

# UC RUSAL

## Investment in growth opportunity

2012 HKEJ Financial Forum – Finding Opportunities in BRICS Countries



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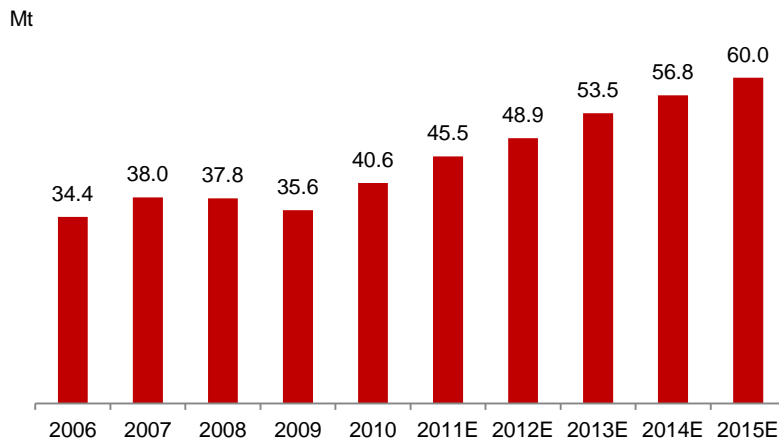
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# China remains the key driver for aluminium market



## Global aluminium consumption outlook



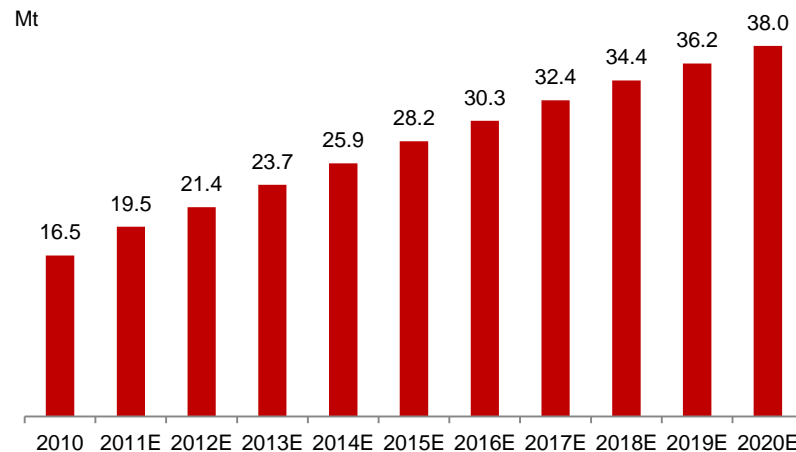
Source: Brook Hunt (Wood Mackenzie Company)

- Despite market uncertainty Q4 global consumption expected to grow 3.5% q-o-q vs. Q3
- 2012 consumption expected to grow by over 7% vs. 2011
- Emerging markets continue to drive growth with c. 10% y-o-y consumption increases
- US demand supported by automotive, heavy truck and aerospace sectors
- Japanese automotive activity returning to pre-tsunami levels

## Aluminium demand by regions, 2012 vs 2011

China	+11.0%	22.0
Brazil	+10.2%	1.2
India	+9.8%	2.1
Japan	+8.3%	1.9
Russia	+6.9%	1.2
North America	+4.6%	5.8
Europe	+0.1%	6.6
<b>Total (Mt)</b>	<b>+7.3%</b>	<b>48.9</b>

## China aluminium consumption

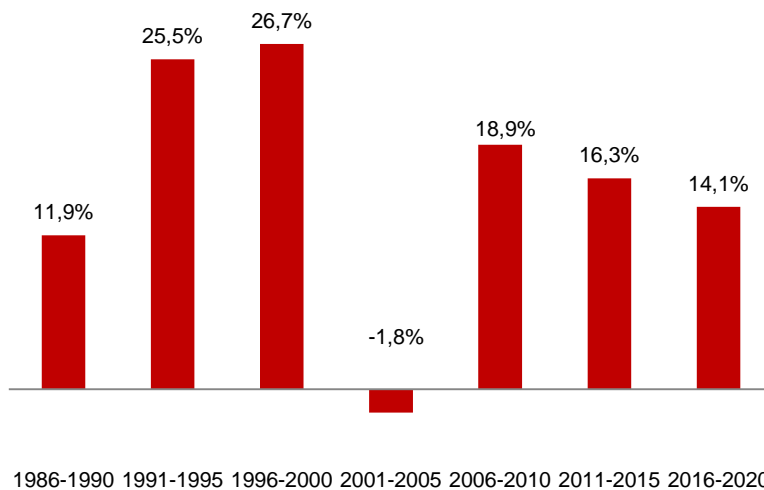


Source: Brook Hunt (Wood Mackenzie Company)

