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UNITED COMPANY RUSAL PLC

(Incorporated under the laws of Jersey with limited liability)

(Stock Code: 486)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

Key highlights

- The operating profitability and underlying results of aluminium industry for the year ended 31 December 2012 were seriously affected by low LME aluminium price as a result of investor sentiment. Average LME aluminium price decreased by 15.7% from USD2,395 per tonne for the year ended 31 December 2011 to USD2,018 per tonne for the same period of 2012. However, thanks to savings in procurement, cost reduction and working capital optimization initiatives undertaken by the management supported by product mix improvement, weakened local currency and growing premiums, United Company RUSAL Plc (the "**Company**" or "**UC RUSAL**") demonstrated Aluminium segment EBITDA margin of 12.1%.

- Primary aluminium production was almost flat at 4,173 thousand tonnes for the year ended 31 December 2012 compared to 4,123 thousand tonnes for the preceding year. Total aluminium output in the fourth quarter of 2012 decreased by 2.1% to 1,038 thousand tonnes compared to 1,060 thousand tonnes in the fourth quarter of 2011.

- Share of value-added products output increased to 39% of total aluminium production in comparison with 36% for the previous year.

- Revenue in the fourth quarter of 2012 increased to USD2,624 million (by 2.4%) as compared to USD2,563 million for the third quarter of 2012 in line with a slight rebound in metal prices and historically high premiums of USD249 per tonne.

- Aluminium segment cost per tonne reduced to USD1,946 per tonne (by 1.9%) in 2012 as compared to USD1,984 in 2011 supported by a decrease in power tariffs by 9% to USc.3,17/KWh in 2012 as compared to USc.3,48/KWh in 2011.
- Adjusted EBITDA comprised USD915 million for the year ended 31 December 2012 with a margin of 8.4%. In the fourth quarter of 2012 adjusted EBITDA improved to USD221 million compared to USD130 million in the previous quarter of the year backed by stronger revenue and lower costs.
- The Company maintained a robust cash position with USD999 million of free cash flow[1] generated for the year ended 31 December 2012 and a reduction in working capital by 20.0% primarily due to stock optimization.
- Cost control and working capital reduction efforts allowed the Company to decrease the net debt position by USD220 million as at 31 December 2012 as compared to the beginning of the year.
- In the fourth quarter of the year ended 31 December 2012 the Company signed the agreement with major Norilsk Nickel shareholders improving corporate governance and providing increased guaranteed dividend flow.

An identical form of this announcement, to which the audited consolidated financial statements of UC RUSAL for the year ended 31 December 2012 will not be attached, will be disseminated to the French Autorité des marchés financiers, Euronext Paris and the French market via Businesswire simultaneously with this announcement.

[1] Free Cash Flow is defined as Net cash flow generated from operating activities plus Net cash flows used in investing activities.

Statement of the CEO

2012 remained particularly challenging for the aluminium industry. Despite global aluminium consumption rising by 6% in 2012 to 47.4 million tonnes negative investor sentiment lead to LME prices for aluminium decreasing by 15.7% year-on-year, taking a large share of the global production capacity to or below break-even level. Whilst UC RUSAL's long-term focus on operational efficiency and cost control has allowed the Company to address these challenges, the unfavourable market conditions and lower LME price has inevitably impacted the operating results of the Company.

In an environment of depressed prices the Company focused its efforts to efficiently manage costs which succeeded in reducing aluminium segment cost per tonne in 2012 by 1.9% to USD1,946. As a result, UC RUSAL's EBITDA margin was 8.4% which is in line with the global peers, while EBITDA margin in aluminium segment was 12.1% allowing the Company to maintain a premier position in the industry.

In 2012, UC RUSAL enhanced its financial flexibility and made debt repayment exceeding USD1 billion with USD441 million being paid out of the Company's cash flows. Importantly the Company maintained its robust cash position with USD999 million of free cash flows being generated in 2012.

An undoubted milestone of 2012 was the signing of an agreement between UC RUSAL, Interros, and Millhouse aimed at settling the shareholders' conflict in MMC Norilsk Nickel. All parties' efforts will be integrated to deliver improved corporate governance and to increase the value of Norilsk Nickel in the interest of all its shareholders.

Through its lower cost smelters and capacity to optimize production, the Company has demonstrated its ability to respond to the challenging market conditions of the past 12 months. Continued focus on cost control, together with our longer term growth projects and robust financial position means we remain confident in our ability to deliver value and growth for all stakeholders.

Oleg Deripaska
CEO
4 March 2013

Financial and Operating Highlights

	Quarter ended 31 December		Change quarter on quarter, % (4Q to 4Q)	Quarter ended 30 September	Change quarter on quarter, % (4Q to 3Q)	Year ended 31 December		Change year-on-year,
	2012	2011		2012		2012	2011	%
	unaudited	*unaudited*		*unaudited*				
Key operating data								
('000 tonnes)								
Aluminium	1,038	1,060	(2.1%)	1,042	(0.4%)	4,173	4,123	1.2%
Alumina	1,806	2,082	(13.3%)	1,740	3.8%	7,477	8,154	(8.3%)
Bauxite	2,788	3,288	(15.2%)	2,864	(2.7%)	12,365	13,473	(8.2%)
('000 tonnes)								
Sales of primary aluminium and alloys	1,011	1,006	0.5%	1,030	(1.8%)	4,203	4,017	4.6%
(USD per tonne)								
Aluminium segment cost per tonne[2]	1,934	1,952	(0.9%)	1,936	(0.1%)	1,946	1,984	(1.9%)
Aluminium price per tonne quoted on the LME[3]	1,997	2,090	(4.5%)	1,918	4.1%	2,018	2,395	(15.7%)
Average premiums over LME price	249	159	56.6%	226	10.2%	208	160	30.0%
Average sales price	2,222	2,362	(5.9%)	2,115	5.1%	2,218	2,592	(14.4%)
Alumina price per tonne[4]	326	329	(0.9%)	316	3.2%	319	374	(14.7%)
Key selected data from the consolidated statement of income								
(USD million)								
Revenue	2,624	2,806	(6.5%)	2,563	2.4%	10,891	12,291	(11.4%)
Adjusted EBITDA	221	382	(42.1%)	130	70.0%	915	2,512	(63.6%)
margin (% of revenue)	*8.4%*	*13.6%*	*NA*	*5.1%*	*NA*	*8.4%*	*20.4%*	*NA*
Net Profit /(Loss) for the period	62	(974)	NA	(118)	NA	(55)	237	NA
Adjusted Net (Loss)/Profit for the period	(138)	111	NA	(248)	(44.3%)	(498)	987	NA
Recurring Net Profit /(Loss) for the period	131	214	(38.8%)	(76)	NA	274	1,829	(85.0%)

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

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

4 The average alumina price per tonne provided in this table is based on the daily closing spot prices of alumina according to Non-ferrous Metal Alumina Index FOB Australia USD per tonne.

Key selected data from consolidated statement of financial position

	As at 31 December 2012	As at 31 December 2011	Change year-on-year, %
(USD million)			
Total assets	25,586	25,345	1.0%
Total working capital[5]	1,893	2,367	(20.0%)
Net Debt[6]	10,829	11,049	(2.0%)

Key selected data from consolidated statement of cash flows

	Year ended 31 December 2012	Year ended 31 December 2011	Change year-on-year, %
(USD million)			
Net cash flows generated from operating activities	1,092	1,781	(38.7%)
Net cash flows used in investing activities	(93)	(299)	(68.9%)
of which dividends from Norilsk Nickel	*267*	*279*	*(4.3%)*
of which CAPEX[7]	*(501)*	*(622)*	*(19.5%)*
Interest paid	(610)	(551)	10.7%

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

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

7 CAPEX is defined as payment for the acquisition of property, plant and equipment and intangible assets.

Overview of trends in industry and business

Aluminium industry in 2012

Global aluminium consumption rose by 6% in 2012 to 47.4 million tonnes. While aluminium demand in Europe remained subdued, this was offset by strong consumption growth in China and the US in the fourth quarter of 2012 which has continued into the first quarter of 2013 and ensures positive sentiment for the year ahead.

Aluminium consumption in the US grew by 5.4% in 2012 to 5.9 million tonnes. Demand in the fourth quarter of 2012 was boosted by increased production across the automotive industry, of particular relevance due to increasing levels of aluminium parts being used in the manufacture of cars and a significant uplift in construction sector activity.

In China, continued spending on large infrastructure projects combined with domestic economy stimulus led to improved growth in the Chinese economy in the fourth quarter of 2012 to 7.9% and industrial production to 10.3%. Chinese automotive production grew by 6.3% year-on-year to 20.6 million units in 2012. Chinese aluminium consumption grew by 9.3% in 2012 to 21.8 million tonnes.

Japanese aluminium consumption grew by 3.1% to 2 million tonnes in 2012 while consumption in South Korea grew by 3% to 1.3 million tonnes for the same period. Other Asian economies are expected to benefit from continued growth in Chinese economic activity and as a result of growth in the export of products containing aluminium.

