26 Loans and borrowings *(Continued)*

(b) Debt restructuring

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

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

The debt restructuring has the following principal consequences for the Group:

- it extends the maturity of the restructured debt to December 2013; except for the debt to VEB which was extended to 29 October 2010;
- it provides for interest (consisting of cash and PIK components) to be payable generally on a floating base rate plus a variable margin that is dependent upon leverage;
- it contains an obligation to use excess cash flow and net proceeds raised from asset disposals, equity and subordinated and other debt fund raisings to repay outstanding indebtedness (and to sell shares in Norilsk Nickel in certain circumstances to repay the loan to VEB);
- it significantly limits the Group's ability to incur additional indebtedness;
- it provides for the granting of additional security interests over assets of the Group's main production entities; and
- it restricts dividends and capital expenditure.

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

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

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

26 Loans and borrowings *(Continued)*

(b) Debt restructuring *(Continued)*

Margin

During the Override Period, the restructured debt bears interest at the currently applicable base rate (either LIBOR or Euribor depending on the denomination of the debt), plus a margin that varies depending on the ratio of total net debt to Covenant EBITDA (as defined in the International Override Agreement), and includes cash and PIK components, as follows:

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

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

Repayment

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

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

26 Loans and borrowings *(Continued)*

(b) Debt restructuring *(Continued)*

Disposal and Equity Injection Undertakings, Debt Repayment Targets

The Company is obliged to dispose of assets and/or raise equity or subordinated debt by the end of the Override Period sufficient to generate net proceeds of at least USD2.4 billion. Compliance with this obligation is tested only once, at the end of the Override Period. The Company is also obliged to ensure that debt of the Group (other than debt from VEB and Onexim) is repaid during the Override Period in the following amounts:

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

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

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

In certain circumstances, the Group may be obliged to dispose of a number of shares in Norilsk Nickel sufficient to enable it to repay amounts outstanding under the USD4,500 million loan dated 30 October 2008 between the Company and VEB, as described below:

- The Company's obligation to sell will be triggered if, (i) during the period starting on the first date of the Override Period and ending three months prior to the end of the Override Period, (a) the market value of the Company's 25% plus one share stake in Norilsk Nickel (the "NN Stake") exceeds the Trigger Value (as defined below) for 15 consecutive business days; or (b) the Company receives an offer from a third party in respect of a number of shares in Norilsk Nickel sufficient to enable the Company to repay the debt owned to VEB with an implied value of at least the Trigger Value for the entire NN Stake; or (ii) the Company fails to meet an event of default cumulative amount target.
- The sale obligation is suspended until 31 March 2012, if, prior to 30 November 2010, the Group repays indebtedness outstanding to its international lenders in an amount at least equal to USD1.4 billion using cashflow, proceeds from any new equity raising (including proceeds of the Global Offering), proceeds from any disposal of any shares in Norilsk Nickel (at the Company's sole discretion) and proceeds from any disposal of any non-core assets (meaning assets not involved in the Group's primary business of aluminium or alumina production and any assets of the former SUAL group other than Irkutsk aluminium smelter assets). If prior to 31 March 2012 the Group repays indebtedness outstanding to its international lenders in an amount at least equal to USD3.0 billion the sale obligation will cease to apply.
- The sale obligation will no longer be suspended if a material event of default occurs under the International Override Agreement, i.e., a payment default, a default under the debt reduction covenant or failure to meet any conditions subsequent to the International Override Agreement.

26 Loans and borrowings *(Continued)*

(b) Debt restructuring *(Continued)*

Disposal and Equity Injection Undertakings, Debt Repayment Targets (Continued)

- "Trigger Value" means USD7.5 billion plus the aggregate amount of principal (including capitalised interest) which has been repaid to the Group's international lenders prior to commencement of the sale process as a result of any new equity raisings (including proceeds of the Global Offering), operation of the cashflow sweep mechanism and disposal of any non-core assets (including any shares in Norilsk Nickel). The question whether or not the sale obligation has been triggered at any time during any suspension period will be determined by reference to the Trigger Value as at the end of the suspension period.
- If the obligation to sell is triggered as described in the first bullet above, the Company will have up to 12 months following the date when the obligation was triggered, but no less than six months following the end of the suspension period to sell the NN Stake ("first mandatory sale period"). If the suspension period has terminated following an occurrence of a material event of default, the first mandatory sale period will be reduced to three months after the later of (a) the date when the obligation to sell is triggered in accordance with the first bullet above and (b) the end of the suspension period.
- During the first mandatory sale period, a prescribed auction process will be arranged by the mandate banks. There will be no obligation to sell the shares in Norilsk Nickel during the first mandatory sale period if the Company is unable to realise net proceeds at least equal to the Trigger Value (or its pro rata share if less than the entire NN Stake is to be sold).
- If the obligation to sell is triggered as described in the first bullet above or if the sale does not occur during the first mandatory sale period and the sale obligation continues to apply, a second mandatory sale period of three months will commence, during which the price may be any amount resulting in net proceeds sufficient to repay the debt to VEB. During the second mandatory sale period a prescribed auction process will be arranged by the mandate banks. A sale during the second mandatory sale period could result in a material loss for the Group.
- The Company has the option, at any time after the obligation to sell is triggered, of avoiding a sale of the NN Stake by (i) raising equity or subordinated debt sufficient to repay the debt to VEB in full or (ii) repaying the international debt in an amount (the "Required Amount") necessary to ensure that the outstanding amount under the international facilities is reduced (x) to no more than 50% of the amount outstanding as at the start of the Override Period or (y) if less than the Required Amount, by USD4 billion. In addition, the Company may avoid the obligation to sell the NN Stake to the winner of the auction by selling it instead to a third party on arm's length terms.

To secure its ability to refinance the VEB loan, should it not be extended beyond 29 October 2010, as is currently anticipated the Group, has obtained an irrevocable and unconditional letter from Sberbank which allows the Group to extend the maturity of the existing VEB loan to 7 December 2013 from the original repayment date by notifying Sberbank in writing during the period from 1 August to 1 September of each year from 2010 to 2013, inclusive. Commission of 2.00% of the outstanding principal amount and any other outstanding as of the date of the refinancing is payable to Sberbank by the Group as follows: a) USD22.5 million by 31 December 2009, b) 1/4 (one quarter) of the commission annually by 31 December of the years 2010, 2011 and 2012, provided that no refinancing occurred in such year or any previous year and c) the amount of the commission to be reduced by amounts paid in a) and b) once the refinancing has occured. The Group has also received an unconditional and irrevocable letter from its current shareholders to ensure the timely and full payment of the commission when it falls due should the Group be unable to secure necessary approvals from its lenders in time. According to the terms of the letter with Sberbank the Group has classified the amount of the VEB loan as long-term in these consolidated financial statements.

26 Loans and borrowings *(Continued)*

(b) Debt restructuring *(Continued)*

Additional Security

In addition to the security provided under its existing loan facilities, the Group has provided or agreed to provide additional security to the international lenders over the following:

- 25% of the shares in the Bratsk and Krasnoyarsk aluminium smelters plus, on a secondary ranking basis, one share in each of them (following the release of security over the debt to VEB, security over one share shall be provided on a primary ranking basis);
- 39% less one share in each of the Novokuznetsk aluminium smelters, SUAL and Achinsk Alumina Refinery and 27.15% in Sayanogorsk aluminium smelter, provided that the percentage of shares subject to pledge in each of those entities will be reduced to 25% plus one share once the Group repays indebtedness outstanding to its international lenders in an amount at least equal to USD1.4 billion using cashflow, proceeds from any new equity raising (including proceeds of the Global Offering, refer to note 35) and proceeds from disposal of non-core assets (including shares in Norilsk Nickel);
- receivables under certain offtake, export and tolling contracts and certain intra-group loans subject to certain exceptions;
- 100% of the shares or interest in certain non-Russian operating companies or their holding companies;
- security over fixed assets of the Russian aluminium smelters and Achinsk Alumina Refinery split between international lenders and Russian lenders according to pre-agreed percentages, where the international lenders' share in the aluminium smelters' assets does not exceed 10% of the assets of the relevant entity and fixed assets of Bratsk and Krasnoyarsk aluminium smelters are subject to security in favour of the international lenders only; and
- security over aluminium owned by the Russian aluminium smelters and group trading companies.

Following the repayment of the loan to VEB, the Company will be obliged to provide security over any shares in Norilsk Nickel that the Group then continues to hold in favour of the international lenders (the Company is also obliged to provide security over certain assets it controls following the unwinding of the derivative financial instrument relating to the shares in Norilsk Nickel). In addition, as a condition of the restructuring of the guarantee of the BEMO Loan, the Company has provided security over shares in its intermediary holding companies controlling the Group's interest in the Boguchansk project and has agreed to provide, subject to RusHydro's consent, security over its interest in the BEMO Project (including at the operating companies' level).

Dividends

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

26 Loans and borrowings *(Continued)*

(b) Debt restructuring *(Continued)*

Warrants

Warrants will be automatically converted into the Company's shares for no more than their nominal value on the date of the Global Offering (refer to note 35). International lenders may require the Company to settle the Fee Warrants (issued on the first day of the Override Period) in cash in lieu of shares at a price per share equal to the offering price less commissions, fees and expenses relating to the Global Offering. Otherwise, shares into which warrants are converted following the Global Offering will be subject to a lock-up of 180 days following the date of completion of the Global Offering (or such shorter lock-up period as may apply to the Company's shareholders). The Fee Warrants for which the lenders elected the cash settlement option have been settled in cash in the amount of USD153 million subsequent to the reporting date.