# 12<sup>th</sup> Five Year Plan – China to become a net importer



## Reduction in energy intensity



## Key targets of 12<sup>th</sup> Five Year Plan

<b>Proposed capacity cap</b>	<b>2015E</b>	
- aluminium		20mtpa
- alumina		41mtpa
	<b>2009</b>	<b>2015E</b>
<b>Forecast aluminium consumption</b>	14mt	24mt
	<b>2009</b>	<b>2015E</b>
<b>Aluminium smelting self-sufficiency</b>	101%	~80%

- CNIA's plan for domestic non-ferrous metals industry through 2015 envisages China switching to net importer position, reducing self-sufficiency in aluminium to ~80% by 2015 (4mtpa of import)
- Energy consumption per unit of GDP is expected to fall by 16% and CO2 emissions – by 17% by the end of 2015
- Phasing out all 100kA smelters (total 1.26mtpa) envisaged by the end of 2011 and 200kA smelters in 2012
- Strict control over new capacity commissioning and shifting of primary aluminum smelters to Western provinces through tax benefits and power tariff preferences

**China to become a strong net importer of aluminium**

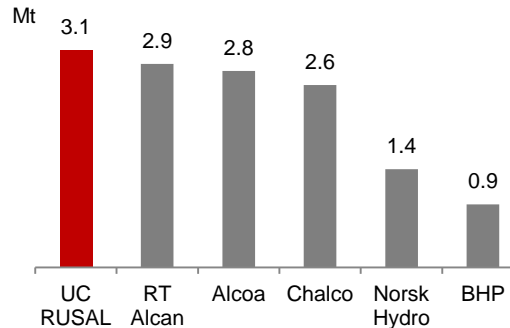
# UC RUSAL: a leader in the industry



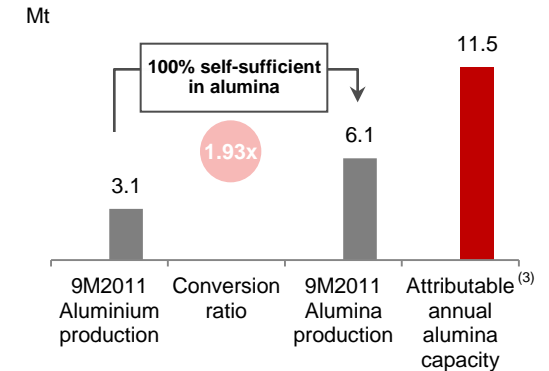
## Key Highlights

- **Global scale and reach**
  - Market leadership position and a unique exposure to global aluminium market
- **Secure access to sources of green and renewable electricity**
  - Long term contracts with low-cost hydro power plants in Siberia
- **Focus on higher margin upstream business**
  - Primary aluminium production with focus on alloys and value-added products
- **High degree of vertical integration with its upstream business**
  - Self-sufficiency in alumina with flexibility to increase alumina production
- **Strong growth potential of the UC Rusal platform**
  - 1Mt of attributable aluminium capacity under construction (25% of the current production volume)
- **Proprietary R&D and internal EPCM expertise**
  - Ability to control CAPEX costs
  - Best-in-class proprietary technology
- **Diversification opportunities**
  - 25% stake in Norilsk Nickel, the world's largest nickel and palladium producer

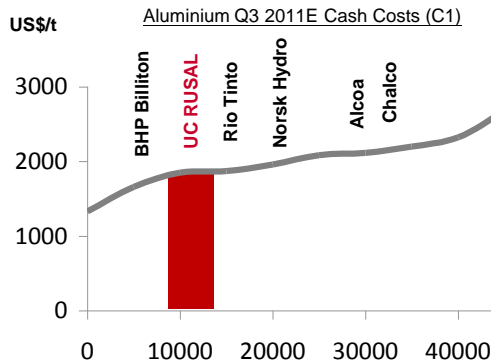
## Global Leader in Aluminium Production<sup>(1)</sup>