2013 Outlook

UC RUSAL expects that the uncertainties seen in 2012, namely the current Eurozone financial crisis and slowdown in Chinese growth, will lessen during 2013 thanks to the strong financial stimulus programs that have been adopted by central banks in key regions and improving data from China.

Global primary aluminium consumption is forecast to reach 50 million tonnes (6% growth), with China the largest growing market (9.5% growth), followed by India (6% growth), Asia excluding China (5.8% growth), North America (5% growth) and Russia & CIS (4% growth). Consumption growth in Europe in 2013 is expected to be 2% lower than 2012 levels.

As a consequence UC RUSAL forecasts the global aluminium market to be balanced in the current year.

China

Chinese infrastructure investments were boosted by 20.6% in 2012. The continued urbanization process will require significant investment in infrastructure, including housing, transportation, and social services in 2013.

According to official statistics real estate sales in China were strong towards the end of 2012 with sales in October and November by floor area increasing by 23% and 30% year-on-year respectively, suggesting improved economic sentiment as freer credit conditions allowed households to get access to loans.

According to WardsAuto forecast, Chinese car production is expected to exceed European production in 2013. China is forecasted to manufacture 19.6 million cars and light vehicles in 2013 (a 10% increase year-on-year). The emerging economies like China and India should be the ultimate beneficiaries of aluminium demand from the car sector given that the aluminium penetration in those countries remains well below the level in North America and Europe.

China's stimulus program for home appliance purchases in rural areas boosted sales of products containing aluminium like televisions, air-conditioners, washing machines and refrigerators.

Other Asia

The trend of Japan's automotive and electronics' plants moving to low-cost countries in South East Asia or to North America and Eastern Europe continued and were a negative factor for aluminium demand in the past year. This is likely to impact the level of consumption growth in Japan in the medium to long-term. The strong value of the YEN against the USD also affected exports in 2012. In addition to this, geopolitical tensions between China and Japan affected production of aluminium die casters in Japan. Aluminium stock adjustments in Q1 2013 will result in a fall in imports in Q1 but growth is expected as the stimulus plans announced in December resulted in a 13% devaluation of the YEN, which will be positive for exports and the consumption of aluminium.

South Korea's consumption growth is estimated at 3% in 2012 due to weaker demand in the fourth quarter as a result of a negative impact on demand for aluminium semis and goods in the US and especially in Europe for export-oriented sectors. The ongoing recovery in the US and strong demand in SE Asia is expected to support exports and aluminium consumption in 2013. The new government is reacting to the 2012 slowdown by increasing public infrastructure investment, which will in turn increase domestic demand. Renewable energy projects are planned and the transmission lines associated with the new generation capacity will have a positive influence on aluminium demand.

Primary aluminium consumption in India increased by about 5.5% in 2012. The electrical power sector is the largest aluminium consumer sector, responsible for 40% of total aluminium consumption in India in 2012. In the medium and long term, there are several electrification plans that will continue to boost aluminium demand from this sector. The transportation sector is also a large consumer of aluminium in the country. Demand from transportation will show the highest year-on-year percentage increase in the future.

North America

According to WardsAuto passenger car production increased by 17.5% to 15.4 million units in 2012 compared to 13.1 million units in 2011. The level of automotive production capacity utilization reached 92.7% in the third quarter of 2012 compared to 78.7% in the third quarter of 2011.

According to Ducker Worldwide Research, the aluminium content in American cars has now reached 150 kg per vehicle in 2012 and will continue to grow at a compound annual growth rate (CAGR) of 3.7% until 2020.

The North American building and construction sectors supported the demand for aluminium in 2012. The US construction market as a whole continues to show solid growth. According to official statistics US housing demand climbed by 12.1% month-on-month in December, continuing to signal a recovery in demand for the construction sector. In annual terms US housing rose by 36.9% in December to 954,000 units and by 27.7% year-on-year in 2012.

Europe

While the US, China and rest of Asia are expected to drive aluminium demand in 2013, our view on the European consumption of aluminium remains negative for 2013. Despite the efforts taken by the European Central Bank (ECB) to solve the debt problem, European countries are still suffering from weak economic activity, large budget deficits and cuts in capital spending which are unlikely to stimulate economic growth and consumption activity. Aluminium consumption in Europe declined by 3% to 7.7 million tonnes in 2012.

The automotive industry, a key aluminium end-user, remains depressed in Europe. According to EUROSTAT, in 2012, new car registrations totalled around 12 million units, a decrease of 8.2% from 2011. The demand for new cars fell to the lowest level recorded since 1995. After two years of production growth, unit production started to fall again in 2012 (-7%), under-shooting the pre-crisis level from 2007 by around 15%. It is expected that there will be a further, albeit less pronounced, decline of car production in 2013. However any reduction is expected to be partially offset by an increase in the aluminium content in cars, which has increased to 135 kg per vehicle in 2012.

LME stocks and premiums

LME stocks have sustained the 5.2 million tonnes level seen at the end of 2012. The current warehouse incentives in Europe and the US will continue to attract surplus metal which will be supported by strong contangoes resulting from ongoing low costs of finance and renewed interest from the hedge funds.

Financial deals continue to be a dominant factor for LME aluminium pricing. As more than 65% of LME stocks are locked in financial deals, ongoing low costs of finance and renewed interest from the hedge funds increase financial trading of aluminium contracts which is significantly exceeding a physical demand. Fundamental pricing factors including rising producers' costs and real demand growth for physical metal are currently less defining for aluminium price.

The increase in demand and the tight metal availability continued to push regional premiums to historical highs in all major regional markets in 2012 and this trend will possibly continue in 2013. As at the end of December, the Japanese premium stood at USD254 per tonne, the US Mid-West premium was at USD248 per tonne and the European Rotterdam in-warehouse premium was reported to be at USD285 per tonne.

Business review

Aluminium production

Total aluminium output reached 4,173 thousand tonnes in 2012, an increase of 1% compared to 2011 mainly due to the recovery to full production capacity at Sayanogorsk aluminium smelter partially interrupted in 2011 following a railway bridge collapse. Total aluminium output in the fourth quarter of 2012 decreased by 2% to 1,038 thousand tonnes compared to 1,060 thousand tonnes in the fourth quarter of 2011.

Alumina production

Alumina output totaled 7,477 thousand tonnes in 2012, a decrease of 8% compared to 2011 in line with production optimization program. Alumina output in the fourth quarter of 2012 decreased by 13% to 1,806 thousand tonnes compared to 2,082 thousand tonnes in the fourth quarter of 2011.

Bauxite production

Bauxite production totaled 12,365 thousand tonnes in 2012, a decrease of 8% compared to 2011 to support the decrease in alumina production. Bauxite output in the fourth quarter of 2012 decreased by 15% to 2,788 thousand tonnes compared to 3,288 thousand tonnes in the fourth quarter of 2011.

Financial Overview

Revenue

	Year ended 31 December 2012			**Year ended 31 December 2011**		
	USD million	*kt*	*Average sales price (USD/tonne)*	*USD million*	*kt*	*Average sales price (USD/tonne)*
Sales of primary aluminium and alloys	9,323	4,203	2,218	10,414	4,017	2,592
Sales of alumina	503	1,582	318	664	1,837	361
Sales of foil	302	80	3,775	309	75	4,120
Other revenue	763	—	—	904	—	—
Total revenue	**10,891**			**12,291**		

Total revenue decreased by 11.4% to USD10,891 million in 2012 compared to USD12,291 million in 2011. The decrease in total revenue primarily resulted from the decrease in sales of primary aluminium and alloys due to the decline in the LME aluminium price. Sales of primary aluminium and alloys accounted for 85.6% and 84.7% of UC RUSAL's revenue for the years 2012 and 2011, respectively.

	Quarter ended 31 December		Change quarter on quarter, % (4Q to 4Q)	Quarter ended 30 September	Change quarter on quarter, % (4Q to 3Q)	Year ended 31 December		Change year-on-year,
	2012	**2011**	**2012**	**2012**	**2011**			**%**
	unaudited	*unaudited*		*unaudited*				
Sales of primary aluminium and alloys								
USD million	2,246	2,376	(5.5%)	2,178	3.1%	9,323	10,414	(10.5%)
kt	1,011	1,006	0.5%	1,030	(1.8%)	4,203	4,017	4.6%
Average sales price (USD/t)	2,222	2,362	(5.9%)	2,115	5.1%	2,218	2,592	(14.4%)
Sales of alumina								
USD million	89	156	(42.9%)	132	(32.6%)	503	664	(24.2%)
kt	283	476	(40.5%)	429	(34.0%)	1,582	1,837	(13.9%)
Average sales price (USD/t)	314	328	(4.3%)	308	1.9%	318	361	(11.9%)
Sales of foil (USD million)	82	80	2.5%	78	5.1%	302	309	(2.3%)
Other revenue (USD million)	207	194	6.7%	175	18.3%	763	904	(15.6%)
Total revenue (USD million)	**2,624**	**2,806**	**(6.5%)**	**2,563**	**2.4%**	**10,891**	**12,291**	**(11.4%)**

Revenue from sales of primary aluminium and alloys decreased by USD1,091 million, or by 10.5%, to USD9,323 million in 2012, as compared to USD10,414 million in 2011, despite an increase in volumes of the primary aluminium and alloys sold. This decrease resulted primarily from the sharp decline in weighted-average realised aluminium price, by 14.4% in 2012 as compared to 2011, due to the weak performance of the LME aluminium price (which decreased to an average of USD2,018 per tonne from USD2,395 per tonne for the years 2012 and 2011, respectively). The decrease in average LME aluminium prices was slightly offset by a 30.0% growth in premiums above the LME price in the different geographical segments (to an average of USD208 per tonne from USD160 per tonne for the years 2012 and 2011, respectively).