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

Events of Default

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

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

Conditions subsequent

At the date of the issuance of these consolidated financial statements the Group has complied with all conditions subsequent set out in the International Override Agreement.

Amongst the conditions subsequent are (i) the Company's best endeavours to ensure that the security is granted over all of the shares in Compagnie des Bauxites de Kindia (Guinea) by 7 March 2010, and (ii) the Company's reasonable endeavours to have the security over Alscon Receivables to be approved by 15 February 2010 and continuance of such endeavors in case of non-receipt of the approval.

On 15 February 2010 and 24 February 2010 the Company delivered to the international lenders the letters describing the Company's best/reasonable endeavours, respectively, used in both cases by the stipulated dead-lines, and the status of the security at issue. No objections have been made by the international lenders. On 1 April 2010 the Company has also delivered to the international lenders its request to release the Company from the obligation to continue using its best/reasonable endeavours, respectively, and before the international lenders' written confirmation has been received by the Company, the Company will continue to use its best/reasonable endeavours, respectively.

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

26 Loans and borrowings *(Continued)*

(c) Available facilities

Bank facilities available but not yet utilised amounted to USD nil and USD458 million at 31 December 2009 and 31 December 2008, respectively.

The Company

	31 December 2009 USD million	31 December 2008 USD million
Non-current liabilities		
Secured bank loans	8,275	—
Unsecured company loans	584	—
	8,859	—
Current liabilities		
Secured bank loans	1,560	9,663
Unsecured bank loans	—	949
Unsecured company loans	216	—
Unsecured loans from related parties	30	1
Accrued interest	148	75
	1,954	10,688

Terms and debt repayment schedule as at 31 December 2009

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

26 Loans and borrowings *(Continued)*

(c) Available facilities *(Continued)*

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

– the NN Stake

– 100% shares of Gershvin Investments Corp Limited

– 25% of RUSAL Bratsk

– 25% of RUSAL Krasnoyarsk.

In accordance with the International Override Agreement the loans are secured by pledges of shares of the Group's subsidiaries as described above.

Terms and debt repayment schedule as at 31 December 2008

	TOTAL USD million	Within 1 year USD million
Secured bank loans		
USD – fixed at 8.49%	4,500	4,500
USD - from Libor + 1.5% and less	5,064	5,064
USD - from Libor + 1.6% to 2.5%	99	99
Unsecured bank loans		
USD - from Libor + 1.5% and less	724	724
USD - from Libor + 1.6% to 2.5%	225	225
Unsecured loans from related parties		
Interest free	1	1
Accrued interest		
Accrued interest	75	75
	10,688	10,688

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

– 25%+1 share of the NN Stake

– 100% shares of Gershvin Investments Corp Limited

– 25% of RUSAL Bratsk

– 25% of RUSAL Krasnoyarsk.

27 Provisions

USD million	Pension liabilities	Site restoration	Provisions for legal claims	Tax provisions	Total
Balance at 1 January 2008	184	276	14	77	551
Provisions made during the year	16	—	50	1	67
Actuarial losses	25	—	—	—	25
Provisions utilised during the year	(23)	(6)	—	(15)	(44)
Foreign currency translation	(18)	(19)	—	—	(37)
Balance at 31 December 2008	184	251	64	63	562
Balance at 1 January 2009	184	251	64	63	562
(Reversal of provisions)/provisions made during the year	4	80	(5)	13	92
Actuarial gains	(29)	—	—	—	(29)
Provisions utilised during the year	(18)	(18)	—	—	(36)
Foreign currency translation	(3)	—	—	—	(3)
Balance at 31 December 2009	138	313	59	76	586
Non-current	120	265	—	—	385
Current	18	48	59	76	201
	138	313	59	76	586

(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 2008 and 2009 was 69,189 and 57,659, respectively. The number of pensioners as at 31 December 2008 and 2009 was 32,995 and 32,010, respectively.

27 Provisions *(Continued)*

(a) Pension liabilities *(Continued)*

Group subsidiaries outside the Russian Federation and Ukraine

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

In Jamaica the Company owns 65% of Alumina Partners of Jamaica (Alpart) and 93% of Windalco. During the year 2009, production at Alpart was halted and all employees were made redundant. From 1 June 2009 onwards, all contributions to the pension Trust were halted. The pension Trust is being wound-up. In the winding-up, it is most likely Alpart will receive a share of the surplus that remains when all benefits have been settled. For accounting purposes, both assets and liabilities have been set to equal zero as per the valuation date. Any surplus distributions to the employer will be recognised if and when information on the size of such a surplus allocation could not be reliably measured. At Windalco no major changes have taken place and Windalco continues to provide its 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 2009 USD million	31 December 2008 USD million
Current service cost	9	18
Past service costs recognised during the year	(13)	3
Interest cost	29	32
Actuarial expected return on plan assets	(16)	(24)
Acquisitions/divestments	(6)	—
Net expense recognised in the statement of income	3	29

27 Provisions *(Continued)*

(a) Pension liabilities *(Continued)*

Group subsidiaries outside the Russian Federation and Ukraine *(Continued)*

The reconciliations of the present value of the defined benefit obligation to the liabilities recognised in the consolidated balance sheet is as follows:

	31 December 2009 USD million	31 December 2008 USD million
Present value of defined benefit obligations	315	362
Fair value of plan assets	(189)	(191)
Present value of obligations	126	171
Unrecognised past service cost	(9)	(12)
Assets not recognised	21	25
Net liability in the statement of financial position	138	184

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

	31 December 2009 USD million	31 December 2008 USD million
Net liability at beginning of the year	184	184
Net expense recognised in the statement of income	3	29
Contributions paid into the plan by the employers	(18)	(23)
Actuarial (gains)/losses charged directly to equity	(36)	22
Currency exchange gains charged to the statement of income	—	(13)
Foreign currency translation	(2)	(18)
Changes in assets not recognised charged to the statement of comprehensive income*	7	3
Net liability at end of the year	138	184

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

	31 December 2009 USD million	31 December 2008 USD million
Present value of defined benefit obligations at beginning of the year	362	459
Service cost	9	18
Interest cost	29	32
Actuarial gains	(18)	(63)
Currency exchange gains	(5)	(41)
Past service cost	(13)	(7)
Contributions by employees	4	5
Benefits paid	(19)	(23)
Translation difference	(2)	(18)
Settlement and curtailment gain	(32)	—
Present value of defined benefit obligations at the end of the year	315	362

27 Provisions *(Continued)*

(a) Pension liabilities *(Continued)*

Group subsidiaries outside the Russian Federation and Ukraine *(Continued)*

Movement in fair value of plan assets:

	31 December 2009 USD million	31 December 2008 USD million
Fair value of plan assets at the beginning of the year	191	275
Actuarial expected return on plan assets	16	24
Contributions paid into the plans by the employers	18	23
Contributions paid into the plans by the employees	4	5
Benefits paid by the plan	(19)	(23)
Settlements	(34)	—
Actuarial gains/(losses)	18	(85)
Currency exchange losses	(5)	(28)
Present value of defined benefit obligations at the end of the year	189	191

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

	Year ended 31 December 2009 USD million	Year ended 31 December 2008 USD million
Cumulative amount at beginning of the year	(4)	21
Recognised during the year	29	(25)
Cumulative amount at end of the year	25	(4)

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

	31 December 2009 % per annum	31 December 2008 % per annum
Discount rate (weighted average)	8.7	9.3
Expected return on plan assets (weighted average)	8.8	10.1
Future salary increases (weighted average)	6.7	7.4
Future pension increases (weighted average)	2.5	2.4
Medical claims growth (weighted average)	15.0	15.0
Staff turnover (weighted average)	3.0	3.0

27 Provisions *(Continued)*

(a) Pension liabilities *(Continued)*

Group subsidiaries outside the Russian Federation and Ukraine *(Continued)*

At 31 December 2009 the fair value of plan assets comprised of investments in different asset categories as follows:

Asset class	USD million	%
Equity	87	46
Fixed income	72	38
Real estate	8	4
Cash equivalents	16	8
Other	6	3
Total plan assets	189	100

At 31 December 2009 the effects of an increase of one percentage point and a decrease of one percentage point in the assumed medical cost trend rates are as follows:

	USD million	
Item of which the effect is measured	Increased by 1%	Decreased by 1%
The aggregate of the current service cost and interest cost components of net periodic post-employment medical cost	1	(1)
The accumulated post-employment benefit obligation for medical costs	3	(2)

The Group expects USD18 million to be paid to the defined benefit retirement plans during the 12 month period beginning on 1 January 2010.