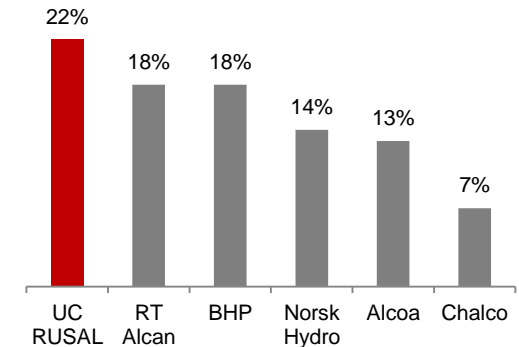
## Long Alumina Capacity<sup>(2)</sup>



## Low Cost Position<sup>(4)</sup>



## Strongest EBITDA Margins<sup>(5)</sup>



(1) UC RUSAL internal company report, companies' public information. Represents production of primary aluminium in 9M 2011. UC RUSAL's aluminium production includes primary aluminium and alloys. (2) Represents production of alumina and aluminium for 9M2011. (3) Attributable on an equity basis. (4) Brook Hunt (Wood Mackenzie Company). 3Q 2011E data. (5) 9M 2011 companies' financial reports, for Chalco management estimates. UC RUSAL EBITDA adjusted for impairment charges and loss on disposal of PP&E.

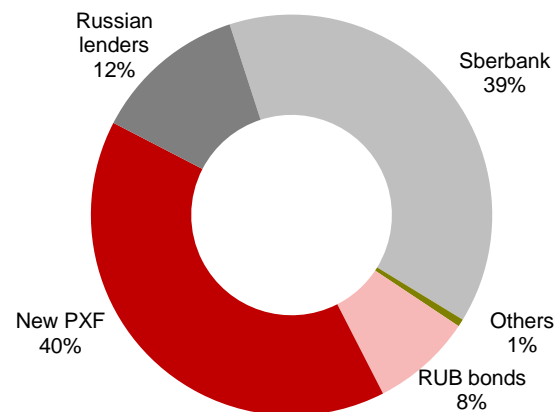
# Debt position



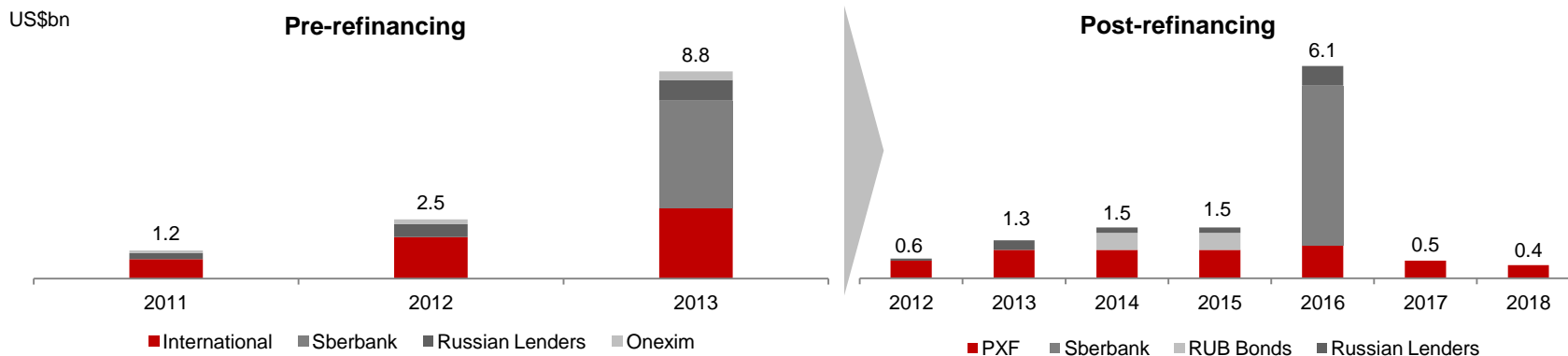
## Completion of debt refinancing

- Average interest rate reduced from 5.7%p.a. to 4.6%p.a. post-refinancing
- Average maturity extended from 2.1 years to 4.1 years
- Obtained flexibility for growth projects and dividend payments
- Agreement with lenders on covenant holiday
- Net Debt (US\$10.9bn)<sup>(2)</sup> is secured by Norilsk Nickel stake (US\$8.0bn)<sup>(3)</sup>