Revenue from sales of alumina decreased by 24.2% to USD503 million in 2012 as compared to USD664 million in 2011, due to an 11.9% decrease in alumina weighted-average sales prices (which was in line with the overall weaker aluminium price performance in 2012) as well as a 13.9% decrease in alumina sales volume.

Revenue from sales of foil decreased by 2.3% to USD302 million in 2012, as compared to USD309 million in 2011, primarily due to a decrease in average realised price driven by the decline in LME aluminium prices.

Revenue from other sales, including transportation, energy and bauxite, decreased by 15.6% to USD763 million in 2012 as compared to USD904 million in 2011, primarily due to the change in scope of consolidation after the disposal in September 2011 of a 50.0% share in the transportation business in Kazakhstan.

Cost of sales

The following table shows the breakdown of UC RUSAL's cost of sales for the periods ended 31 December 2012 and 2011:

	Year ended 31 December		Change year-on-year,	Share of costs for the year ended 31 December 2012,
	2012	**2011**	**%**	**%**
(USD million)				
Cost of alumina	1,352	1,052	28.5%	14.6%
Cost of bauxite	530	513	3.3%	5.7%
Cost of other raw materials and other costs	3,148	3,145	0.1%	34.1%
Energy costs	2,592	2,535	2.2%	28.1%
Depreciation and amortisation	515	492	4.7%	5.6%
Personnel expenses	914	860	6.3%	9.9%
Repairs and maintenance	147	149	(1.3%)	1.6%
Change in asset retirement obligations	(2)	7	NA	0.0%
Net change in provisions for inventories	36	33	9.1%	0.4%
Total cost of sales	**9,232**	**8,786**	**5.1%**	**100.0%**

Total cost of sales increased by USD446 million, or 5.1%, to USD9,232 million in 2012, as compared to USD8,786 million in 2011. The increase was primarily driven by the 4.6% (or 186 thousand tonnes) growth in the aggregate aluminium sales volumes.

Cost of alumina increased in 2012 (as compared to 2011) by 28.5%, primarily as a result of an increase in the volumes of externally purchased alumina following the decrease of self-produced alumina as well as the slight growth in transportation tariffs.

Cost of bauxite increased by 3.3% in 2012 as compared to 2011, primarily as a result of an increase in the purchased volume.

Costs of raw materials (other than alumina and bauxite) and other costs were almost flat during 2012 (as compared to 2011).

Energy cost was almost flat during 2012 year (as compared to 2011), as of the increase in sales volumes of aluminium was offset by the decrease in weighted-average electricity tariffs and depreciation of the Russian Ruble against the US dollar.

Distribution, administrative and other expenses

Distribution expenses decreased by 13.6% to USD527 million in 2012, compared to USD610 million in 2011, mainly due to the change in scope of consolidation after the disposal in September 2011 of a 50% share in the transportation business in Kazakhstan, where distribution expenses represented the key component of operating expenses. The fluctuation of the Russian Ruble within the comparable periods also facilitated a decrease in distribution expenses.

Administrative expenses decreased by 5.4% to USD718 million in 2012, compared to USD759 million in 2011. The decrease was primarily the result of the cost optimization programme.

Impairment of non-current assets increased by USD59 million in 2012 to USD304 million as a result of impairment of the alumina and bauxite plant in Guinea and the recognition of impairment charge relating to the specific assets of the Group.

Other operating expenses decreased by 70.4% to USD42 million in 2012, compared to USD142 million in 2011. The significant drop in other operating expenses was driven by the reduction in the provisions for tax and legal contingencies.

Adjusted EBITDA and Results from operating activities

	Year ended 31 December		Change year-on-year,
	2012	**2011**	**%**
(USD million)			
Reconciliation of Adjusted EBITDA			
Results from operating activities	60	1,749	(96.6%)
Add:			
Amortisation and depreciation	543	518	4.8%
Impairment of non-current assets	304	245	24.1%
Loss on disposal of property, plant and equipment	8	—	100.0%
Adjusted EBITDA	**915**	**2,512**	**(63.6%)**

A sharp decrease in the results from operating activities and Adjusted EBITDA for the year ended 31 December 2012 to USD60 million and USD915 million, respectively, as compared to the results from operating activities and Adjusted EBITDA of USD1,749 million and USD2,512 million, respectively for the corresponding period in 2011, reflected primarily low aluminium prices, the weaker macro-economic environment and an overall increase of certain raw materials purchase prices and transportation tariffs.

Segment reporting

The Group has four reportable segments, as described in the annual report of the Company, which are the Group's strategic business units: Aluminium, Alumina, Energy, Mining and Metals.

The core segments are Aluminium and Alumina.

	Year ended 31 December			
	2012		2011	
	Aluminium	**Alumina**	**Aluminium**	**Alumina**
(USD million)				
Segment revenue				
kt	*4,299*	*6,122*	*4,096*	*6,977*
USD million	*9,515*	*2,043*	*10,600*	*2,444*
Segment result	722	(190)	2,072	(24)
Segment EBITDA[8]	1,150	(86)	2,472	76
Segment EBITDA margin	12.1%	(4.2%)	23.3%	3.1%
Total capital expenditure	**327**	**155**	**416**	**223**

For the year ended 31 December 2012 and 2011 respectively, segment result margins (calculated as the percentage of segment result to total segment revenue) from continuing operations were 7.6% and 19.5% for the aluminium segment, and negative 9.2% and 1.0% for the alumina segment. Key drivers for the decrease in margin in the aluminium segment are disclosed in "Revenue", "Cost of sales" and "Adjusted EBITDA and Results from operating activities" sections above. Detailed segment reporting can be found in the consolidated financial statements for the year ended 31 December 2012.

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

Finance income and expenses

(USD million)	Year ended 31 December 2012	2011	Change year-on-year, %
Finance income			
Interest income on loans and deposits	19	7	171.4%
Foreign exchange gain	—	58	(100.0%)
Change in fair value of derivative financial instruments, including	—	416	(100.0%)
Change in fair value of embedded derivatives	*—*	*499*	*(100.0%)*
Revaluation of financial instruments linked to the share price of Norilsk Nickel	*—*	*(97)*	*(100.0%)*
Change in other derivatives instruments	*—*	*14*	*(100.0%)*
Interest income on provisions	6	40	(85.0%)
	25	**521**	**(95.2%)**
Finance expenses			
Interest expense on bank loans and company loans wholly repayable within five years, bonds and other bank charges, including	(682)	(1,319)	(48.3%)
Nominal interest expense	*(590)*	*(664)*	*(11.1%)*
Excess of effective interest rate charge over nominal interest rate charge on restructured debt	*—*	*(560)*	*(100.0%)*
Bank charges	*(92)*	*(95)*	*(3.2%)*
Foreign exchange loss	(66)	—	100.0%
Change in fair value of derivative financial instruments, including	(107)	—	100.0%
Change in fair value of embedded derivatives	*(113)*	*—*	*100.0%*
Change in other derivatives instruments	*6*	*—*	*100.0%*
Interest expense on provisions	(65)	(17)	282.4%
	(920)	**(1,336)**	**(31.1%)**

Finance income decreased by USD496 million to USD25 million in 2012 as compared to USD521 million in 2011, as finance income in 2011 was affected by a gain on the change in fair value of derivative financial instruments of USD416 million, of which USD499 million was represented by a gain on the revaluation of embedded derivative financial instruments. For the main reason of such significant change, please refer to Results Announcement for the first quarter of 2011 (accessible on UC RUSAL's website at *http://www.rusal.ru/en/investors/hkse*).

Finance expenses decreased by 31.1% to USD920 million in 2012 as compared to USD1,336 million in 2011 primarily due to the decrease in interest expenses partially compensated by the negative foreign exchange effect.

Total interest expenses on bank and company loans decreased in the year ended 31 December 2012 mainly due to the completed refinancing of the Company's outstanding debts during the year ended 31 December 2011. As at the date of refinancing, the excess of effective interest rate charges over nominal interest rate charges on restructured debt in amount of USD320 million was recognised. Nominal interest expenses decreased by 11.1% within the comparable periods as a result of the reduction in the principal amount payable to international and Russian lenders and in the overall interest margin.