Actuarial valuation of pension liabilities

The latest actuarial valuation of the Group and the portion of Group funds specifically designated for the Group's employees were completed by a qualified actuary, Ir. Robert van Leeuwen AAG, as at 31 December 2009, 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 2008	31 December 2009
Discount rate	9.3%	8.7%
Expected return on assets	10.1%	8.8%
Salary growth	7.4%	6.7%
Pension growth	2.4%	2.5%
Medical claims growth	15.0%	15.0%
Staff turnover	3.0%	3.0%
Mortality	USSR population table for 1985, Ukrainian population table for 2000, GAM94	USSR population table for 1985, Ukrainian population table for 2000, GAM94
Disability	70% of Munich Re for Russia; 40% of death probability for Ukraine	70% of Munich Re for Russia; 40% of death probability for Ukraine

27 Provisions *(Continued)*

(a) Pension liabilities *(Continued)*

Actuarial valuation of pension liabilities *(Continued)*

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

USD '000 (rounded)	31 December 2008	31 December 2009
Present value of defined benefit obligations (DBO)	361,817	314,853
Fair value of plan assets	190,798	188,853
(Surplus)/deficit in plan	171,019	126,000

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

(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 2009	31 December 2008
Timing of cash outflows	2010: USD48 million	2009: USD33 million
	2011-2016: USD144 million	2010-2016: USD132 million
	2017-2027: USD63 million	2017-2027: USD69 million
	2028-2095: USD729 million	2028-2095: USD707 million
Risk free discount rate before adjusting for inflation	2.3%	6.7%

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

(c) Provisions for legal claims

At 31 December 2009, several suppliers of the Group have filed claims contesting breaches of contract terms and non-payment of existing obligations. Management has reviewed the circumstances and estimated that amount of probable outflow related to these claims should not exceed USD59 million (31 December 2008: USD64 million). The amount of claims, where management assesses outflow as possible approximates USD32 million (31 December 2008: USD137 million). In addition, several suppliers of the Group obtained orders in the U.S. Federal Court to freeze the movement of funds passing to or from the Group's major trader, RTI Limited, through New York banks in support of arbitration which was commenced against the Group. At the time of issuance of these consolidated financial statements the orders outstanding amounted to USD2 million (31 December 2008: USD53 million).

At each reporting date the Directors have assessed the provisions for litigation and claims and concluded that the provisions and disclosures are adequate.

27 Provisions *(Continued)*

(d) Tax provisions

As at 31 December 2009, management of the Group assessed certain tax claims with high probability of outflow and increased the provision by USD13 million. During the year ended 31 December 2008, certain claims from tax authorities in the amount of USD15 million were successfully defended by the Group, resulting in the release of the related provision during the year.

At each reporting date the Directors have assessed the provisions for taxation and concluded that the provisions and disclosures are adequate.

28 Trade and other payables

	31 December 2009 USD million	31 December 2008 USD million
Accounts payable to third parties	717	798
Accounts payable to related parties, including:	203	201
Related parties – companies capable of exerting significant influence	76	87
Related parties – companies under common control	115	113
Related parties – associates	12	1
Advances received	168	156
Advances received from related parties, including:	485	157
Related parties – companies capable of exerting significant influence	429	55
Related parties – companies under common control	55	98
Related parties – associates	1	4
Other payables and accrued liabilities	189	158
Other payable and accrued liabilities related parties, including:	47	16
Related parties – companies capable of exerting significant influence	31	—
Related parties – companies under common control	12	—
Related parties – associates	4	16
Other taxes payable	98	129
Non-trade payables to third parties	4	3
	1,911	1,618

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 2009 USD million	31 December 2008 USD million
Due within twelve months or on demand	920	999

The Company

	31 December	
	2009 USD million	2008 USD million
Trade and other payables	1,159	115

29 Financial risk management and fair values

(a) Fair values

Management believes that, except as set out in the paragraph below, the fair values of financial assets and liabilities approximate their carrying amounts.

As set out in note 32 the Group has loans and amounts due from/to related parties. It is not practical to estimate the fair value of the amounts due from/to the related parties due to the nature of these instruments.

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

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

Long-term loans and borrowings, other non-current liabilities: the fair values of other non-current liabilities are based on the present value of the anticipated cash flows and approximate carrying value.

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

(b) Financial risk management objectives and policies

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

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

The Board 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 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.

29 Financial risk management and fair values *(Continued)*

(c) Market risk

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

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

(i) Commodity price risk

Electricity contracts

In November 2009 the Group entered into long-term electricity contracts for 9 to 11 years for electricity and power supply with related parties controlled by the immediate parent company of the Group. 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 following price formula is applicable to the contract concluded by RUSAL Krasnoyarsk:

T = T(basic) + (0.7* LME(delta)*T(delta)/(LME(delta) + T(delta)*E/V)),

where T is a tariff to be applied to the electricity volumes delivered under the contract. T is calculated in USD and RUR and then each tariff is applied to 50% of electricity volumes and is subject to a floor each year as follows:

Contract floor	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Kopecks/kWh	11.32	11.90	12.46	12.99	13.54	14.11	14.71	15.34	15.99	16.67	17.38
Cent/kWh	0.42	0.44	0.46	0.48	0.50	0.52	0.54	0.57	0.59	0.62	0.64

The floor is adjusted upwards for any year when the actual cost of production was below the floor level.

- T(basic) is set at the inception of the contract at 11.012 kopecks/kWh and 0.367 cent/kWh (for calculations in RUR and USD, respectively).
- LME(delta) is the maximum of Nil and the difference between the average London Metal Exchange price for aluminium in the preceding quarter and USD1,800/tonne and RUR54,000/per tonne (for calculations in USD and RUR). The average London Metal Exchange price for aluminium shall be translated into the RUR for the purposes of the calculation at the set exchange rate of 30 RUR for 1 USD.
- T(delta) is the minimum of 49.8 kopecks/kWh or 1.66 cent/kWh and the difference between the average weighted fixed-ratio price for electricity at the market in the preceding quarter and T(basic). The average weighted fixed-ratio price for electricity at the market shall be translated into USD for the purposes of the calculation at the set exchange rate of 30 RUR for 1 USD.
- E/V is a set ratio of 16,700kWh required to 1 tonne of aluminium.

29 Financial risk management and fair values *(Continued)*

(c) Market risk *(Continued)*

(i) Commodity price risk *(Continued)*

Electricity contracts (Continued)

The following price formula is applicable to the contracts concluded by RUSAL Bratsk and Irkutsk Aluminium Smelter:

T = T(basic) + 0.035* max(0; LME(delta)),

where T is a tariff in kopeks/kWh to be applied to the electricity volumes delivered under the contract.

- T(basic) is based on the cost of production of the electricity supplier marked up at 12.5% and has a floor of 15.57 kopecks/kWh and a ceiling of 34.89 kopecks/kWh and 43.30 kopecks/kWh for RUSAL Bratsk and Irkutsk aluminium smelter respectively. T(basic) floor and ceiling are indexed every year for the consumer price index.

LME(delta) is the difference between the average LME price for aluminium in the preceding quarter and a set strike price as follows:

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

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

The fair value of the embedded derivative contained within the long-term contract with RUSAL Krasnoyarsk was valued using a Monte Carlo simulation model. The model simulated both, aluminium prices and electricity tariffs, on a quarterly basis using a Geometric Brownian motion model.

The fair value of the embedded derivative contained within the long-term contracts with RUSAL Bratsk and Irkutsk aluminium smelter was valued using a Black Scholes model.

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

LME aluminium price at inception of the contracts	USD1,908/tonne
LME aluminium price at 31 December 2009	USD2,170/tonne
Historical aluminium price annual volatility	19.4% to 33.4%
Annual growth rate for aluminium price forward contracts	3.4%
Electricity tariff at inception of the contracts	45.24 kopeks/kWh
Electricity tariff price at 31 December 2009	49.05 kopeks/kWh
Estimated electricity price annual volatility	60%
Annual growth rate for electricity tariffs	9.5%
Risk-free rate, adjusted for currency risk premium of 1.84%	2.1% to 5.2%

29 Financial risk management and fair values *(Continued)*

(c) Market risk *(Continued)*

(i) Commodity price risk *(Continued)*

Electricity contracts (Continued)

In addition, the fair value of embedded derivates estimated using the Black Scholes model was discounted starting from 2012 by 2.5% increasing gradually to 20% in 2018 to compensate for the tendency of the model to overestimate the value for periods of time over 2 years.

The estimates of the fair value of the embedded derivatives are particularly sensitive to changes in the LME aluminium price. A change in the current aluminium price by USD100/tonne would result in a change in fair value estimates by approximately USD 190 million.

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

31 December 2009	Notional electricity volumes KWh million	Derivative financial liability USD million
2010	30,920	60
2011	44,418	61
2012	45,894	65
2013	45,898	63
2014 and thereafter	269,701	321
	436,831	570

Management concluded based on the estimates and assumptions contained in the contracts and presented above that at 31 December 2009 the contracts taken as a whole are beneficial to the Group and the embedded derivative liability is more than offset by the difference between expected market electricity tariffs and T(basic) as defined above. However these positive values were not recognised in these financial statements as the host contracts represent non-financial contracts out of the scope of IAS 39 as they qualify for the "own use" exemption. The contractual commitments to acquire electricity under the contracts have been disclosed in note 30 to the consolidated financial statements and were measured excluding the embedded derivative price adjustment.

Other commodity derivatives

From time to time the Group enters into forward sales and purchase contracts for a portion of its anticipated primary aluminium sales and purchases to reduce the risk of fluctuating prices on these sales. During the year ended 31 December 2009 and 31 December 2008 the Group recognised USD nil and a gain of USD29 million, respectively in respect of such forward sales and purchase contracts.

The fair value of derivative contracts outstanding at 31 December 2009 and 31 December 2008 respectively was a net asset of USD1 million and USD6 million, respectively.

29 Financial risk management and fair values *(Continued)*

(c) Market risk *(Continued)*

(ii) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates (refer to note 26). The Group's policy is to manage its interest cost by monitoring changes in interest rates with respect to its borrowings.