## Current debt composition



## Evolution of maturities profile



**Refinancing significantly improving debt profile and further deleveraging**

# Getting closer to the completion of growth projects – BEMO HPP

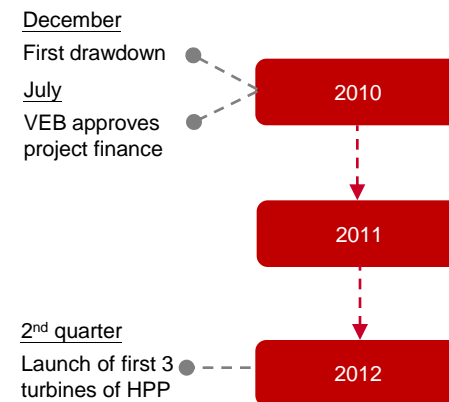
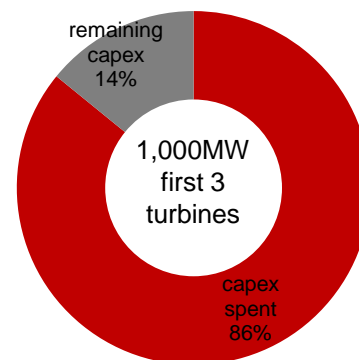
## Latest developments

- all 9 turbines delivered on site, 5 installed
- 99% of the concrete placing and assembly of pre-cast reinforced concrete has occurred
- 96% of the hydromechanical equipment and metal structures and the cranes have been assembled
- 58% of the hydraulic power equipment has been assembled
- 100% of the earth, rock excavation and asphalt concrete have been carried out
- 95% of the cement injection has occurred



## BEMO HPP

▪ Partner	RusHydro (50%)
▪ Design capacity	3,000 MW
▪ Project finance	RUR 28.1bn (~US\$0.9bn) <sup>(1)</sup>
▪ Loan maturity	16 years
▪ Total capex	US\$1,769m
▪ Capex spent	US\$1,519m
▪ Remaining capex	US\$250m
▪ Next step	Launch of the first 3 turbines in 2 <sup>nd</sup> quarter 2012



# Getting closer to the completion of growth projects – BEMO smelter

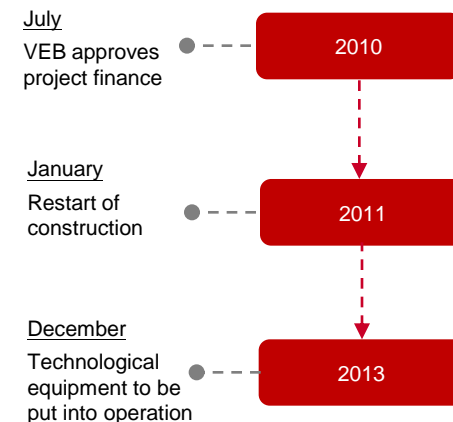
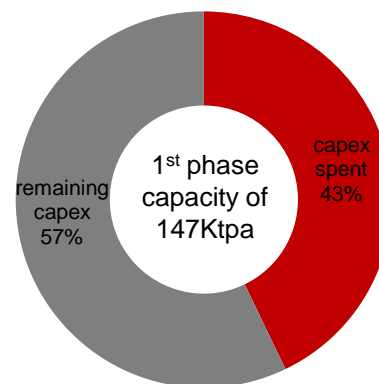
## Recent developments

- Earth works comprising 9.4 mln cubic meters of ground excavation has occurred
- Earth works comprising back-filling of 6.2 mln cubic meters has occurred
- 41.2 th cubic meters of cast-in-place reinforced concrete structures have been erected
- 3.5 th tonnes of metal structures have been constructed



## BEMO Smelter

▪ Partner	RusHydro (50%)
▪ Design capacity	588Ktpa
▪ Project finance	RUR 21.9bn (~US\$0.7bn) <sup>(1)</sup>
▪ Loan maturity	14 years
▪ Total capex	US\$826m
▪ Capex spent	US\$354m
▪ Remaining capex	US\$472m
▪ Next step	Technological equipment of the 1 <sup>st</sup> phase to be put into operation



(1) Capex is presented on 100% basis for Phase 1 (147Ktpa of capacity) of the smelter only excluding VAT. Capex since 2006. Including costs of financing and investments in the related infrastructure for Phase 1 of the Smelter. Financing on non-recourse basis