Finance expenses in 2012 were also affected by the foreign exchange loss of USD66 million, as compared to a foreign exchange gain of USD58 million during 2011. The difference was driven by fluctuations in the exchange rate between the Russian Ruble and the US dollar and their effect on the working capital items of several Group companies denominated in currencies other than their functional currencies in the respective comparable periods.

Share of profits of associates and jointly controlled entities

	Year ended 31 December		**Change year-on-year,**
	2012	**2011**	**%**
(USD million)			
Share of profits/(losses) of Norilsk Nickel, *with*	772	(336)	NA
Effective shareholding of	*30.27%*	*30.27%*	
Share of profits	*772*	*943*	*(18.1%)*
Result from changes in the underlying net assets following treasury share transactions	*—*	*(1,279)*	*NA*
Share of losses of other associates	(21)	(13)	61.5%
Share of profits/(losses) of associates	**751**	**(349)**	**NA**
Share of profits of jointly controlled entities	**55**	**25**	**120.0%**

The Company's share of the results of associates for the years ended 31 December 2012 and 2011 included a gain of USD751 million and loss of USD349 million, respectively. Share in results of associates in both periods resulted primarily from the Company's investment in Norilsk Nickel, which amounted to profit of USD772 million and loss of USD336 million for 2012 and 2011, respectively. The Company's share of Norilsk Nickel results for 2011 included a loss of USD1,279 million recognized by the Company as a result of a decrease in the carrying value of the Company's share of net assets of Norilsk Nickel. This change in carrying value was attributable to sales and purchases by Norilsk Nickel of its own shares during this period and in particular to the combined effect of the prices at which such transactions took place and the changes in the Company's proportionate share of Norilsk Nickel resulting from the reduction and increase in Norilsk Nickel treasury stock as a consequence of the transactions.

As at the date of these consolidated financial statements, the Group was unable to obtain consolidated financial statements of Norilsk Nickel for the year ended 31 December 2012. Consequently, the Group estimated its share in the profits and other comprehensive income of Norilsk Nickel for the year ended 31 December 2012 based on publicly available information reported by Norilsk Nickel. The information used

as a basis for these estimates is incomplete in many respects. Once the consolidated financial statements of Norilsk Nickel for the year ended 31 December 2012 become available, they will be compared to the management's estimates. If there are significant differences, adjustments may be required to restate the Group's share of profits, other comprehensive income and the carrying value of the investment in Norilsk Nickel which has been previously reported.

Share of profits of jointly controlled entities was USD55 million in 2012 as compared to USD25 million in 2011. This represents the Company's share of results in the Company's joint ventures — BEMO, LLP Bogatyr Komir, Mega Business and Alliance (transportation business in Kazakhstan) and North United Aluminium Shenzhen Co., Ltd.

(Loss)/Profit before income tax

UC RUSAL incurred a loss before income tax of USD29 million for the year ended 31 December 2012, as compared to a profit before income tax USD610 million for the year ended 31 December 2011 for the reasons set out above.

Income tax

Income tax expense decreased by USD347 million to USD26 million in 2012, as compared to an income tax expense of USD373 million in 2011.

Current tax expenses decreased by USD35 million, or 21.1%, to USD131 million as at 31 December 2012, compared to USD166 million as at 31 December 2011 due to a decrease in the taxable profit period-on-period.

The deferred tax benefit was USD105 million in 2012 as compared to a deferred tax expense of USD207 million in 2011. The deferred tax benefit for the year ended 31 December 2012 primarily resulted from reversal of previously recognized provisions in respect of certain deferred tax assets. The deferred tax expense for the year ended 31 December 2011 was primarily represented by the tax effect of the revaluation of energy embedded derivative liabilities recognized in the first half of 2011 in amount of USD148 million.

Net (Loss)/Profit for the period

As a result of the above, the Company recorded a net loss of USD55 million in 2012, as compared to a net profit of USD237 million in 2011.

Adjusted and Recurring Net (Loss)/Profit

(USD million)	Year ended 31 December 2012	2011	Change, year-on-year, %
Reconciliation of Adjusted Net (Loss)/Profit			
Net (loss)/profit for the period	(55)	237	NA
Adjusted for:			
Share of profits and other gains and losses attributable to Norilsk Nickel, net of tax effect (9.0%), *with*	(772)	534	NA
Share of profits, net of tax	*(772)*	*(842)*	*(8.3%)*
Result from changes in the underlying net assets following treasury share transactions	—	*1,279*	*(100.0%)*
Revaluation of financial instruments linked to the share price of Norilsk Nickel	—	*97*	*(100.0%)*
Change in fair value of embedded derivative financial instruments, net of tax (20.0%)	25	(589)	NA
Excess of effective interest rate charge over nominal interest rate charge on restructured debt	—	560	(100.0%)
Impairment of non-current assets, net of tax	304	245	24.1%
Adjusted Net (Loss)/ Profit	**(498)**	**987**	**NA**
Add back:			
Share of profits of Norilsk Nickel, net of tax	772	842	(8.3%)
Recurring Net Profit	**274**	**1,829**	**(85.0%)**

Adjusted Net Loss/Profit for any period is defined as the net loss/profit adjusted for the net effect of the Company's investment in Norilsk Nickel, the net effect of embedded derivative financial instruments, the excess of effective interest rate charges over nominal interest rate charges on restructured debt and the net effect of non-current assets impairment. Recurring Net Profit for any period is defined as Adjusted Net Loss/Profit plus the Company's net effective share in Norilsk Nickel results. Adjusted Net Loss and significant reduction of the Recurring Net Profit in 2012 in comparison of the corresponding period of the prior year were primarily driven by the decrease in the Company's result from operating activities.

Assets and liabilities

UC RUSAL's total assets increased by USD241 million, to USD25,586 million as at 31 December 2012 as compared to USD25,345 million as at 31 December 2011. The increase in total assets mainly resulted from the increase in the carrying value of the investment in Norilsk Nickel.

Total liabilities decreased by USD328 million, or 2.2%, to USD14,478 million as at 31 December 2012 as compared to USD14,806 million as at 31 December 2011. The decrease was mainly due to the decrease in the outstanding debt of the Group.

Cash flows

The Company generated net cash from operating activities of USD1,092 million for the year ended 31 December 2012 as compared to USD1,781 for the previous year. Net decrease in working capital and provisions contributed USD287 million to the operating cash flow for 2012 unlike the previous year when the net increase in working capital and provisions comprised USD644 million.

Net cash used for the investing activities decreased to USD93 million for 2012 as compared to USD299 million for the previous year primarily due to the enhanced control over the capital expenditures.

The above mentioned initiatives allowed the Company to assign USD441 million of the own cash flows for the debt repayment that together with the interest payments of USD610 million represent the main components of the cash used in the financing activities with the total amount of USD1,131 million for 2012.

Capital expenditure

UC RUSAL recorded total capital expenditures of USD501 million for the year ended 31 December 2012. UC RUSAL's capital expenditure in 2012 was aimed at maintaining existing production facilities.

	Year ended 31 December	
	2012	**2011**
(USD million)		
Growth project		
Taishet smelter	76	89
	76	**89**
Maintenance		
Pot rebuilds costs	134	181
Re-equipment	291	352
Total capital expenditure	**501**	**622**

The Company notes that its auditor, ZAO KPMG, has provided a qualified opinion on its audit of the consolidated financial statements of the Company for the year ended 31 December 2012 as it was unable to obtain and review the consolidated financial statements of Norilsk Nickel for the year ended 31 December 2012. An extract from the review report provided by ZAO KPMG on the consolidated financial statements of the Company is as follows:

"***Basis for Qualified Opinion***

As explained in Note 17 to the consolidated financial statements, the Group has estimated its share of profit and other comprehensive income of its associate, OJSC MMC Norilsk Nickel ("**Norilsk Nickel**"), for the year ended 31 December 2012 based on the latest publicly available information reported by Norilsk Nickel adjusted by the Group to account for Norilsk Nickel's performance in the remaining part of the reporting period. As a result of the consolidated financial statements of Norilsk Nickel for the year ended 31 December 2012 not being available, we were unable to obtain sufficient appropriate audit evidence in relation to the Group's estimate of the share of profit and other comprehensive income of Norilsk Nickel of USD772 million and USD145 million, respectively, for the year ended 31 December 2012, and the carrying value of the Group's investment in Norilsk Nickel of USD10,213 million as at 31 December 2012 and the summary financial information of associates disclosed in Note 17. As a result, we were unable to determine whether adjustments might have been found to be necessary in respect of interests in associates, and the elements making up the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Equity.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, 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 2012 and of the Group's net loss and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991 and the disclosure requirements of the Hong Kong Companies Ordinance.

Matters on which we are required to report by exception

Other than the matter described in the Basis for Qualified Opinion, we have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company; or
- the financial statements of the Company are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit."

Consolidated financial statements

The following section contains the audited consolidated financial statements of UC RUSAL for the year ended 31 December 2012 which were approved by the directors of UC RUSAL (the "**Directors**") on 1 March 2013, and reviewed by the Audit Committee.