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

The Group

	31 December 2009		31 December 2008	
	Effective interest rate %	USD million	Effective interest rate %	USD million
Fixed rate loans and borrowings				
Loans and borrowings	8%-10.25%	5,878	4.41%-15.5%	6,537
Deferred consideration	—	—	5%-10%	2,700
		5,878		9,237
Variable rate loans and borrowings				
Loans and borrowings	2.27%-13.58%	7,839	3.12%-9.06%	7,341
		7,839		7,341
		13,717		16,578

The Company

	31 December 2009		31 December 2008	
	Effective interest rate %	USD million	Effective interest rate %	USD million
Fixed rate loans and borrowings				
Loans and borrowings	0%-8.49%	4,526	0%-8.49%	4,501
Deferred consideration	—	—	5%-10%	2,700
		4,526		7,201
Variable rate loans and borrowings				
Loans and borrowings	7.67%	6,139	3.61%-4.91%	6,112
		6,139		6,112
		10,665		13,313

29 Financial risk management and fair values *(Continued)*

(c) Market risk *(Continued)*

(ii) Interest rate risk *(Continued)*

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

The Group

	Increase/ decrease in basis points	Effect on profit/(loss) before taxation and equity for the year USD million
As at 31 December 2009		
Basis percentage points	+10	(8)
Basis percentage points	-10	8
As at 31 December 2008		
Basis percentage points	+45	(33)
Basis percentage points	-45	33

(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 RUR, Ukrainian Hryvna and EUR. The currencies in which these transactions primarily are denominated are RUR, USD and EUR.

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

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

29 Financial risk management and fair values *(Continued)*

(c) Market risk *(Continued)*

(iii) Foreign currency risk *(Continued)*

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.

At 31 December	USD-denominated vs. RUR functional currency		RUR-denominated vs. USD functional currency		EUR-denominated vs. USD functional currency		Denominated in other currencies vs. USD functional currency	
	2009 USD million	2008 USD million	2009 USD million	2008 USD million	2009 USD million	2008 USD million	2009 USD million	2008 USD million
Non-current assets	—		40	9	—	—	3	—
Trade and other receivables	—		321	477	102	93	111	100
Cash and cash equivalents	—	35	22	173	3	7	4	4
Loans and borrowings	(719)	(807)	(492)	(542)	(219)	(36)	—	—
Provisions	—	—	(172)	(129)	(34)	(91)	(30)	(22)
Derivative financial liabilities	—	—	(404)	—	—	—	—	—
Non-current liabilities	—	(5)	—	(7)	—	—	—	—
Income taxation	—	—	(5)	(12)	(2)	(30)	(33)	(1)
Trade and other payables	(36)	—	(308)	(391)	(87)	(87)	(55)	(39)
Net exposure arising from recognised assets and liabilities	(755)	(777)	(998)	(422)	(237)	(144)	—	42

29 Financial risk management and fair values *(Continued)*

(c) Market risk *(Continued)*

(iii) Foreign currency risk *(Continued)*

Foreign currency sensitivity analysis-increase/(decrease) in profit/(loss) before taxation

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

	Year ended 31 December	
	Increase/ (decrease) in exchange rates	2009 USD million
USD vs RUR	(8%)	20
USD vs EUR	5%	(12)
USD vs other currencies	(5%)	—
Effect on profit/(loss) before taxation		8

	Year ended 31 December	
	Increase/ (decrease) in exchange rates	2008 USD million
USD vs RUR	(8%)	(29)
USD vs EUR	5%	(7)
USD vs other currencies	(5%)	(2)
Effect on profit/(loss) before taxation		(38)

Results of the analysis as presented in the above tables represent an aggregation of the instantaneous effects on the Group entities' profit/(loss) after taxation measured in the respective functional currencies, translated into USD at the exchange rates ruling at the reporting date for presentation purposes.

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

The Group also used forwards and swaps to mitigate its exposure to changes in foreign exchange rates. During the year ended 31 December 2008 the Group recognised a net loss of USD6 million on settlements of these contracts. In 2009 the Group did not enter into such contracts.

29 Financial risk management and fair values *(Continued)*

(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. Following significant financial difficulties resulting from a number of factors described in note 2(d) the Group has restructured its outstanding debt to restore its liquidity profile and secure ongoing operations.

The following tables show the remaining contractual maturities at the balance sheet 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 balance sheet date) and the earliest the Group can be required to pay, without taking into consideration the changes to the repayment terms as a result of the debt restructuring in December 2009 as further described in note 26.

The Group

	31 December 2009 Contractual undiscounted cash outflow					
	Within 1 year or on demand USD million	More than 1 year but less than 2 years USD million	More than 2 years but less than 5 years USD million	More than 5 years USD million	TOTAL USD million	Balance sheet carrying amount USD million
Trade and other payables to third parties	1,078	—	—	—	1,078	1,078
Trade and other payables to related parties	735	—	—	—	735	735
Derivative financial liabilities	60	61	190	259	570	570
Loans and borrowings	3,806	1,674	12,539	—	18,019	13,869
	5,679	1,735	12,729	259	20,402	16,252
Financial guarantees issued:						
Maximum amount guaranteed	260	—	—	—	260	—

	31 December 2008 Contractual undiscounted cash outflow					
	Within 1 year or on demand USD million	More than 1 year but less than 2 years USD million	More than 2 years but less than 5 years USD million	More than 5 years USD million	TOTAL USD million	Balance sheet carrying amount USD million
Trade and other payables to third parties	1,115	—	—	—	1,115	1,115
Trade and other payables to related parties	374	—	—	—	374	374
Loans and borrowings	13,971	—	—	—	13,971	13,971
Deferred consideration	2,782	—	—	—	2,782	2,782
	18,242	—	—	—	18,242	18,242
Financial guarantees issued:						
Maximum amount guaranteed	260	—	—	—	260	—

29 Financial risk management and fair values *(Continued)*

(d) Liquidity risk *(Continued)*

The Company

	31 December 2009					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand USD million	More than 1 year but less than 2 years USD million	More than 2 years but less than 5 years USD million	More than 5 years USD million	TOTAL USD million	Balance sheet carrying amount USD million
Trade and other payables to third parties	227	—	—	—	227	227
Trade and other payables to related parties	867	—	—	—	867	867
Loans and borrowings, including interest payable	2,751	1,147	10,190	—	14,088	10,813
	3,845	1,147	10,190	—	15,182	11,907
Financial guarantees issued: Maximum amount guaranteed	260	—	—	—	260	—

	31 December 2008					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand USD million	More than 1 year but less than 2 years USD million	More than 2 years but less than 5 years USD million	More than 5 years USD million	TOTAL USD million	Balance sheet carrying amount USD million
Trade and other payables to related parties	115	—	—	—	115	115
Loans and borrowings, including interest payable	10,709	—	—	—	10,709	10,688
Deferred consideration, including interest payable	2,782	—	—	—	2,782	2,782
	13,606	—	—	—	13,606	13,585
Financial guarantees issued: Maximum amount guaranteed	260	—	—	—	260	—

29 Financial risk management and fair values *(Continued)*

(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 leading international corporations operating in the metals industry. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Goods are normally sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables. The details of impairment of trade and other receivables are disclosed in note 23. The extent of the Group's credit exposure is represented by the aggregate balance of financial assets and financial guarantees given. Information on financial guarantees is disclosed in note 30(f).

At 31 December 2009 and 31 December 2008 respectively, the Group has certain concentration of credit risk as 9.6% and 1.7% of the total trade receivables were due from the Group's largest customer, 13.1% and 9.9% 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 30(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 monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding non-redeemable preference shares and non-controlling interests. The Board 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. Please refer to notes 2(d) and 25.

30 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 operating of BoGES and an aluminium plant, the planned main customer of the hydropower station. The parties established two joint companies with 50:50 ownership, into which the Group is committed to invest USD1,778 million by the end of 2012. As at 31 December 2009 the outstanding commitment of the Group for construction of the aluminium plant was approximately USD708 million to be committed by the end of 2014 and the outstanding commitment for the hydropower station construction was USD373 million to be committed by the end of 2012.

At the end of 2008 due to economic downturn, the parties had postponed the completion date of aluminium plant from the end of 2011 to the end of 2014.

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 2009 and 31 December 2008 respectively approximated USD599 million and USD690 million, respectively. These commitments are due over a number of years.

(b) Purchase commitments

Commitments with third parties for purchases of alumina, bauxite, other raw materials and industrial services in 2010-2016 under long-term supply agreements are estimated from USD4,477 million to USD5,019 million at 31 December 2009 (31 December 2008: USD3,684 million to USD4,408 million) depending on the actual purchase volumes and applicable prices.

Commitments with related parties for purchases of alumina, bauxite and other raw materials in 2010 under supply agreements are estimated from USD5 million to USD6 million at 31 December 2009 (31 December 2008: nil). These commitments will be settled at the market price at the date of delivery. Commitments with third parties for the purchase of the transportation services in 2010 – 2011 under long-term agreements are estimated from USD146 million to USD167 million at 31 December 2009. Commitments with related parties for purchases of transportation services in 2010 are estimated as USD14 million at 31 December 2009 (31 December 2008: nil).

The Group has committed to purchase electricity during the years 2010 through 2020 under long-term agreements with related parties. The estimated value of this commitment for each year is presented in the table below and is based on the expected 2010 T(basic) component, as defined in the note 29(c)(i), excluding impact of embedded derivatives recognised in these consolidated financial statements.

