BRIC Countries and Aluminium Industry Perspective

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Director of International Sales
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- Aluminium Fundamentals and Recent Developments
- BRIC to Drive Global Long Term Aluminium Consumption
Aluminium Consumption Expected to Continue Growing in the Long Term

**Global aluminium consumption growth rates**

- 1970-1979: 5.4% growth p.a.
- 2000-2009: 3.9% growth p.a.
- 2010-2025: 3.2% growth p.a.

**Aluminium consumption by regions**

- China: 41%
- Asia ex-China: 15%
- RoW: 10%
- North America: 12%
- Western Europe: 15%
- Japan: 5%
- Russia: 2%

**Chinese aluminium consumption by industry**

- Construction: 35%
- Transport: 24%
- Electrical: 17%
- Machinery: 5%
- Durables: 11%
- Others: 8%

Aluminium Consumption Supported by Growth in Economy and Underlying End Markets

**Economic Outlook**

% y-o-y change in GDP, 2010-2020 (real US 2005$ terms)

**Aluminium has Diverse Range of End Uses**

- **Transport**: 25%
- **Construction**: 24%
- **Other**: 6%
- **Consumer durables**: 7%
- **Packaging**: 9%
- **Foil stock**: 8%
- **Machinery & equipment**: 10%
- **Electrical**: 11%
- **Electrical Wire**: 60%
- **Roofing and Plumbing**: 20%
- **Industrial Machinery**: 15%
- **Other**: 5%

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Source: EIU.

Aluminium price is strongly correlated with carbon commodity prices

Current global aluminium cost margin still below historical average of 40% and need US$2,700/t price to achieve this level

At 60% cost margin implies an aluminium price of US$3,000/t

Current aluminium smelters cost margin still below historical average level
Financing Transactions – Impact on Supply and Demand Equation

Concerns on Financing Deals Close to Being Unwinded

Global Days LME Aluminium Inventory vs. Price

Flattening Forward Curve Not Attractive to Prolong Long Term Carry Trades

Regional Supply Constraints Support Physical Premium

Source: Bloomberg.

Source: CRU.
Aluminium Fundamentals and Recent Developments

BRIC Countries and Aluminium Consumption
Global Aluminium Balance Shifting Towards BRIC Countries

Production

2010
- BRIC: 58%
- RoW: 42%
- Total: 42.3bn t

2015
- BRIC: 60%
- RoW: 40%
- Total: 53.9bn t

Consumption

2010
- BRIC: 50%
- RoW: 50%
- Total: 41.5bn t

2015
- BRIC: 57%
- RoW: 43%
- Total: 57.7bn t

Source: Brook Hunt.
...As Aluminium End Markets Forecasted to Experience Significant Growth

### Primary Aluminium Consumption vs. GDP

<table>
<thead>
<tr>
<th>Country</th>
<th>Aluminium Consumption (kg per Capita)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>35</td>
</tr>
<tr>
<td>Germany</td>
<td>30</td>
</tr>
<tr>
<td>Greece</td>
<td>25</td>
</tr>
<tr>
<td>Italy</td>
<td>20</td>
</tr>
<tr>
<td>Japan</td>
<td>15</td>
</tr>
<tr>
<td>South Korea</td>
<td>10</td>
</tr>
<tr>
<td>Turkey</td>
<td>5</td>
</tr>
<tr>
<td>Brazil</td>
<td>0</td>
</tr>
<tr>
<td>China</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: CRU

### 2011 Personal Vehicle Ownership versus GDP per Capita

<table>
<thead>
<tr>
<th>Country</th>
<th>Vehicles per '000 Adults</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>1,000</td>
</tr>
<tr>
<td>Japan</td>
<td>900</td>
</tr>
<tr>
<td>Germany</td>
<td>800</td>
</tr>
<tr>
<td>Brazil</td>
<td>700</td>
</tr>
<tr>
<td>Russia</td>
<td>600</td>
</tr>
<tr>
<td>India</td>
<td>500</td>
</tr>
</tbody>
</table>

Source: JDPower, IMF, CRU.