The full set of audited consolidated financial statements of UC RUSAL, together with the report of the independent auditor is available on UC RUSAL's website at *http://www.rusal.ru/en/investors/ financial_stat.aspx.*

	Note	Year ended 31 December 2012 USD million	Year ended 31 December 2011 USD million
Revenue	5	10,891	12,291
Cost of sales		(9,232)	(8,786)
Gross profit		**1,659**	**3,505**
Distribution expenses		(527)	(610)
Administrative expenses		(718)	(759)
Loss on disposal of property, plant and equipment		(8)	-
Impairment of non-current assets		(304)	(245)
Other operating expenses	6	(42)	(142)
Results from operating activities		**60**	**1,749**
Finance income	7	25	521
Finance expenses	7	(920)	(1,336)
Share of profits/(losses) of associates	17	751	(349)
Share of profits of jointly controlled entities	18	55	25
(Loss)/profit before taxation		**(29)**	**610**
Income tax	8	(26)	(373)
Net (loss)/profit for the year		**(55)**	**237**
Attributable to:			
Shareholders of the Company		(55)	237
Net (loss)/profit for the year		**(55)**	**237**
Earnings per share			
Basic and diluted earnings per share (USD)	14	(0.004)	0.016

The consolidated statement of income is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 33 to 122.

		Year ended 31 December	
		2012	**2011**
	Note	**USD million**	**USD million**
Net (loss)/profit for the year		**(55)**	**237**
Other comprehensive income			
Actuarial losses on post retirement benefit plans	27(a)	(41)	(4)
Share of other comprehensive income of associates	17	(145)	(193)
Change in fair value of cash flow hedges	28	(63)	(42)
Foreign currency translation differences for foreign operations		875	(921)
		626	**(1,160)**
Total comprehensive income for the year		**571**	**(923)**
Attributable to:			
Shareholders of the Company		571	(923)
Total comprehensive income for the year		**571**	**(923)**

There was no tax effect relating to each component of other comprehensive income.

The consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 33 to122.

	Note	31 December 2012 USD million	31 December 2011 USD million
ASSETS			
Non-current assets			
Property, plant and equipment	15	5,453	5,746
Intangible assets	16	4,051	3,905
Interests in associates	17	10,669	9,714
Interests in jointly controlled entities	18	1,156	1,102
Deferred tax assets	20	99	66
Derivative financial assets	28	12	21
Other non-current assets		89	98
Total non-current assets		**21,529**	**20,652**
Current assets			
Inventories	21	2,624	3,002
Trade and other receivables	22	925	1,032
Derivative financial assets	28	3	13
Cash and cash equivalents	23	505	646
Total current assets		**4,057**	**4,693**
Total assets		**25,586**	**25,345**

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 33 to 122.

	Note	31 December 2012 USD million	31 December 2011 USD million
EQUITY AND LIABILITIES			
Equity	24		
Share capital		152	152
Shares held for vesting		(1)	-
Share premium		15,787	15,788
Other reserves		2,607	2,856
Currency translation reserve		(3,623)	(4,498)
Accumulated losses		(3,814)	(3,759)
Total equity		**11,108**	**10,539**
Non-current liabilities			
Loans and borrowings	25	9,415	10,134
Bonds	26	988	932
Provisions	27	621	484
Deferred tax liabilities	20	520	595
Derivative financial liabilities	28	179	159
Other non-current liabilities		43	46
Total non-current liabilities		**11,766**	**12,350**
Current liabilities			
Loans and borrowings	25	931	629
Current taxation	20(e)	18	16
Trade and other payables	29	1,656	1,667
Derivative financial liabilities	28	47	39
Provisions	27	60	105
Total current liabilities		**2,712**	**2,456**
Total liabilities		**14,478**	**14,806**
Total equity and liabilities		**25,586**	**25,345**
Net current assets		**1,345**	**2,237**
Total assets less current liabilities		**22,874**	**22,889**

Approved and authorised for issue by the board of directors on 1 March 2013.

Oleg V. Deripaska
Chief Executive Officer

Evgeny D. Kornilov
Chief Financial Officer

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 33 to 122.

	Note	31 December 2012 USD million	31 December 2011 USD million
ASSETS			
Non-current assets			
Investments in subsidiaries	19	18,763	17,813
Total non-current assets		**18,763**	**17,813**
Current assets			
Loans to group companies		9	510
Other receivables	22	16	29
Cash and cash equivalents	23	13	13
Total current assets		**38**	**552**
Total assets		**18,801**	**18,365**
EQUITY AND LIABILITIES			
Equity	24		
Share capital		152	152
Reserves		6,245	5,949
Total equity		**6,397**	**6,101**
Non-current liabilities			
Loans and borrowings	25	9,236	9,523
Other non-current liabilities	33(c)	-	1,383
Total non-current liabilities		**9,236**	**10,906**
Current liabilities			
Loans and borrowings	25	894	555
Trade and other payables	29	822	803
Other current liabilities	33(c)	1,452	-
Total current liabilities		**3,168**	**1,358**
Total liabilities		**12,404**	**12,264**
Total equity and liabilities		**18,801**	**18,365**
Net current liabilities		**(3,130)**	**(806)**
Total assets less current liabilities		**15,633**	**17,007**

Approved and authorised for issue by the board of directors on 1 March 2013.

Oleg V. Deripaska
Chief Executive Officer

Evgeny D. Kornilov
Chief Financial Officer

The statement of financial position of the Company is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 33 to 122.

	Note	Share capital	Shares held for vesting	Share premium	Other reserves	Currency translation reserve	Accumulated losses	Total equity
		USD million	USD million	USD million	USD million	USD million	USD million	USD million
Balance at 1 January 2011		**152**	**-**	**15,782**	**3,095**	**(3,577)**	**(3,996)**	**11,456**
Profit for the year		-	-	-	-	-	237	237
Other comprehensive income for the year		-	-	-	(239)	(921)	-	(1,160)
Total comprehensive income for the year		**-**	**-**	**-**	**(239)**	**(921)**	**237**	**(923)**
Share-based compensation	24(b)	**-**	-	6	-	**-**	**-**	6
Balance at 31 December 2011		**152**	**-**	**15,788**	**2,856**	**(4,498)**	**(3,759)**	**10,539**
Balance at 1 January 2012		**152**	**-**	**15,788**	**2,856**	**(4,498)**	**(3,759)**	**10,539**
Loss for the year		**-**	**-**	**-**	**-**	**-**	(55)	(55)
Other comprehensive income for the year		**-**	**-**	**-**	(249)	875	-	626
Total comprehensive income for the year		**-**	**-**	**-**	**(249)**	**875**	**(55)**	**571**
Share-based compensation	24(b)	**-**	(1)	(1)	-	-	-	(2)
Balance at 31 December 2012		**152**	**(1)**	**15,787**	**2,607**	**(3,623)**	**(3,814)**	**11,108**

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 33 to122.

	Note	Year ended 31 December	
		2012	**2011**
		USD million	**USD million**
OPERATING ACTIVITIES			
Net (loss)/profit for the year		**(55)**	**237**
Adjustments for:			
Depreciation	9(b)	528	501
Amortisation	9(b)	15	17
Impairment of non-current assets		304	245
Share-based compensation	24(b)	4	6
Impairment of trade and other receivables	6	20	18
Debtors write-off		12	-
Impairment of inventories		36	33
(Reversal)/provision for legal claims	6	(3)	10
(Reversal of tax provision)/tax provision	6	(44)	17
(Reversal of site restoration provision)/site restoration provision		(1)	8
Pension provision/(reversal of pension provision)		7	(23)
Change in fair value of derivative financial instruments	7	107	(416)
Foreign exchange losses/(gains)		1	(65)
Loss on disposal of property, plant and equipment		8	-
Loss on disposal of intangible assets		2	-
Interest expense		747	1,336
Interest income		(25)	(47)
Income tax expense	8	26	373
Share of (profits)/losses of associates	17	(751)	349
Share of profits of jointly controlled entities	18	(55)	(25)
Cash from operating activities before changes in working capital and provisions		**883**	**2,574**
Decrease/(increase) in inventories		331	(579)
Decrease/(increase) in trade and other receivables		87	(20)
Decrease in prepaid expenses and other assets		5	11
Decrease in trade and other payables		(104)	(22)
Decrease in provisions		(32)	(34)
Cash generated from operations before income tax paid		**1,170**	**1,930**
Income taxes paid		(78)	(149)
Net cash generated from operating activities		**1,092**	**1,781**

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 33 to122.