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Volumes, KWh million	30,920	44,418	45,894	45,898	46,130	46,384	46,735	46,900	46,952	18,300	18,300
Estimated value, USD million	250	360	378	378	379	381	383	384	385	67	67

30 Commitments *(Continued)*

(c) Sale commitments

Commitments with third parties for sales of alumina, bauxite and other raw materials in 2010-2014 are estimated from USD1,684 million to USD1,807 million at 31 December 2009 (31 December 2008: USD2,266 million to USD2,311 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 2010 – 2012 are estimated as USD480 million at 31 December 2009 (31 December 2008: USD150 million).

Commitments with related parties for sales of primary aluminium in 2010-2016 are estimated to range from USD3,292 million to USD4,296 million at 31 December 2009 (31 December 2008: USD4,374 million to USD5,347 million). Commitments with third parties for sales of primary aluminium in 2010-2016 are estimated to range from USD3,338 million to USD4,080 million at 31 December 2009 (31 December 2008: USD2,328 million to USD5,820 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 2009 USD million	31 December 2008 USD million
Less than one year	5	8
Between one and five years	22	24
	27	32

(e) Social commitments

The Group contributes to the maintenance and upkeep of the local infrastructure and the welfare of its employees, including contributions toward the development and maintenance of housing, hospitals, transport services, recreation and other social needs of the regions of the Russian Federation where the Group's production entities are located. The funding of such assistance is periodically determined by management and is appropriately capitalised or expensed as incurred.

(f) Guarantees

The Group is a guarantor of indebtedness of several non-Group controlling shareholder related entities. At 31 December 2009 the Group, either directly or indirectly, has guaranteed promissory notes payable of USD38 million (31 December 2008: USD42 million).

In addition, at 31 December 2009, the Group guaranteed indebtedness of the joint business between UC RUSAL and RusHydro related to the Boguchansk project (refer to note 18) in an amount of USD260 million (31 December 2008: USD260 million). No amount has been accrued in the consolidated financial statements for the Group's obligation under these guarantees as the projected economic outflows from such guarantees are considered to be immaterial.

31 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 8), 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 the year ended 31 December 2009 and 31 December 2008 respectively is USD439 million and USD588 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.

31 Contingencies *(Continued)*

(b) Environmental contingencies

The Group and its predecessor entities have operated in the Russian Federation, Ukraine, Jamaica, Guyana, the Republic of Guinea and the European Union for many years and certain environmental problems have developed. Governmental authorities are continually considering environmental regulations and their enforcement and the Group periodically evaluates its obligations related thereto. As obligations are determined, they are recognised immediately. The outcome of environmental liabilities under proposed or any future legislation, or as a result of stricter enforcement of existing legislation, cannot reasonably be estimated. Under current levels of enforcement of existing legislation, management believes there are no possible liabilities, which will have a material adverse effect on the financial position or the operating results of the Group. However, the Group anticipates undertaking significant capital projects to improve its future environmental performance and to bring it into full compliance with current legislation.

(c) Legal contingencies

The Group's business activities expose it to a variety of lawsuits and claims which are monitored, assessed and contested on the ongoing basis. Where management believes that a lawsuit or another claim would result in the outflow of the economic benefits for the Group, a best estimate of such outflow is included in provisions in the consolidated financial statements (see note 27(c)).

In May 2009, the Government of the Republic of Guinea filed a claim against one of the Group's subsidiaries of USD1,000 million contesting the terms of privatisation of the Group's subsidiaries in Guinea. Subsequent to the reporting date, the Group received a decision from the Appeal Court of Conakry overruling the previous court's decision regarding the jurisdiction of 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 against Mr. Deripaska, the controlling shareholder of En+ Group Limited. 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 RA, an entity that the claim does not formally identify, but which may be RUSAL, 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. 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. 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.

31 Contingencies *(Continued)*

(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.

32 Related party transactions

The Group's parent company is EN+ which holds 53.35% of the Company's shares with Onexim, SUAL Partners and Amokenga Holdings holding 19.16%, 17.79% and 9.7 % of the Company's shares, respectively.

(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	
	2009	2008
	USD million	USD million
Salaries and bonuses	46	50
Contributions to State pension fund	—	1
	46	51

32 Related party transactions *(Continued)*

(b) Transactions with associates and joint ventures

Sales to associates are disclosed in note 5, trade receivables from associates are disclosed in note 23 and accounts payable to associates are disclosed in note 28.

(c) Transactions with other related parties

The Group

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

Sales to related parties for the year are disclosed in note 5, trade receivables from related parties are disclosed in note 23, cash and cash equivalents are disclosed in note 24, accounts payable to related parties are disclosed in note 28, commitments with related parties are disclosed in note 30 and other transactions with shareholders are disclosed in note 25.

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

	Year ended 31 December	
	2009	2008
	USD million	USD million
Purchases of raw materials – companies under common control	124	160
Purchases of alumina, bauxite and other raw materials – companies capable of exerting significant influence	133	1,009
Purchases of raw materials – associates	—	96
Energy costs – companies under common control	408	373
Energy costs – companies capable of exerting significant influence	140	184
Other costs – companies under common control	5	—
Other costs – companies capable of exerting significant influence	—	4
Other costs – associates	112	126
	922	1,952

32 Related party transactions *(Continued)*

(c) Transactions with other related parties *(Continued)*

The Company

	31 December 2009 USD million	31 December 2008 USD million
Investments in subsidiaries	14,687	13,533
Loans to related parties (group companies)	2,657	2,957
Trade and other receivables from related parties	15	—
Deferred consideration	—	2,782
Loans and borrowings from related parties	900	—
Trade and other payables to related parties	910	115

Loans given to group companies are unsecured, current or payable on demand and bear interest at rates ranging from 0% to Libor + 0.9%-4.5% per annum.

(d) Related parties balances

At 31 December 2009 included in non-current assets are balances of USD41 million related to companies which are related parties (31 December 2008: USD12 million).

(e) Pricing policies

Prices for transactions with related parties are determined on a case by case basis but are not necessarily at arm's length.

The Group has entered into three categories of related-party transactions: (i) those entered into on an arm's length basis, (ii) those entered into on non-arm's length terms but as part of a wider deal resulting from arms' length negotiations with unrelated third parties, and (iii) transactions unique to the Group and the counterparty.

33 Particulars of subsidiaries

As at 31 December 2009, the Company has direct and indirect interests in the following subsidiaries, which principally affected the results, assets and liabilities of the Group:

Name	Place of incorporation and operation	Date of incorporation	Particulars of issued and paid up capital	Attributable equity interest	Principal activities
Compagnie Des Bauxites De Kindia S.A.	Guinea	29 November 2000	2,000 shares of GNF 25,000 each	100.0%	Bauxite mining
Guinea Investing Company Limited, Ltd.	British Virgin Islands	16 July 1999	600 shares of USD1 each	100.0%	Bauxite mining and alumina
OJSC RUSAL Achinsk	Russian Federation	20 April 1994	4,188,531 shares of RUR1 each	100.0%	Alumina
RUSAL Mykolaev Ltd	Ukraine	16 September 2004	1,332,226 shares of UAH720 each	100.0%	Alumina
OJSC RUSAL Boxitogorsk Alumina	Russian Federation	27 October 1992	1,012,350 shares of RUR1 each	100.0%	Alumina
Eurallumina SpA	Italy	21 March 2002	10,000,000 shares of Euro1.55 each	100.0%	Alumina
OJSC RUSAL Bratsk	Russian Federation	26 November 1992	5,505,305 shares of RUR0.2 each	100.0%	Smelting
OJSC RUSAL Krasnoyarsk	Russian Federation	16 November 1992	85,478,536 shares of RUR20 each	100.0%	Smelting
OJSC RUSAL Novokuznetsk	Russian Federation	26 June 1996	53,997,170 shares of RUR0.1 each	100.0%	Smelting
OJSC RUSAL Sayanogorsk	Russian Federation	29 July 1999	59,902,661,099 shares of RUR0.068 each	100.0%	Smelting
Khakas Aluminium Smelter Ltd	Russian Federation	23 July 2003	charter fund of RUR10,077,594,515.07	100.0%	Smelting
CJSC Alucom-Taishet	Russian Federation	18 September 2000	8,804 shares of RUR 15,000 each	100.0%	Smelting
RUSAL Resal Ltd	Russian Federation	15 November 1994	charter fund of RUR27,951,217.29	100.0%	Processing
OJSC RUSAL SAYANAL	Russian Federation	29 December 2001	59,902,661,099 shares of RUR0.006 each	100.0%	Foil

33 Particulars of subsidiaries *(Continued)*

Name	Place of incorporation and operation	Date of incorporation	Particulars of issued and paid up capital	Attributable equity interest	Principal activities
CJSC RUSAL ARMENAL	Armenia	17 May 2000	3,140,700 shares of AMD1,000 each	100.0%	Foil
RUS-Engineering Ltd	Russian Federation	18 August 2005	charter fund of RUR2,026,200,136.37	100.0%	Repairs and maintenance
OJSC Russian Aluminium	Russian Federation	25 December 2000	23,124,000,000 shares of RUR1 each	100.0%	Holding company
Investment and management Ltd	Russian Federation	6 December 2002	charter fund of RUR881,939,909.75	100.0%	Management company
Rusal Global Management B.V.	Russian Federation	8 March 2001	charter fund of RUR50,000	100.0%	Management company
OJSC United Company RUSAL Trading House	Russian Federation	15 March 2000	163,660 shares of RUR100 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 CHF20,000	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 USD1 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 RUR1 each	100.0%	Alumina
OJSC Bauxite-Timana	Russian Federation	29 December 1992	44,500,000 shares of RUR10 each	80.0%	Bauxite mining
OJSC Severo-Uralsky Bauxite Mine	Russian Federation	24 October 1996	2,386,254 shares of RUR275.85 each	100.0%	Bauxite mining
OJSC SUAL	Russian Federation	26 September 1996	2,542,941,932 shares of RUR1 each	100.0%	Primary aluminum and alumina production