### Aluminium consumption intensity

<table>
<thead>
<tr>
<th>Region</th>
<th>2010</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>6,000</td>
<td>5,000</td>
</tr>
<tr>
<td>India</td>
<td>3,000</td>
<td>2,500</td>
</tr>
<tr>
<td>Middle East</td>
<td>2,000</td>
<td>1,500</td>
</tr>
<tr>
<td>Russia/CEE</td>
<td>1,500</td>
<td>1,000</td>
</tr>
<tr>
<td>North America</td>
<td>1,000</td>
<td>800</td>
</tr>
<tr>
<td>EU/EEA</td>
<td>800</td>
<td>600</td>
</tr>
<tr>
<td>Japan</td>
<td>600</td>
<td>500</td>
</tr>
<tr>
<td>Oceania</td>
<td>500</td>
<td>400</td>
</tr>
</tbody>
</table>

Source: CRU
China
China: Short Term Outlook

Key Topics

✓ Largest producer and consumer of aluminium
✓ Key driver of aluminium consumption growth
✓ Move to consumer-led economy suggests further increase in aluminium consumption
✓ Domestic production shift to the west, towards lower electricity cost
  ▪ Expected to become a net importer
  ❌ High energy costs
  ❌ Potential growth slowdown

Suppliers/Demand Outlook

Supply / Consumption (kt)

Balance (kt)

Source: Brook Hunt.
China: Macro Fundamentals

GDP Growth

![GDP Growth Chart]

Energy Costs Remain the Highest in the Industry

![Energy Costs Chart]

Urbanisation

![Urbanisation Chart]

Capacity Moving to the Western Low Power Tariff Zones

![Tariff Zones Map]
China: Aluminium Outlook

Aluminium Consumption Growth

![Graph showing aluminium consumption growth with data points for years 2005 to 2015 and CAGR (Compound Annual Growth Rate) of 10% for 2010-2015.]

Source: Brook Hunt.

Aluminium per Capita

![Graph showing aluminium per capita with data points for years 2005 to 2015 and CAGR (Compound Annual Growth Rate) of 10% for 2010-2015.]

Source: Brook Hunt.

End Markets Breakdown

![Bar chart showing end markets breakdown for 2009 to 2015 with CAGR (Compound Annual Growth Rate) for 2010-2015.]

Source: Brook Hunt.
- India
India: Short Term Outlook

Key Topics

- Expected to become second largest aluminium producer after China in the longer term
- Good quality bauxite and coal reserves, however crippled by mining constrains in selected states
- Population growth and urbanization
- Poor execution of aluminium projects and potential delays

Supply/Demand Outlook

![Graph showing production and consumption from 2005 to 2015.]

Source: Brook Hunt.
India: Macro Fundamentals

**GDP Growth**

Years: 2005 to 2015

- 2005: 9.3%
- 2006: 9.4%
- 2007: 9.1%
- 2008: 8.8%
- 2009: 8.6%
- 2010: 8.9%
- 2011: 8.7%
- 2012: 8.9%
- 2013: 8.8%

Source: EIU

**Urbanisation**

- Rural Population: 2005 - 2050
- India Population: 2005 - 2050

Source: EIU, United Nations report

**Advantageous Cost Position**

- Energy Costs per Tonne (US$/t)
- China
- India

Source: Brook Hunt

**Potential for Alumina Production**

Cumulative Production (kt)

- 2005-2010 CAGR: 4%
- 2010-2015 CAGR: 13%

Source: Brook Hunt
India: Aluminium Outlook

Aluminium Consumption Growth

Source: Brook Hunt.

Smelting Expansion Plans

Source: CRU.