# Getting closer to the completion of growth projects – Taishet smelter

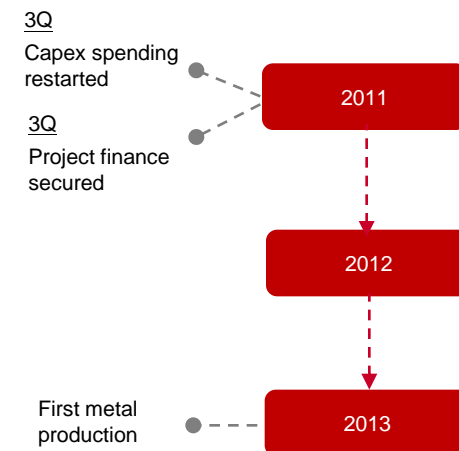
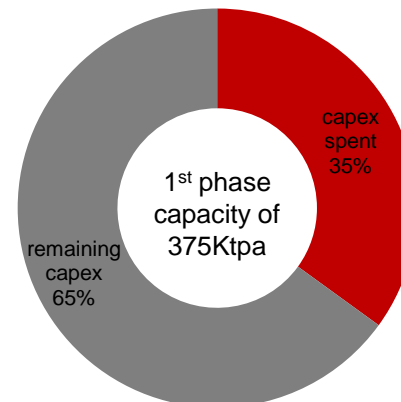
## Recent developments

- 91% of the earth works (9 mln cubic meters) of ground excavation has occurred
- 4 ceiling travelling cranes of the casting house assembled
- 11 th tonnes of metal structures have been constructed
- Completed all design work on facilities under construction
- Smelter will use RA-400 in-house technology
- Metal production to commence in 20 months after restart of construction



## Taishet smelter

▪ Ownership	UC RUSAL (100%)
▪ Design capacity	750Ktpa
▪ Project finance	RUB 40bn (~US\$1.4bn) <sup>(1)</sup>
▪ Maturity	15 years
▪ Total capex	US\$1,772m
▪ Capex spent	US\$620m
▪ Remaining capex	US\$1,152m



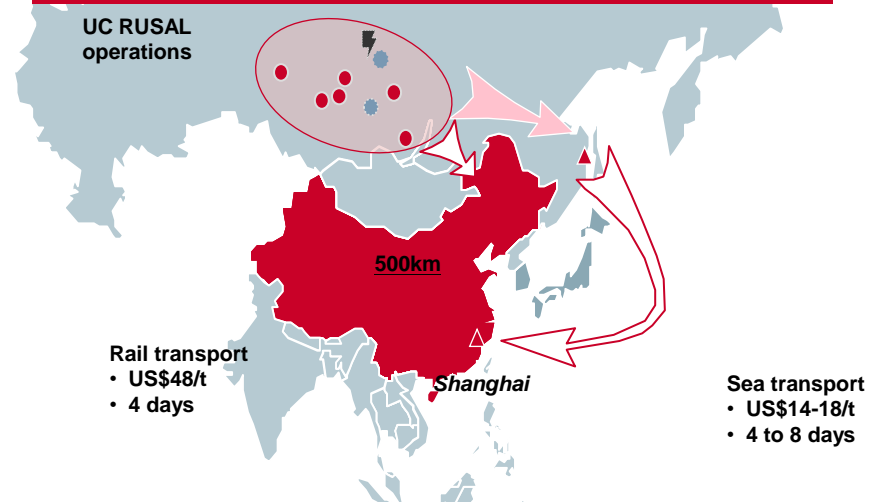
# Well positioned to benefit from growing Asian markets



## Strategic considerations

- In 2011 the consumption in China is to increase to 19Mt and in 2020 to 37.3Mt
- RUSAL estimates Chinese production may fall short of consumption by 3-4mt by 2015
- 85% of RUSAL's aluminium production capacity is located in Eastern Siberia
- Proximity to the Chinese border (500km) and excellent transportation links to China through Vanino, Vladivostok port and by rail
- A well-articulated China business strategy should be part and parcel of the capital market strategy for Russian and other international companies in considering HK as home base for their capital raising activities

## Well positioned to serve China's demand



## Creating sales platform in China

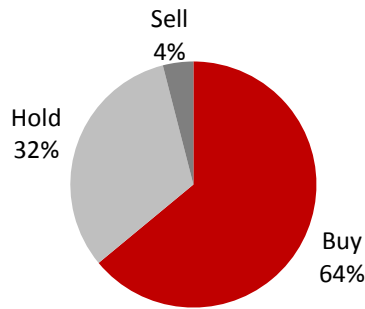
- Execution of the share purchase agreement with China North Industries Corp (NORINCO) to purchase 33% stake in Shenzhen North Investments (SNI)
- Registration of RUSAL's brands produced at the Irkutsk and Khakas aluminium smelters at the Shanghai Futures Exchange.