33 Particulars of subsidiaries *(Continued)*

Name	Place of incorporation and operation	Date of incorporation	Particulars of issued and paid up capital	Attributable equity interest	Principal activities
OJSC Zaporozhye Aluminum Combine ("ZALK")	Ukraine	30 September 1994	622,729,120 shares of RUR0.25 each	98.0%	Primary aluminum and alumina production
SUAL-PM LLC	Russian Federation	20 October 1998	charter fund of RUR56,300,959	100.0%	Aluminum powders production
CJSC Kremniy	Russian Federation	3 August 1998	320,644 shares of RUR1,000 each	100.0%	Silicon production
SUAL-Kremniy-Ural LLC	Russian Federation	1 March 1999	charter fund of RUR 8,763,098	100.0%	Silicon production
Aluminium Silicon Marketing GmbH	Switzerland	20 November 2000	1 share of CHF2,000,000	100.0%	Trading
UC RUSAL Alumina Jamaica Limited (a)	Jamaica	26 April 2001	1,000,000 shares of USD1 each	100.0%	Alumina
UC RUSAL Alumina Jamaica II Limited (b)	Jamaica	16 May 2004	200 shares of USD1 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 Euro2 each	100.0%	Alumina

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

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

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

34 Immediate and ultimate controlling party

At 31 December 2009, the directors consider the immediate parent of the Group to be EN+, which is incorporated in Jersey with its registered office at Whiteley Chambers, Don Street, St. Helier, Jersey JE4 9WG. B-Finance Limited, the ultimate parent undertaking of the Group, is incorporated in the British Virgin Islands and is ultimately controlled by a single individual, Mr. Deripaska. None of the entities produce financial statements available for public use.

35 Events subsequent to the balance sheet date

Global Offering

On 27 January 2010 the Company successfully completed a dual placing on the Stock Exchange and Euronext Paris. On completion of the placing the Company issued 1,636,363,646 new shares representing approximately 11 percent of the Company's issued and outstanding shares (the Company's 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 USD2,236 million of which USD2,143 million was used for immediate repayment of part of the Group's outstanding debts.

Issuance of bonus shares

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

36 Accounting estimates and judgements

The Group has identified the following critical accounting policies under which significant judgements, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Property, plant and equipment – recoverable amount

In accordance with the Group's accounting policies, each asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties and is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal.

Value in use is also generally determined as the present value of the estimated future cash flows, but only those expected to arise from the continued use of the asset in its present form and its eventual disposal. Present values are determined using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset. Future cash flow estimates are based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves (see 'Bauxite reserve estimates' below), operating costs, restoration and rehabilitation costs and future capital expenditure. This policy requires management to make these estimates and assumptions which are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged against the statement of income.

36 Accounting estimates and judgements *(Continued)*

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.

36 Accounting estimates and judgements *(Continued)*

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 postion 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.

36 Accounting estimates and judgements *(Continued)*

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.

36 Accounting estimates and judgements *(Continued)*

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, intangibles assets – in note 16, provisions – in note 27 and financial investments – in note 19. Other assets and liabilities acquired including provisions are evaluated in accordance with the Group's applicable accounting policies disclosed in note 3.

Going concern

As disclosed in note 2(d), the Group was in breach of a number of covenants relating to its debt agreements at 31 December 2008 and subsequently suspended servicing certain loans and borrowings. On 7 December 2009, the Group completed the restructuring negotiations with its lenders. The Directors believe that the restructuring terms will allow the Group to successfully continue its operations and repay its debts as and when they fall due. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

However, the validity of the going concern assumption is premised on future events, the outcome of which is inherently uncertain, being dependent on the Group's ability to generate cash inflows from future operations. If the repayment of the whole of Group's debt should be accelerated, for example because a relevant member of the Group is unable to comply with or satisfy any of the terms or conditions of or triggers any event of default under, the debt restructuring or other debt obligations, or if the Company should be unable to extend or refinance or repay the VEB loan or any other loan as and when it falls due, it may cease to continue as a going concern. The consolidated financial statements does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if the Group were unable to continue as a going concern.

37 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
IFRS 3 (Revised), Business combinations and amendments to IAS 27, Consolidated and separate financial statements	1 January 2010
Amendments to IAS 39, Financial instruments: Recognition and measurement - Eligible hedged items	1 January 2010
Amendment to IFRS 2, Share-based Payment – Group Cash-settled Share-based Payment Transactions	1 January 2010
Amendment to IAS 32, Financial Instruments: Presentation – Classification of Rights Issues	1 February 2010
IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
Revised IAS 24, Related Party Disclosures	1 January 2011
Improvements to IFRSs 2009	1 January 2010

Disclaimer

This Annual Report contains certain statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations, or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and include, but are not limited to, statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's business, results of operations, financial position, liquidity, prospects, growth, strategies and the bauxite, alumina and aluminium industries.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and of the actual results of the Group's operations, financial position and liquidity, and the development of the markets and the industries in which the Group operates may differ materially from the development of those same industries as described in, or suggested by, the forward-looking statements contained in this Annual Report. In addition, even if the Group's results of operations, financial position and liquidity, and the development of the markets and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Annual Report, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- materially adverse changes in economic or industry conditions generally or in the markets served by the Group;
- changes in the supply and demand for and the price of aluminium, alumina, aluminium products and other products;
- fluctuations in inflation, interest rates and exchange rates;
- the Group's ability to comply with the terms of its debt restructuring agreements;
- changes in the costs of the materials required for the Group's production of aluminium;

- changes in the Group's operating costs, including the costs of energy and transportation;
- changes in the Group's capital expenditure requirements, including those relating to the Group's potential environmental liabilities or the ability of the Group to fund its capital expenditure requirements through borrowing or otherwise;
- the Group's ability to successfully implement any of its business strategies;
- the Group's ability to obtain or extend the terms of the licences necessary for the operation of the Group's business;
- developments in, or changes to, laws, regulations, governmental policies, taxation or accounting standards or practices affecting the Group's operations;
- the Group's ability to recover its reserves or develop new resources and reserves;
- the Group's success in accurately identifying future risks to its business and managing the risks of the aforementioned factors; and
- other factors discussed in the financial statements and other sections of the Annual Report.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Annual Report reflect the Group management's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's business, results of operations, financial position, liquidity, prospects, growth, strategies and the bauxite, alumina and aluminium industries. Investors should specifically consider the factors identified in this Annual Report, which could cause actual results to differ, before making any investment decision. Subject to the requirements of the Listing Rules and except as may be required by applicable law, the Company undertakes no obligation to revise any forward-looking statements that appear in this Annual Report to reflect any change in the Company's expectations, or any events or circumstances, that may occur or arise after the date of this Annual Report.

All forward-looking statements in this Annual Report are qualified by reference to this cautionary statement.

GLOSSARY

BEMO Project, Override Period, Prospectus

"Achinsk alumina refinery" means OJSC RUSAL Achinsk, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Company.

"Adjusted EBITDA" for any period means the results from operating activities adjusted for amortisation and depreciation, impairment charges and loss on disposal of property, plant and equipment.

"aggregate attributable bauxite production" is calculated based on pro rata share of the Group's ownership in corresponding bauxite mines and mining complexes.

"Agreed Subsidiaries" means an agreed list of subsidiaries of the Company, as defined in the Shareholders' Agreement between Major Shareholders only.

"Alpart" means Alumina Partners of Jamaica, in which the Company indirectly holds a 65% interest.

"Aluminium C1 cash cost" means the aluminium cash cost as defined by Brook Hunt, comprising the following elements:

(a) Alumina costs

Brook Hunt's basic analysis uses 3rd party purchase prices for alumina. The exception is for some physically integrated smelters with commonality of ownership between refinery and smelter. In these instances alumina is transferred on a C2 basis plus freight charges*.

(b) Energy costs

The power consumption per tonne of aluminium (MWH/t) figures are based on the total plant consumption and metal production ex casthouse

(c) Labour costs

Labour costs include direct employment costs as well as on-costs (pension, housing allowance etc.) for both salaried and waged employees directly employed by the company. They therefore represent the total cost to the Company of an employee. Subcontractor or employees/costs are specifically excluded from this category and are included in services/other costs. Brook Hunt also excludes employees at the casthouse and others engaged post ingot.

Labour costs = average number of employees x average cost of employment

(d) Other costs comprising:

(i) consumables

(ii) repair and maintenance materials

(iii) services/other

* Operating costs (C2) comprise cash costs (C1) plus depreciation (physical assets are amortised on a straight-line basis over 20 years)

"AMF" means the French Autorité des marchés financiers.

"Amokenga Holdings" means Amokenga Holdings Limited, a company incorporated in Bermuda and which is a wholly owned subsidiary of Glencore and a shareholder of the Company.

"Articles of Association" means the articles of association of the Company conditionally adopted on 24 November 2009, and effective on the Listing Date.

"Aughinish alumina refinery" means Aughinish Alumina Limited, a company incorporated in Ireland, which is a wholly owned subsidiary of the Company.

"BEMO Loan" means the USD520 million facility agreement dated 15 March 2007 (as amended on 17 August 2007) and made between, among others, Boguchansk as the company and Barclays Bank PLC as facility agent.