	Note	Year ended 31 December	
		2012	**2011**
		USD million	**USD million**
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		63	20
Interest received		19	7
Acquisition of property, plant and equipment		(486)	(608)
Dividends from associates	17	267	279
Dividends from jointly controlled entities	18	68	48
Acquisition of intangible assets	16	(15)	(14)
Acquisition of jointly controlled operations	18	(14)	(46)
Acquisition of subsidiaries, net of cash acquired		(9)	-
Effect on cash from disposal of subsidiaries		-	45
Contributions to jointly controlled entities	18	(4)	(2)
Changes in restricted cash	23	18	(28)
Net cash used in investing activities		**(93)**	**(299)**
FINANCING ACTIVITIES			
Proceeds from borrowings		1,285	5,867
Repayment of borrowings		(1,726)	(7,548)
Restructuring fees and other expenses		(78)	(177)
Interest paid		(610)	(551)
Purchases of shares for vesting		(2)	-
Proceeds from issuance of Rouble bonds		-	1,063
Net cash used in financing activities		**(1,131)**	**(1,346)**
Net (decrease)/increase in cash and cash equivalents		**(132)**	**136**
Cash and cash equivalents at beginning of the year	23	613	486
Effect of exchange rate fluctuations on cash and cash equivalents		9	(9)
Cash and cash equivalents at the end of the year	23	**490**	**613**

Restricted cash amounted to USD15 million and USD33 million at 31 December 2012 and 31 December 2011, respectively.

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 33 to122.

1 Background

(a) Organisation

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

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

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

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

The shareholding structure of the Company as at 31 December 2012 and 31 December 2011 was as follows:

	31 December 2012	**31 December 2011**
En+ Group Limited ("En+")	48.13%	47.41%
Onexim Holdings Limited ("Onexim")	17.02%	17.02%
SUAL Partners Limited ("SUAL Partners")	15.80%	15.80%
Amokenga Holdings Limited ("Amokenga Holdings")	8.75%	8.75%
Held by Directors	0.26%	0.26%
Shares held for vesting	0.01%	-
Publicly held	10.03%	10.76%
Total	**100%**	**100%**

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

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

(b) Operations

The Group operates in the aluminium industry primarily in the Russian Federation, Ukraine, Guinea, Jamaica, Ireland, Italy, Nigeria and Sweden and is principally engaged in the mining and refining of bauxite and nepheline ore into alumina, the smelting of primary aluminium from alumina and the fabrication of aluminium and aluminium alloys into semi-fabricated and finished

products. The Group sells its products primarily in Europe, Russia, other countries of the Commonwealth of Independent States ("CIS"), Asia and North America.

(c) Business environment in emerging economies

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

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

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board ("IASB").

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

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing these consolidated financial statements, the Group has adopted all these new and revised IFRSs, except for any new standards or interpretations that are not yet effective as at 31 December 2012. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on 1 January 2012 are set out in note 38.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of judgements, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and the disclosure of contingent

liabilities at the date of the consolidated financial statements, and the reported revenue and costs during the relevant period.

Management bases its judgements and estimates on historical experience and various other factors that are believed to be appropriate and reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 37.

(e) Changes in accounting policies and presentation

The accounting policies and judgements applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2011.

3 Significant accounting policies

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. These accounting policies have been consistently applied to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries and non-controlling interests

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

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

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

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

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

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

(ii) Acquisitions of non-controlling interests

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

(iii) Acquisitions from entities under common control

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

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

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

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

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

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

(v) Transactions eliminated on consolidation

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

(b) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary items in a foreign currency are measured based on historical cost are translated using the exchange rate at the date of transaction. Foreign currency differences arising on retranslation are recognised in the statement of income, except for differences arising on the retranslation of qualifying cash flow hedges to the extent the hedge is effective, which is recognised in the statement of comprehensive income.

(ii) Foreign operations

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

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

When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount of the currency translation reserve is transferred to the statement of income as part of the gain or loss on disposal. When the Group disposes of only part of its interest

in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the statement of income.

(c) Financial instruments

(i) Non-derivative financial instruments

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

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

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

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

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

Held-to-maturity investments

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

Cash and cash equivalents

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

Others

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

Non-derivative financial liabilities

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

(ii) Derivative financial instruments, including hedge accounting

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

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

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

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

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

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

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

The cost of periodic relining of electrolysers is capitalised and depreciated over the expected production period.

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within gain/(loss) on disposal of property, plant and equipment in the statement of income.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of income as incurred.

(iii) Exploration and evaluation assets

Exploration and evaluation activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activities include:

- researching and analysing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- conducting market and finance studies.

Administration costs that are not directly attributable to a specific exploration area are charged to the statement of income.

License costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Exploration and evaluation expenditure is capitalised as exploration and evaluation assets when it is expected that expenditure related to an area of interest will be recouped by future exploitation, sale, or, at the reporting date, the exploration and evaluation activities have not reached a stage that permits a reasonable assessment of the existence of commercially recoverable ore reserves. Capitalised exploration and evaluation expenditure is recorded as a component of property, plant and equipment at cost less impairment losses. As the asset is not available for use, it is not depreciated. All capitalised exploration and evaluation expenditure is monitored for indications of impairment. Where there are indicators of potential impairment, an assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash-generating unit) to which the exploration is attributed. Exploration areas at which reserves have been discovered but which require major capital expenditure before production can begin are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway or planned. To the extent that capitalised expenditure is not expected to be recovered it is charged to the statement of income.

Exploration and evaluation assets are transferred to mining property, plant and equipment or intangible assets when development is sanctioned.

(iv) Stripping costs

Expenditure relating to the stripping of overburden layers of ore, including estimated site restoration costs, is included in the cost of production in the period in which it is incurred.

(v) Mining assets

Mining assets are recorded as construction in progress and transferred to mining property, plant and equipment when a new mine reaches commercial production.

Mining assets include expenditure incurred for:

- Acquiring mineral and development rights;
- Developing new mining operations.

Mining assets include interest capitalised during the construction period, when financed by borrowings.

(vi) Depreciation

The carrying amounts of property, plant and equipment (including initial and any subsequent capital expenditure) are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned, or the estimated life of the associated mine or mineral lease, if shorter. Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated.

The property, plant and equipment is depreciated on a straight-line or units of production basis over the respective estimated useful lives as follows:

- Buildings 30 to 50 years
- Plant, machinery and equipment 5 to 40 years
- Electrolysers 4 to 15 years
- Mining assets units of production on proven and probable reserves

- Other (except for exploration and evaluation assets) 1 to 20 years

(e) Intangible assets

(i) Goodwill

On the acquisition of a subsidiary, an interest in a jointly controlled entity or an associate or an interest in a joint arrangement that comprises a business, the identifiable assets, liabilities and contingent liabilities of the acquired business (or interest in a business) are recognised at their fair values unless the fair values cannot be measured reliably. Where the fair values of assumed contingent liabilities cannot be measured reliably, no liability is recognised but the contingent liability is disclosed in the same manner as for other contingent liabilities.

Goodwill arises when the cost of acquisition exceeds the fair value of the Group's interest in the net fair value of identifiable net assets acquired. Goodwill is not amortised but is tested for impairment annually. For this purpose, goodwill arising on a business combination is allocated to the cash-generating units expected to benefit from the acquisition and any impairment loss recognised is not reversed even where circumstances indicate a recovery in value.

In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate and jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment. Any impairment loss is allocated to the carrying amount of the interest in the associate and jointly controlled entity.

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

(ii) Research and development

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

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

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

(iii) Other intangible assets

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

(iv) Subsequent expenditure

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

(v) Amortisation

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

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

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

(f) Leased assets

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

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

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

(g) Inventories

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

The cost of inventories is determined under the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(h) Impairment

(i) Financial assets

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

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

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

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

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

All impairment losses are recognised in the statement of income.

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

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

(ii) Non-financial assets

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

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

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

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

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

(i) Insurance contracts

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

(j) Employee benefits

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

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

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

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

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

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

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

(iii) State pension fund

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

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

(k) Provisions

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

(i) Site restoration

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

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

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

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

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

(ii) Restructuring

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

(l) Revenue

Goods sold

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the good and the amount of revenue can be measured reliably. This is generally when title passes. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

For the majority of sales transactions agreements specify that title passes on the bill of lading date, which is the date the commodity is delivered to the shipping agent. Revenue is recognised on the bill of lading date.

Revenue is not reduced for royalties or other taxes payable from production.

(m) Other expenses

Social expenditure

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

(n) Finance income and expenses

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

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

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

(o) Income tax expense

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

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

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

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

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

(p) Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups comprising assets and liabilities), that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRSs. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Group's accounting policies.

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

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

(q) Segment reporting

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

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

(r) Related parties

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

- ***(i)*** has control or joint control over the Group;
- ***(ii)*** has significant influence over the Group; or
- ***(iii)*** is a member of the key management personnel of the Group or the Group's parent.

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

- ***(i)*** The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ***(ii)*** One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

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

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

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

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

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

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

4 Segment reporting

(a) Reportable segments

The Group has four reportable segments, as described below, which are the Group's strategic business units. These business units are managed separately and the results of their operations are reviewed by the CEO on a regular basis.

Aluminium. The Aluminium segment is involved in the production and sale of primary aluminium and related products.

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

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

Mining and Metals. The Mining and Metals segment includes the equity investment in OJSC MMC Norilsk Nickel ("Norilsk Nickel").

Other operations include manufacturing of semi-finished products from primary aluminium for the transportation, packaging, building and construction, consumer goods and technology industries; and the activities of the Group's administrative centres. None of these segments meet any of the quantitative thresholds for determining reportable segments in 2012 and 2011.