Aluminium per Capita

Source: Brook Hunt.
Brazil
Brazil: Short Term Outlook

Key Topics

- Significant growth prospects led by increase in GDP per capita
- Significant demand from construction, car manufacturing and aerospace and defense industries
- Energy prices remain a hurdle for aluminium production

Supply/Demand Outlook

Source: Brook Hunt.
Brazil: Macro Fundamentals and Aluminium Outlook

GDP Growth

- 2005: 3.2%
- 2006: 4.0%
- 2007: 5.2%
- 2008: 4.0%
- 2009: 4.3%
- 2010: 4.8%
- 2011: 5.0%
- 2012: 4.6%
- 2013: 5.2%
- 2014: 6.1%
- 2015: 7.5%

Source: EIU.

Urbanisation

- 1995: 0%
- 1996: 5%
- 1997: 10%
- 1998: 15%
- 1999: 20%
- 2000: 25%
- 2001: 30%
- 2002: 35%
- 2003: 40%
- 2004: 45%
- 2005: 50%
- 2006: 55%
- 2007: 60%
- 2008: 65%
- 2009: 70%
- 2010: 75%
- 2011: 80%
- 2012: 85%
- 2013: 90%
- 2014: 95%
- 2015: 100%

Source: EIU, United Nations report.

Aluminium Consumption Growth

- 2005: 691 kt
- 2006: 722 kt
- 2007: 795 kt
- 2008: 860 kt
- 2009: 799 kt
- 2010: 1,027 kt
- 2011: 1,071 kt
- 2012: 1,132 kt
- 2013: 1,171 kt
- 2014: 1,267 kt
- 2015: 1,349 kt

Source: Brook Hunt.

Aluminium per Capita

- 2005: 3.7 kt
- 2006: 3.8 kt
- 2007: 4.2 kt
- 2008: 4.5 kt
- 2009: 4.1 kt
- 2010: 5.3 kt
- 2011: 5.4 kt
- 2012: 5.7 kt
- 2013: 5.9 kt
- 2014: 6.3 kt
- 2015: 6.7 kt

Source: Brook Hunt.
Russia
Russia: Short Term Outlook

Key Topics

- One of the largest aluminium exporters
- Access to cheap energy in various regions
- Domestic consumption still very much below Soviet levels

Supply/Demand Outlook

![Graph showing supply and demand outlook for aluminium in Russia](image-url)

Source: Brook Hunt.
Russian and CIS consumption driven by a growth of infrastructure projects

- RUSAL’s sales of primary aluminium products to Russian and CIS market to grow by about 57% in 2010 to 760,000 tonnes
- Russian and CIS primary aluminium products market is expected to grow by 22% to 928,000 tonnes in 2011
- Key drivers in 2011 will be rolled products and extrusions (36-38%), cables (22%) and automobile sector (8%)
- RUSAL’s sales in Russia and CIS are expected to grow by another 15% in 2012 and by 7% p.a. between 2013 and 2015

In late 1980s Soviet Union aluminium consumption reached record of 3.5 mln. tonnes
UC Rusal – Russian Aluminium Industry

- **Global scale and reach**
  - Market leadership position and a unique exposure to global aluminium market

- **Secure access to sources of green and renewable electricity:**
  - Secure sources of inexpensive electricity

- **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

- **Proprietary R&D and internal EPCM expertise**
  - Ability to control CAPEX costs
  - Advanced in-house proprietary technology

- **Benefits from growing consumption on key markets:**
  - Proximity to China and other Asian markets
  - Global sales platform

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(1) Source: UC Rusal annual report, companies’ public information. Represents production of primary aluminium in 2010. UC Rusal’s aluminium production includes primary aluminium and alloys

(2) Source: UC Rusal annual report, companies’ public information. Represents production of alumina in 2010. (3) Source: Brook Hunt. 2010 data

(4) 2010 data. UC Rusal EBITDA adjusted for impairment charges and loss on disposal of PP&E. Alcoa EBITDA adjusted for restructuring costs. Chalco EBITDA adjusted for impairment charges and other gains
UC Rusal Platform Allows to Bring Capacity on Stream to Respond to Market Changes

Aluminium growth opportunities

(m tonnes)

<table>
<thead>
<tr>
<th>2011 Expected Production</th>
<th>2011 Full Capacity</th>
<th>Brownfield Projects</th>
</tr>
</thead>
</table>
| 4.2                      | 0.5                | 1.3<sup>(1)</sup>   

Alumina growth opportunities

(m tonnes)

<table>
<thead>
<tr>
<th>2011 Expected Production</th>
<th>2011 Full Capacity</th>
<th>Brownfield Projects</th>
</tr>
</thead>
</table>
| 8.5                      | 3.0                | 0.9                 

Extensive and flexible project pipeline contributes to a sustainable global leadership

Source: UC RUSAL.