"BEMO" means the companies comprising Boguchanskoye Energy and Metals Complex.

"BEMO HPP" means the Boguchanskaya hydro power plant.

"BEMO Project" means the Boguchanskoye Energy & Metals project involving the construction of the BEMO HPP and the Boguchansky aluminium smelter as described in pages 23 and 180 of this Annual Report.

"Board" means the board of Directors of the Company.

"Bogoslovsk aluminium smelter" or "Bogoslovsk Alumina Refinery" means Bogoslovsk aluminium smelter, a branch of OJSC SUAL.

"Boguchansky aluminium smelter"or "BoAZ" means the aluminium smelter project involving the construction of a 588 kilotonnes per year greenfield aluminium smelter on a 230 hectare site, located approximately 8 km to the south-east of the settlement of Tayozhny in the Krasnoyarsk region, and approximately 160 km (212 km by road) from the BEMO HPP, as described in pages 23 and 180 of this Annual Report.

"Bratsk aluminium smelter" means OJSC RUSAL Bratsk, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Company.

"Boksitogovsk alumina refinery" or "BGZ" means OJSC RUSAL Boksitogovsk, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Group.

"Cash Operating Cost" is a key operating metric of the Group. The following specific parameters are used in the Group's management accounting:

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

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

"CEAC" means the Central European Aluminium Company.

"CG Code" means the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

"CEO" or "Chief Executive Officer" means the chief executive officer of the Company.

"Chairman" or "Chairman of the Board" means the chairman of the Board.

"CIS" means the Commonwealth of Independent States.

"Company" or "UC RUSAL" means United Company RUSAL PLC.

"Connected transaction(s)" has the meaning ascribed to such expression in the Listing Rules.

"Controlling Shareholder" has the meaning ascribed to such expression in the Listing Rules and "Controlling Interest" shall be construed accordingly. EN+ is the Controlling Shareholder as at the date of ths Annual Report.

"Cost Efficiency Leader" means the initiative launched by UC RUSAL in February 2009 targeting a reduction in costs, optimisation of production processes and reorganisation of the management structure as described at page 26 of this report.

"Covenant EBITDA" has the meaning given in the International Override Agreement.

"CRU" means CRU Strategies Limited, a company incorporated in England and Wales, an independent business analysis and consulting group focused on the mining, metals, power cables, fertiliser and chemicals sectors.

"debt restructuring agreements" and "debt restructuring" means the debt restructuring agreements and the debt restructuring detailed in the Prospectus, in particular, under "Summary - Debt Restructuring - Overview of the Debt Restructuring" at pages 9 to 10 of the Prospectus and under "Financial Information - Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Debt Restructuring" at pages 222 to 244 of the Prospectus.

"Directors" means the directors of the Company.

"DOZAKL" means Dmitrov Pilot Plant for Aluminium Canning Tape.

"ECD" means Engineering and Construction Division.

"EN+" means EN + Group Limited, a company incorporated in Jersey and which is a shareholder of the Company.

"EPCM" means Engineering, Procurement, Construction and Management.

"ETC" means Engineering and Technology Centre.

"EUR" means Euros, the lawful currency of the relevant member states that have adopted the Euro as their currency.

"EURIBOR" means, in relation to any loan:

(a) the applicable screen rate (being the percentage rate per annum determined by the Banking Federation of the European Union for the relevant period, as displayed on the appropriate page of the Reuters screen); or

(b) (if no screen rate is available for the relevant interest period) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the the agent at its request quoted by the reference banks to leading banks in the European interbank market,

as of the specified time (11:00 a.m.) on the quotation day (two TARGET - Trans-European Automated Real-time Gross Settlement Express Transfer - days before the first day of the interest period unless market practice differs in the European interbank market in which case the quotation day will be determined by the agent in accordance with market practice in the European interbank market) for the offering of deposits in EUR and for a period comparable to the interest period for that loan

"Euronext Paris" means the Professional Segment of Euronext Paris.

"Eurallumina" means the alumina refinery located in Portoscuso, on the southwest coast of Sardinia, Italy. During the year ended 31 December 2006, the Group entered into agreement with Rio Tinto Aluminium Ltd and acquired a 56.2% interest in Eurallumina, the remaining 43.8% interest in Eurallumina was owned by Glencore and was acquired by the Group as part of the acquisition of SUAL and Glencore Businesses during the year ended 31 December 2007.

"Ewarton plant" or "Ewarton Works" means the alumina refinery in Jamaica owned by Windalco.

"Fee Warrants" means nominal strike warrants issued to the restructuring lenders under the International Override Agreement equal in aggregate on conversion to 1% of the Company's fully diluted share capital as at the date of the International Override Agreement.

"Finance Charges" has the meaning given in the International Override Agreement.

"Finance Income" has the meaning defined on page 50.

"financial year" means the financial year ending 31 December 2009.

"Friguia" means Friguia SA, a company incorporated in Guinea, which is a wholly owned subsidiary of the Company.

"GBP" means Pound Sterling, the lawful currency of the United Kingdom.

"Glencore" means Glencore International AG a company incorporated in Switzerland and which is an indirect shareholder of the Company.

"Glencore Businesses" means the alumina and aluminium businesses of Glencore.

"Glencore Call Option" means a deed dated 25 July 2008 between EN+, SUAL Partners and Glencore whereby Glencore granted EN+ and SUAL Partners an option to acquire certain Shares held by Glencore.

"Global Depositary Shares" or "GDS" means global depositary shares evidenced by global depositary receipts, each of which represents 20 Shares.

"Global Offering" has the meaning given in the Prospectus.

"Group" or "UC RUSAL Group" means UC RUSAL and its subsidiaries from time to time, including a number of production, trading and other entities controlled by the Company directly or through its wholly owned subsidiaries.

"HK$" means Hong Kong dollars, the lawful currency of Hong Kong.

"Hong Kong Companies Ordinance" means the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time).

"Horizontal Stud Söderberg cell" or "HSS" means a Söderberg cell where electrical connections to the anode are made by a number of horizontal steel studs, baked into the carbon anode body.

"IAS" means International Accounting Standard.

"IASB" means the International Accounting Standards Board.

"IFRS" means International Financial Reporting Standards.

"Indicated Mineral Resource" or "Indicated" means the part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

"Inferred Mineral Resource" or "Inferred" means a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

"International Override Agreement" or "IOA" means the international override agreement entered into by the Company and certain members of the Group on 7 December 2009 with certain international banks.

"Irkutsk aluminium smelter" means Irkutsk Aluminium Smelter, a branch of OJSC SUAL.

"IPO" means the initial public offering of UC RUSAL on the Stock Exchange and Euronext Paris.

"Jersey Companies Law" means the Companies (Jersey) Law 1991, as amended.

"JORC" means Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists & the Minerals Council of Australia.

"KAP" means Kombinat Aluminijuma Podgorica (Aluminium Plant Podgorica).

"Khakas aluminium smelter" means Khakas Aluminium Smelter Limited, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Company.

"KraMZ" means Krasnoyarsk Metallurgical Plant.

"Krasnoyarsk aluminium smelter" or "KrAZ" means OJSC RUSAL Krasnoyarsk, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the company.

"kt" means kilotonnes.

"Libor" means in relation to any loan:

(a) the applicable screen rate (being the British Bankers' Association Interest Settlement Rate for dollars for the relevant period, displayed on the appropriate page of the Reuters screen); or

(b) (if no screen rate is available for dollars for the interest period of a particular loan) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the agent at its request quoted by the reference banks to leading banks in the London interbank market,

as of the specified time (11:00 a.m. in most cases) on the quotation day (generally two business days before the first day of that period unless market practice differs in the Relevant Interbank Market, in which case the quotation day will be determined by the agent in accordance with market practice in the Relevant Interbank Market) for the offering of deposits in dollars and for a period comparable to the interest period for that loan.

"Listing" means the listing of the Shares on the Stock Exchange.

"Listing Date" means the date on which the Shares were listed on the Stock Exchange, being 27 January 2010.

"Listing Rules" means the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time).

"LLC GAZ" means LLC Torgovo-Zakupochnaya Kompaniya GAZ.

"LLP Bogatyr Komir" means the joint venture described on page 25 and 180 of this Annual Report.

"LME" means the London Metal Exchange.

"LTIFR" means the Lost Time Injury Frequency Rate which was calculated by the Group as a sum of fatalities and lost time injuries per 200,000 man-hours.

"LTIP" means Long-Term Incentive Program.

"Major Shareholders" means EN+, SUAL Partners, Glencore and Onexim.

"Major Shareholders' Shares" means the Shares held by the Major Shareholders and their respective wholly owned subsidiaries.

"Management Company" means a subsidiary of the Group retained for accounting, general management, administration and secretarial functions.

"Market Council" means the Non-Commercial Partnership Market Council.

"Measured Mineral Resource" or "Measured" means a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

"Memorandum" means the memorandum of association of the Company conditionally adopted on 26 December 2009, and effective on the Listing Date.

"Mineral Resource" means a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

"mt" means million tonnes.

"Natixis" means the investment bank listed on the Paris stock exchange and party to the IOA.

"Net Financial Debt" is calculated as loans and borrowings less any cash and cash equivalents as at the end of the period.

"Nikolaev alumina refinery" means Mykolayiv Alumina Refinery Company Limited, a company incorporated under the laws of the Ukraine, which is a wholly owned subsidiary of the Company.

"NN Stake" means the Company's 25% plus one stake in Norilsk Nickel.