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.

(b) 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 excluding impairment.

The measure used for reporting segment results is the statement of income before income tax adjusted for items not specifically attributed to individual segments, such as finance income, costs of loans and borrowings and other head office or corporate administration costs. The segment profit or loss is included in the internal management reports that are reviewed by the Group's CEO. Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

In addition to receiving segment information concerning segment results, management is provided with segment information concerning revenue (including inter-segment revenue), the carrying value of investments and share of profits/(losses) of associates and jointly controlled entities, depreciation, amortisation, impairment and additions of non-current segment assets used by the segments in their operations. Inter-segment pricing is determined on a consistent basis using market benchmarks.

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

The Group's customer base includes only one customer with whom transactions have exceeded 10% of the Group's revenues. In 2012 revenues from sales of primary aluminium and alloys to this customer amounted to USD3,138 million (2011: USD3,547 million) and reduced in all geographical regions in which the division is active. Details of concentrations of credit risk arising from this customer are set out in note 30(e).

(i) ***Reportable segments***

Year ended 31 December 2012

	Aluminium	**Alumina**	**Energy**	**Mining and Metals**	**Total segment result**
	USD million	**USD million**	**USD million**	**USD million**	**USD million**
Revenue from external customers	9,323	552	5	-	**9,880**
Inter-segment revenue	192	1,491	-	-	**1,683**
Total segment revenue	**9,515**	**2,043**	**5**	**-**	**11,563**
Segment profit/(loss)	**722**	**(190)**	**1**	**772**	**1,305**
Impairment of non-current assets	(18)	(266)	-	-	**(284)**
Share of losses of associates	-	(15)	-	-	**(15)**
Share of profits of jointly controlled entities	-	-	55	-	**55**
Depreciation/amortisation	(428)	(104)	-	-	**(532)**
Non-cash income/(expense) other than depreciation	8	(45)	-	-	**(37)**
Additions to non-current segment assets during the year	327	155	6	-	**488**
Non-cash additions to non-current segment assets related to site restoration	-	20	-	-	**20**
Segment assets	11,651	1,833	43	10,213	**23,740**
Interests in associates	-	453	-	-	**453**
Interests in jointly controlled entities	16	-	1,140	-	**1,156**
Total segment assets					**25,349**
Segment liabilities	(2,002)	(724)	(33)	-	**(2,759)**
Total segment liabilities					**(2,759)**

Year ended 31 December 2011

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

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

	Year ended 31 December	
	2012	**2011**
	USD million	**USD million**
Revenue		
Reportable segment revenue	11,563	13,203
Elimination of inter-segment revenue	(1,683)	(1,954)
Unallocated revenue	1,011	1,042
Consolidated revenue	**10,891**	**12,291**

	Year ended 31 December	
	2012	**2011**
	USD million	**USD million**
Profit		
Reportable segment profit	1,305	1,799
Impairment of non-current assets	(304)	(245)
Share of losses of associates	(21)	(13)
Share of profits of jointly controlled entities	55	25
Finance income	25	521
Finance expenses	(920)	(1,336)
Unallocated expenses	(169)	(141)
Consolidated (loss)/profit before taxation	**(29)**	**610**

	31 December 2012	**31 December 2011**
	USD million	**USD million**
Assets		
Reportable segment assets	25,349	24,944
Elimination of inter-segment receivables	(338)	(516)
Unallocated assets	575	917
Consolidated total assets	**25,586**	**25,345**

	31 December 2012	**31 December 2011**
	USD million	**USD million**
Liabilities		
Reportable segment liabilities	(2,759)	(2,853)
Elimination of inter-segment payables	338	516
Unallocated liabilities	(12,057)	(12,469)
Consolidated total liabilities	**(14,478)**	**(14,806)**

(iii) Geographic information

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

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

	Revenue from external customers Year ended 31 December	
	2012	**2011**
	USD million	**USD million**
Netherlands	2,498	2,839
Russia	2,133	2,585
Turkey	946	1,171
Japan	859	782
South Korea	608	710
USA	475	739
Germany	397	218
Sweden	249	269
Norway	177	431
Greece	145	241
Italy	100	326
United Kingdom	60	179
Other countries	2,244	1,801
	10,891	**12,291**

	Specified non-current assets	
	31 December 2012	**31 December 2011**
	USD million	**USD million**
Russia	4,593	4,682
Ireland	328	320
Ukraine	239	274
Sweden	137	138
Armenia	57	61
Guinea	54	199
Guyana	48	49
Unallocated	16,073	14,929
	21,529	**20,652**

5 Revenue

	Year ended 31 December	
	2012	2011
	USD million	USD million
Sales of primary aluminium and alloys	**9,323**	**10,414**
Third parties	*5,789*	*6,359*
Related parties – companies capable of exerting significant influence	*3,299*	*3,745*
Related parties – companies under common control	*178*	*310*
Related parties – associates	*57*	-
Sales of alumina and bauxite	**552**	**676**
Third parties	*378*	*495*
Related parties – companies capable of exerting significant influence	*174*	*177*
Related parties – companies under common control	-	*4*
Sales of foil	**302**	**309**
Third parties	*294*	*300*
Related parties – companies under common control	*8*	*9*
Other revenue including energy and transportation services	**714**	**892**
Third parties	*613*	*642*
Related parties – companies capable of exerting significant influence	*22*	*16*
Related parties – companies under common control	*34*	*34*
Related parties – associates	*45*	*200*
	10,891	**12,291**

The Group's customer base is diversified and includes only one major customer - Glencore - with whom transactions have exceeded 10% of the Group's revenue. In 2012 revenues from sales of primary aluminiums and alloys to this customer amounted to USD3,138 million (2011: USD3,547 million).

6 Other operating expenses

	Year ended 31 December	
	2012	**2011**
	USD million	**USD million**
Impairment loss on trade and other receivables	(20)	(18)
Reversal of/(provision for) legal claims	3	(10)
Reversal of tax provision /(tax provision)	44	(17)
Charitable donations	(10)	(15)
Other operating expenses	(59)	(82)
	(42)	**(142)**

7 Finance income and expenses

	Year ended 31 December	
	2012	**2011**
	USD million	**USD million**
Finance income		
Interest income on third party loans and deposits	16	3
Interest income on loans to related parties – _companies under common control_	3	4
Foreign exchange gain	-	58
Change in fair value of derivative financial instruments (refer to notes 28,30(c)(i))	-	416
Interest income on provisions	6	40
	25	**521**
Finance expenses		
Interest expense on bank loans wholly repayable within 5 years, bonds and other bank charges	(682)	(735)
Excess of effective interest rate charges over nominal interest rate charges on restructured debt	-	(560)
Change in fair value of derivative financial instruments (refer to notes 28,30(c)(i))	(107)	-
Interest expense on company loans from related parties - _companies capable of exerting significant influence_	-	(24)
Foreign exchange loss	(66)	-
Interest expense on provisions	(65)	(17)
	(920)	**(1,336)**

8 Income tax

	Year ended 31 December	
	2012	**2011**
	USD million	**USD million**
Current tax – overseas		
Current tax for the year	131	179
Over-provision in respect of prior years	-	(13)
Deferred tax		
Origination and reversal of temporary differences	(105)	207
Actual tax expense	**26**	**373**

The Company is a tax resident of Cyprus with applicable corporate tax rate of 10%. Subsidiaries pay income taxes in accordance with the legislative requirements of their respective tax jurisdictions. For subsidiaries domiciled in Russia, the applicable tax rate is 20%; in Ukraine of 21% (year ended 31 December 2011 – 23%); Guinea of 0%; China of 25%; Kazakhstan of 20%; Australia of 30.0%; Jamaica of 33.3%; Ireland of 12.5%; Sweden of 26.3% and Italy of 31.4%. For the Group's subsidiaries domiciled in Switzerland the applicable tax rate for the period is the corporate income tax rate in the Canton of Zug, Switzerland, which may vary depending on the subsidiary'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 2012 are 9.39% and 15.11% for different subsidiaries (31 December 2011: 9.4% and 15.4%). For the Group's significant trading companies, the applicable tax rate is 0%. The applicable tax rates for the period ended 31 December 2012 were the same as for the period ended 31 December 2011 except as noted above.