# Analyst consensus indicates significant upside to the current share price levels

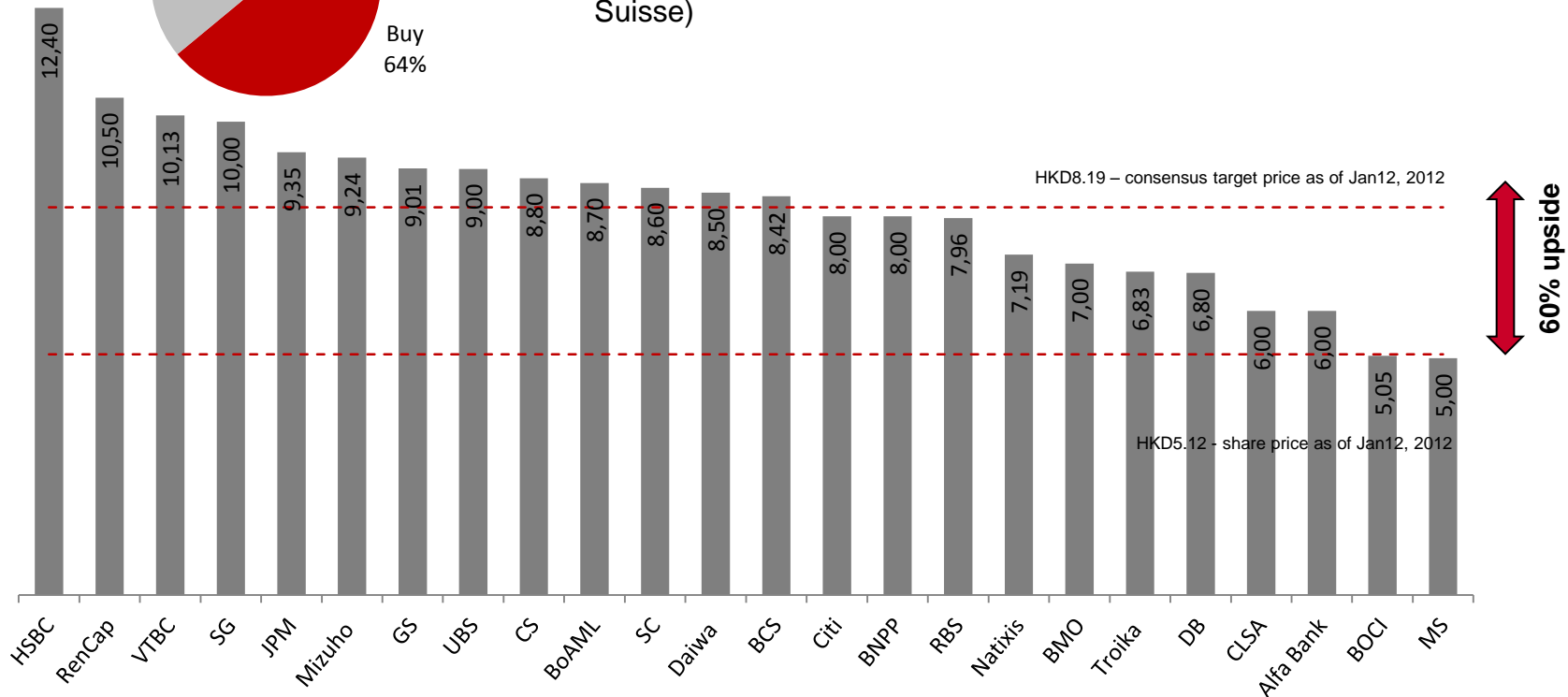


## UC RUSAL share price analyst consensus

HK\$



- Around 30 analysts covering the stock from Hong Kong, London and Moscow
- Asian coverage includes all major brokerage houses (BOCI, CLSA, Daiwa Securities, Mizuho Securities, Standard Chartered, RBS, Credit Suisse)