Note: Implementation of projects is subject to the restructuring agreements. Growth opportunities from Aluminium brownfield projects include 50% of total BEMO capacity and Alscon (197M); Alumina brownfield projects include 20% of QAL. <sup>(1)</sup> Represents capacity on non-attributable basis (100% for BEMO smelter).
Growing demand from Asia remains a key driver

UC RUSAL locations:
- Bauxite, alumina
- Aluminium

Chinese net exporter of primary aluminium

UC RUSAL is well positioned to benefit from growing demand in Asia

(1) Only aluminium produced at UC RUSAL’s smelters across the world incl. 3.5Mt in Eastern Siberia. 1.3Mt additions include 100% of expected BEMO smelter capacity (50% UC RUSAL ownership) and Taishet smelter capacity
### UC Rusal’s Near-term Growth Projects

<table>
<thead>
<tr>
<th>BEMO HPP</th>
<th>BEMO smelter</th>
<th>Taishet smelter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing partner</td>
<td>RusHydro (50%)</td>
<td>RusHydro (50%)</td>
</tr>
<tr>
<td>Project finance</td>
<td>RUR 28.1bn (~US$0.9bn) (1)</td>
<td>RUR 21.9bn (~US$0.7bn) (2)</td>
</tr>
<tr>
<td>Loan maturity</td>
<td>16 years</td>
<td>14 years</td>
</tr>
<tr>
<td>Total capex</td>
<td>US$1,769m</td>
<td>US$826m</td>
</tr>
<tr>
<td>Capex spent</td>
<td>US$1,326m</td>
<td>US$302m</td>
</tr>
<tr>
<td>Remaining capex</td>
<td>US$444m</td>
<td>US$524m</td>
</tr>
</tbody>
</table>

**Note:**
(1) Capex is presented on 100% basis excluding VAT. Capex since 2006.
(2) Capex is presented on 100% basis for Phase 1 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.
(3) For Phase 1 of the smelter, excluding VAT. Capex since 2005.

#### UC RUSAL capital expenditure (1)

<table>
<thead>
<tr>
<th>US$m</th>
<th>1Q 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth projects</td>
<td></td>
</tr>
<tr>
<td>BEMO HPP</td>
<td>off-balance sheet</td>
</tr>
<tr>
<td>BEMO smelter</td>
<td>off-balance sheet</td>
</tr>
<tr>
<td>Taishet smelter (2)</td>
<td>13</td>
</tr>
<tr>
<td>Maintenance</td>
<td></td>
</tr>
<tr>
<td>Pot rebuilds costs</td>
<td>41</td>
</tr>
<tr>
<td>Re-equipment</td>
<td>56</td>
</tr>
<tr>
<td><strong>Total capex</strong></td>
<td><strong>110</strong></td>
</tr>
</tbody>
</table>

**Note:**
(1) Based on UC RUSAL Consolidated Interim Condensed Financial Statements for three months ended March 31 2011.
(2) As for idled construction.

#### Next steps

- **BEMO HPP**
  - April 2012 – launch of the first 3 turbines
- **BEMO smelter**
  - March 2013 – first metal production at the smelter
- **Taishet smelter**
  - 2H 2011 – scheduled restart of construction
Conclusions

✓ Significant consumption growth expected in the mid and long term to be driven by the BRIC countries

✓ BRIC countries continuously growing its share of aluminium production and consumption

✓ Countries and companies with low energy costs to have critical advantage to compete in the long term

✓ Near-term outlook for aluminium impacted by potential unwinding of financing deals and macro recovery