"Norilsk Nickel" means OJSC MMC Norilsk Nickel.

"Novokuznetsk aluminium smelter" or "NkAZ" means OJSC RUSAL Novokuznetsk, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Company.

"OHSAS 18001" means Occupational Health and Safety Specification (OHSAS) 18001.

"OJSC KUMZ" means Kamensk-Uralsky Metallurgical Works Joint-Stock Company, a company owned by certain shareholders of SUAL Partners.

"Onexim" means Onexim Holdings Limited, a company incorporated in Cyprus and which is a shareholder of the Company.

"Onexim Restructuring" means the Onexim Restructuring detailed in the Prospectus, in particular, under "Summary" at page 3 of the Prospectus.

"Option Deed" means the put and call option deed with Onexim entered into by the Company, which came into effect on 24 April 2008 and as amended subsequently.

"Ore Reserves" means the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.

"Over-allotment Option" has the meaning given in the Prospectus.

"Override Date" means 7 December 2009.

"Override Period" means the override period detailed in the Prospectus, in particular, under "Financial Information".

"PIK" means payment-in-kind.

"Point Feeded Pre-Bake cell" or "PFPB" means a cell utilising pre-baked anodes during the reduction process, which is equipped with special systems consisting of point breakers and feeders which feed the cell with alumina according to a predefined algorithm.

"Probable Ore Reserve" means the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

"Proved Ore Reserve" means the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

"Prospectus" means the Company's prospectus for the Listing dated 31 December 2009. The Prospectus is available on the Company's website under the link http://www.rusal.ru/investors/EWP101.pdf

"Queensland Alumina Limited" or "QAL" means Queensland Alumina Limited, a company incorporated in Queensland, Australia, in which the Company indirectly holds a 20% equity interest.

"RA" means OJSC Russian Aluminium.

"related party" of an entity means a party who is:

(a) directly, or indirectly through one or more intermediates, a party which:

   (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

   (ii) has an interest in the entity that gives it significant influence over the entity; or

   (iii) has joint control over the entity;

(b) an associate of the entity;

(c) a joint venture in which the entity is a venturer;

(d) a member of the key management personnel of the entity or its parent;

(e) a close member of the family of any individual referred to in (a) or (b) above;

(f) an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e) above;

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

"related party transaction" means a transfer of resources, services or obligations between related parties, regardless of whether the price is charged.

"Relevant Officer" means any employee of the Company or a director or employee of a subsidiary of the Company.

"Relevant Officers Code" means the code for Securities Transactions by Relevant Officers of the Company.

"Review Period" means the period commencing on the Listing Date and ending on the date of this Annual Report.

"RSPP" means Russian Union of Industrialists and Entrepreneurs.

"RUR" or "Rubles" means Rubles, the lawful currency of the Russian Federation.

"RUSAL" means RUSAL Limited.

"RusHydro" means JSC Rushydro (Federal Hydrogenation Company), a company organised under the laws of the Russian Federation, which is an independent third party.

"R&D" means Research and Development Centres operated by the Company.

"Samruk-Energo" means Samruk-Energo, a company incorporated in Kazakhstan, which is an independent third party.

"Samruk-Kazyna" means the Kazakhstan state controlled national welfare fund.

"Sayanogorsk aluminium smelter" means OJSC RUSAL Sayanogorsk, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Company.

"Sberbank" means the Savings Bank of the Russian Federation.

"SFO" means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

"Share(s)" means ordinary share(s) with nominal value of US$0.01 each in the share capital of the Company.

"Shareholders' Agreement between Major Shareholders only" means the shareholders' agreement dated 22 January 2010 between the Major Shareholders.

"Shareholders' Agreement with the Company" means the shareholders' agreement dated 22 January 2010 between the Major Shareholders and the Company.

"Side-Worked Pre-Bake cell" or "SWPB" means cell wing pre-based anodes used during the reduction process, which has anodes spaced down the centre of the pot where alumina feeding and other cell activities are performed along the longitudinal sides of the cell.

"Söderberg" means a method of primary aluminium reduction using a self-baked anode that utilises the heat of the reduction process in a cell that is introduced into the top of the reduction cell in the form of anode paste and consumed as part of the reduction process.

"Specified Non-current Assets" means the Group's property, plant and equipment, intangible assets and interests in associates and jointly controlled entities.

"STIP" means Short-Term Incentive Program.

"Stock Exchange" means the Main Board of the Stock Exchange of Hong Kong Limited.

"SUAL" means SUAL International Limited, a company incorporated in the British Virgin Islands which is a wholly-owned subsidiary of the Company.

"SUAL Partners" means SUAL Partners Limited, a company incorpoarted under the laws of the Bahamas, which is a shareholder of the Company.

"Taishet" or "Taishet aluminium smelter" means the new aluminium smelter which is an active project currently being implemented around 8 km from the centre of the town of Taishet in the Irkutsk region of the Russian Federation, as described in page 23 of this Annual Report.

"total attributable alumina output" is calculated based on pro rata share of the Group's ownership in corresponding alumina refineries.

"total attributable aluminium output" is calculated based on pro rata shares of the Group's ownership in corresponding aluminium smelters.

"UCR Trade" means OJSC United Company Rusal Trading House.

"Urals aluminium smelter" or "Urals alumina refinery" means Urals Aluminium Smelter, a branch of OJSC SUAL.

"USD" or "US dollars" means United States dollars, the lawful currency of the United States of America.

"VAT" means value added tax.

"VEB" means State Corporation "The Bank for Development and Foreign Economic Affairs (Vnesheconombank)".

"Vertical Stud Söderberg cell" or "VSS" means a Söderberg cell where electrical connections to the anode are made by a number of vertical steel studs, baked into the carbon anode body.

"Windalco" means West Indies Alumina Company, a company incorporated in Jamaica, in which the Company indirectly holds a 93% interest.

"Working Capital" means trade and other receivables and inventories less trade and other payables.

"Zaporozhye aluminium smelter" or "Zaporozhye alumina refinery" means OJSC Zaporozhye Aluminium Combine, a company incorporated in the Ukraine, in which the Company indirectly holds a 97.55% interest.

"ZALK" means OJSC Zaporozhye Aluminium Combine.

CORPORATE INFORMATION

HKEx stock code: 00486
Euronext (Paris) Rusal/Rual

HKEx stock code: 00486
Euronext (Paris) Rusal/Rual

Board of Directors:

Executive directors

Mr. Oleg Deripaska
Mr. Vladislav Soloviev
Mr. Petr Sinshinov
Ms. Tatiana Soina

Non-executive directors

Mr. Viktor Vekselberg *(Chairman)*
Mr. Dmitry Afanasiev
Mr. Len Blavatnik
Mr. Anatoly Tikhonov
Mr. Igor Ermilin
Mr. Ivan Glasenberg
Mr. Vladimir Kiryukhin
Mr. Alexander Popov
Mr. Dmitry Razumov
Mr. Jivko Savov

Independent non-executive directors

Mr. Barry Cheung Chun-Yuen
Dr. Peter Nigel Kenny
Mr. Philip Lader
Ms. Elsie Leung Oi-Sie

Registered office in Jersey

Whiteley Chambers
Don Street
St Helier JE4 9WG
Jersey

Principal place of business

Themistokli Dervi, 12
Palais D'Ivoire House
P.C. 1066
Nicosia
Cyprus

Place of business in Hong Kong

11th Floor
Central Tower
28 Queen's Road Central
Central
Hong Kong

Jersey company secretary

Ogier Corporate Services (Jersey) Limited
Whiteley Chambers
Don Street
St Helier JE4 9WG
Jersey

Hong Kong company secretary

Ms. Aby Wong Po Ying
Ogier Services (Asia) Limited
11th Floor
Central Tower
28 Queen's Road Central
Central
Hong Kong

Joint auditors

International Auditors
KPMG
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

Russian Auditors

ZAO KPMG
Naberezhnaya Tower Complex, Block C
10 Presnenskaya Naberezhnaya
Moscow, 123317
Russia

Authorised representatives

Mr. Oleg Deripaska
Ms. Aby Wong Po Ying
Ms. Catherine Tamara Shiang

Principal share registrar

Ogier Corporate Services (Jersey) Limited
Whiteley Chambers
Don Street
St Helier JE4 9WG
Jersey

Hong Kong Branch share registrar

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Depository for the Global Depositary Shares listed on Euronext Paris

The Bank of New York Mellon
One Wall Street,
New York, NY 10286

Audit committee members

Dr. Nigel Kenny *(chairman)*
Mr. Philip Lader
Ms. Elsie Leung Oi-Sie
Mr. Alexander Popov
Mr. Dmitry Razumov

Remuneration committee members

Mr. Philip Lader *(chairman)*
Dr. Nigel Kenny
Mr. Barry Cheung Chun-Yuen
Mr. Len Blavatnik
Mr. Vladislav Soloviev

Principal bankers

Sumitomo Mitsui Banking Corporation
ING Bank N.V.
BBVA

Corporate brokers

Bank of America Merrill Lynch
Credit Suisse
N M Rothschild & Sons Limited

Legal Advisors

As to Jersey law:

Ogier
Whiteley Chambers
Don Street
St Helier JE4 9WG
Jersey

As to French law:

Cleary Gottlieb Steen & Hamilton LLP
12 rue de Tilsitt
75008 Paris
France

As to Hong Kong law:

Mallesons Stephen Jaques
13/F Gloucester Tower
The Landmark
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Central
Hong Kong

Compliance Advisor

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Investor relations contact

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