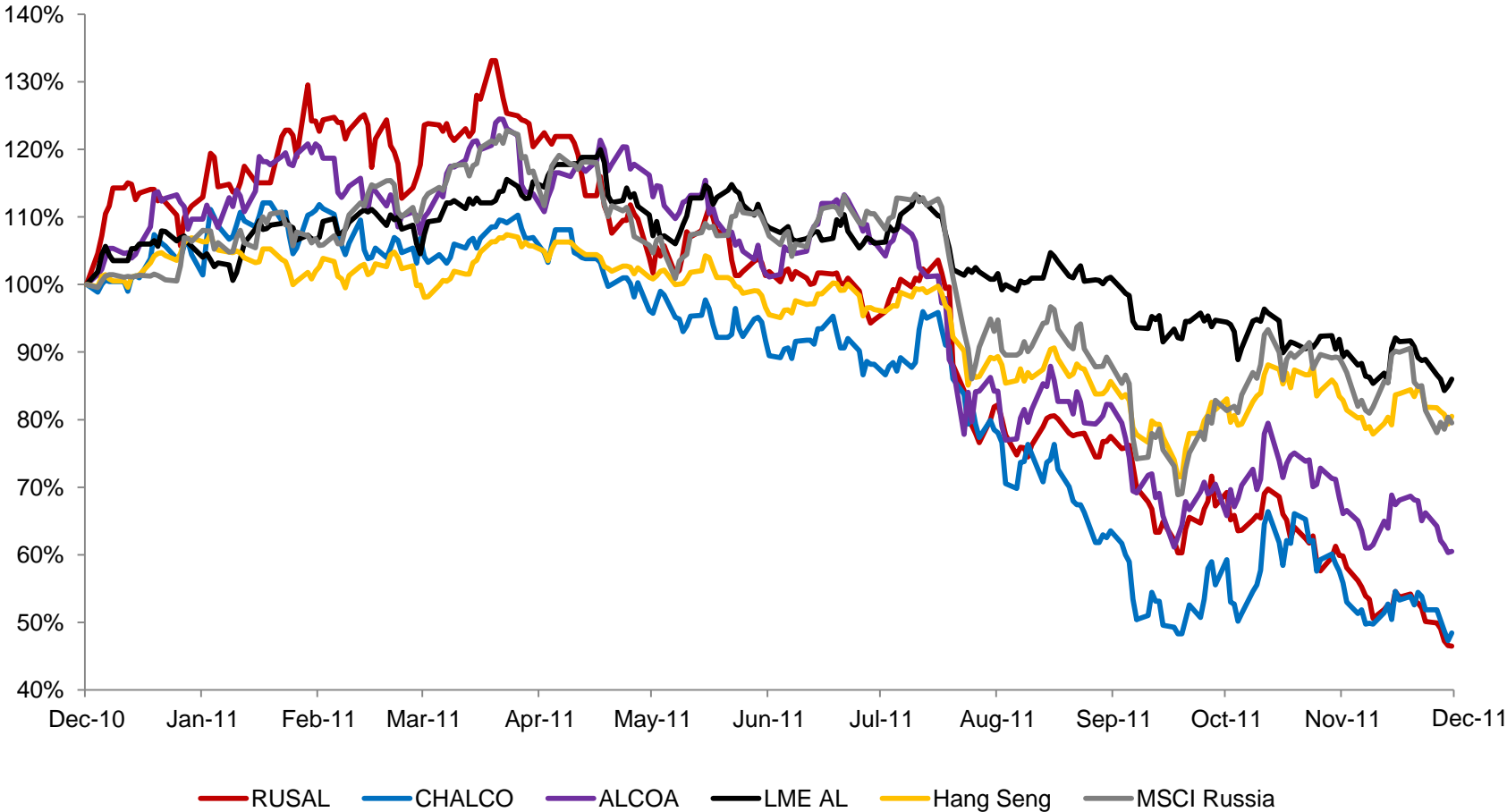


**Strong “buy” recommendation from sell-side with 60% upside**

# UC RUSAL remains fundamentally undervalued



52 weeks relative performance

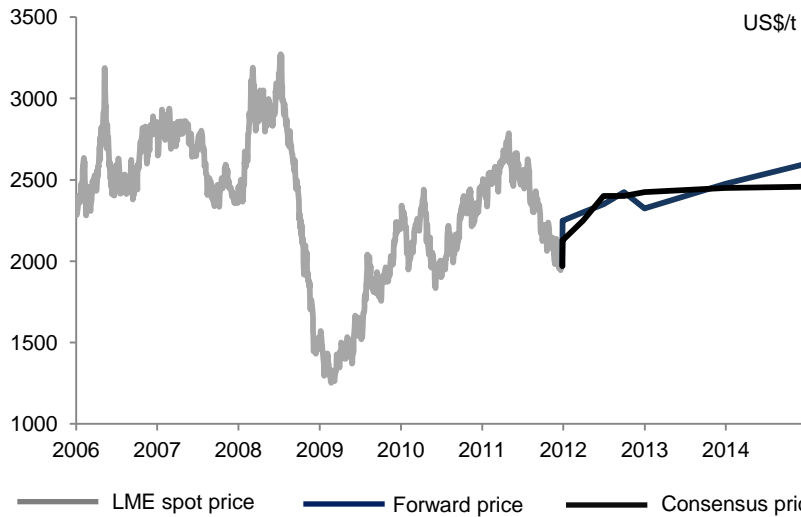


Significantly undervalued in a volatile market

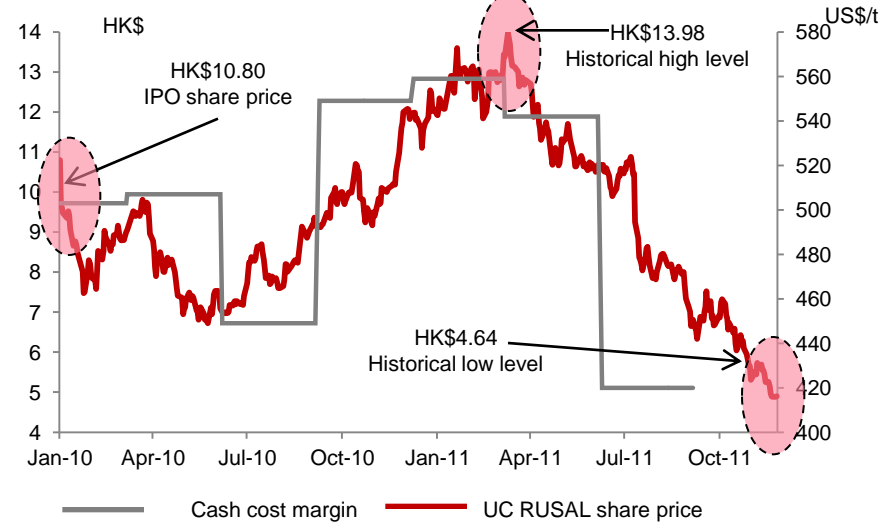
# Production cutback will push aluminium price and RUSAL shares up



## LME aluminium spot & forward price



## Share price vs. cash cost margin (1)



## Production cuts

China	1.75
Alcoa	0.53
Rio Tinto	0.45
Norsk Hydro	0.18
<b>Total (Mt)</b>	<b>2.91</b>

- Aluminium price at the bottom and is expected by the market to rebound that is evidenced by LME forward prices
- Major aluminium producers recently announced capacity curtailment that will lead to the deficit in aluminium industry and push metal prices higher
- UC RUSAL having high sensitivity to LME aluminium price will benefit from the rebound

**3Mt of aluminium capacity cuts will support the metal price and RUSAL shares**

## Why invest in UC RUSAL

- Aluminium price is at the bottom level and is expected by the market to rebound
- Metal price is supported by recently announced capacity cuts by Chinese producers and global majors (Alcoa, Rio Tinto, Norsk Hydro)
- RUSAL is highly leveraged to aluminium price and will benefit from price recovery at a great extent
- Low-cost production secured by access to green and renewable source of power through long-term electricity supply contracts with HPPs
- Self-sufficiency in alumina and one of the largest bauxite reserves in the world
- Strong growth potential with new low-cost aluminium projects (+1.3Mt of aluminium capacity) in Siberia focused on growing demand from China

**Thank you!**

**Happy Chinese New Year -**

**A Year of Dragon !**