	Year ended 31 December			
	2012		**2011**	
	USD million	**%**	**USD million**	**%**
(Loss)/profit before taxation	(29)	100%	610	100%
Income tax at tax rate applicable to the tax residence of the Company	(3)	10.0%	61	10.0%
Financial expenses non-deductable for tax purposes	64	(220.7%)	127	20.8%
Other non-deductible taxable items	(4)	13.8%	3	0.5%
Effect of changes in investment in Norilsk Nickel	(75)	258.6%	131	21.5%
Change in unrecognised deferred tax assets	117	(403.4%)	32	5.2%
Over-provision in prior years	-	-	(13)	(2.1%)
Effect of different income tax rates	(73)	251.7%	32	5.2%
Actual tax expense	**26**	**(89.7%)**	**373**	**61.1%**

9 Loss for the year

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

(a) Personnel costs

	Year ended 31 December	
	2012	**2011**
	USD million	**USD million**
Contributions to defined contribution retirement plans	209	205
Contributions to defined benefit retirement plans	7	12
Total retirement costs	216	217
Wages and salaries	1,057	980
Share-based compensation (refer to note 24(b))	4	9
	1,277	**1,206**

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	
	2012	**2011**
	USD million	**USD million**
Amortisation of intangible assets	15	17
Depreciation (net of amount included in inventories)	528	501
Impairment losses in respect of:		
- property, plant and equipment	295	250
- intangible assets	13	-
Mineral restoration tax	34	27
Increase in provisions (including provisions for legal claims)	65	120
Auditors' remuneration	7	10
Operating lease charges in respect of property	14	11
Cost of inventories (refer to note 21)	8,742	8,279

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 2012		
	Directors' fees	**Salaries, allowances, benefits in kind and discretionary bonuses**	**Total**
	USD thousand	**USD thousand**	**USD thousand**
Executive Directors (i)			
Oleg Deripaska	-	5,536	5,536
Vladislav Soloviev	-	6,377	6,377
Petr Sinshinov (a)	-	1,444	1,444
Tatiana Soina (b)	-	2,383	2,383
Vera Kurochkina	-	1,146	1,146
Alexander Livshits (b)	-	360	360
Maksim Sokov (c)	-	8,330	8,330
Non-executive Directors			
Victor Vekselberg (d)	90	-	90
Maksim Goldman (f)	189	-	189
Dmitry Afanasiev	207	-	207
Len Blavatnik	207	-	207
Ivan Glasenberg	240	-	240
Dmitry Yudin (f)	121	-	121
Dmitry Troshenkov (e)	86	-	86
Dmitry Razumov (e)	198	-	198
Christophe Charlier (f)	40	-	40
Anatoly Tikhonov (e)	87	-	87
Artem Volynets	268	-	268
Gulzhan Moldazhanova (f)	114	-	114
Vadim Geraskin (f)	49	-	49
Petr Sinshinov (a)	48	-	48
Independent Non-executive Directors			
Matthias Warnig (Chairman) (g)	156	-	156
Nigel Kenny	268	-	268
Philip Lader	307	-	307
Elsie Leung Oi-Sie	208	-	208
Barry Cheung Chun-Yuen (h)	414	-	414
	3,297	**25,576**	**28,873**

a. Petr Sinshinov was re-designated from a Non-executive Director to an Executive Director of the Company in March 2012 and resigned from his position as a member of the Board of Directors in October 2012.

b. Tatiana Soina and Alexander Livshits resigned from their positions as the members of the Board of Directors in March 2012 and in June 2012, respectively.

c. Maksim Sokov, Director for Strategic Investements management, was appointed as a member of the Board of Directors in March 2012.

d. Victor Vekselberg resigned from his positions as the Chairman and the member of the Board of Directors in March 2012.

e. Dmitry Troshenkov, Anatoly Tikhonov and Dmitry Razumov resigned from their positions as the members of the Board of Directors in May, June and November 2012, respectively.

f. The following Non-executive Directors were appointed during 2012: Maksim Goldman (in March 2012), Dmitry Yudin (in May 2012), Gulzhan Moldazhanova (in June 2012), Vadim Geraskin (in October 2012) and Christophe Charlier (in November 2012).

g. Matthias Warnig was appointed as an Independent Non-executive Director in June 2012 and as the Chairman of the Board of Directors with effect from 1 October 2012.

h. From 16 March untill 1 October 2012 Barry Cheung Chun-Yuen was the Chairman of the Board of Directors.

i. Compensation of Executive Directors in the form of shares of the Company relates to a share-based long-term incentive plan (hereinafter “LTIP”) (refer to note 24(b)). The fair value of the share-based compensation was recognised as an employee expense during the vesting period. On 21 November 2012 one-third of LTIP in relation to the CEO and one-fifth of LTIP in relation to other eligible employees were vested as follows:

	Number of shares awarded	**Number of shares vested on 21 November 2012**	**Value of share-based compensation vested USD thousand**
Oleg Deripaska	2,086,331	417,266	274
Vladislav Soloviev	1,311,629	262,326	172
Vera Kurochkina	354,346	70,869	47
Maksim Sokov	401,596	80,319	53

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

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

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

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

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

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

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

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

11 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two were directors in both the years ended 31 December 2012 and 2011, 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	
	2012	2011
	USD thousand	USD thousand
Salaries and bonuses(*)	23,244	20,976

(*) Included in salaries and bonuses is remuneration in the form of shares of the Company for the years ended 31 December 2012 and 2011 in relation to a share-based long-term incentive plan (refer to note 24(b)).

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

	Year ended 31 December	
	2012	2011
	Number of individuals	Number of individuals
HK$40,000,001-HK$45,000,000 (US$5,150,001 – US$5,800,000)	-	-
HK$45,000,001-HK$55,000,000 (US$5,800,001 – US$7,100,000)	2	1
HK$55,000,001-HK$65,000,000 (US$7,100,001 – US$8,400,000)	-	2
HK$70,000,001-HK$75,000,000 (US$9,000,001 – US$9,700,000)	1	-

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

Retirement scheme contributions to individuals with highest emoluments are not disclosed as the amount is considered not significant for either year presented.

12 Dividends

No dividends were declared and paid by the Company during the years ended 31 December 2012 and 2011.

The Company is subject to external capital requirements.

13 Profit attributable to equity shareholders of the Company

The profit attributable to equity shareholders of the Company includes a profit of USD306 million for the year ended 31 December 2012 (2011: a loss of USD2,680 million) which relates to the financial statements of the Company.

14 Earnings per share

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of shares in issue during the years ended 31 December 2012 and 31 December 2011.

Weighted average number of shares:

	Year ended 31 December	
	2012	2011
Issued ordinary shares at beginning of the period	15,193,014,862	15,193,014,862
Purchase of shares for vesting	(1,524,768)	-
Weighted average number of shares at end of the period	**15,191,490,094**	**15,193,014,862**
Net (loss)/profit for the period, USD million	**(55)**	**237**
Basic and diluted earnings per share, USD	**(0.004)**	**0.016**

There were no outstanding dilutive instruments during the years ended 31 December 2012 and 2011.

15 Property, plant and equipment

USD million	Land and buildings	Machinery and equipment	Electro-lysers	Other	Mining assets	Construc-tion in progress	Total
Cost/Deemed cost							
Balance at 1 January 2011	3,607	5,728	1,677	121	668	1,240	13,041
Additions	131	47	181	1	-	424	784
Disposals	(20)	(89)	-	(2)	-	(5)	(116)
Transfers	34	216	7	(11)	3	(249)	-
Foreign currency translation	(69)	(56)	(26)	(3)	(29)	(25)	(208)
Balance at 31 December 2011	**3,683**	**5,846**	**1,839**	**106**	**642**	**1,385**	**13,501**
Balance at 1 January 2012	3,683	5,846	1,839	106	642	1,385	13,501
Additions	21	3	134	31	-	348	537
Acquired through business combination	8	14	-	-	-	1	23
Disposals	(4)	(38)	-	(1)	-	(55)	(98)
Transfers	45	152	4	6	15	(222)	-
Transfers to intangible assets	-	-	-	-	-	(10)	(10)
Foreign currency translation	61	63	21	2	32	22	201
Balance at 31 December 2012	**3,814**	**6,040**	**1,998**	**144**	**689**	**1,469**	**14,154**
Accumulated depreciation and impairment losses							
Balance at 1 January 2011	1,502	3,444	1,172	59	642	347	7,166
Depreciation charge	97	258	166	11	1	-	533
Impairment loss	125	62	-	-	4	59	250
Disposals	(6)	(44)	-	(1)	-	-	(51)
Foreign currency translation	(43)	(36)	(18)	-	(28)	(18)	(143)
Balance at 31 December 2011	**1,675**	**3,684**	**1,320**	**69**	**619**	**388**	**7,755**
Balance at 1 January 2012	**1,675**	**3,684**	**1,320**	**69**	**619**	**388**	**7,755**
Depreciation charge	92	262	167	11	2	-	534
Impairment loss	66	88	-	35	20	86	295
Disposals	(1)	(25)	-	(1)	-	-	(27)
Foreign currency translation	37	43	14	1	31	18	144
Balance at 31 December 2012	**1,869**	**4,052**	**1,501**	**115**	**672**	**492**	**8,701**
Net book value							
At 31 December 2011	**2,008**	**2,162**	**519**	**37**	**23**	**997**	**5,746**
At 31 December 2012	**1,945**	**1,988**	**497**	**29**	**17**	**977**	**5,453**

Depreciation expense of USD500 million (2011: USD475 million) has been charged to cost of goods sold, USD7 million (2011: USD5 million) to distribution expenses and USD21 million (2011: USD21 million) to administrative expenses.

During the years ended 31 December 2012 and 2011, no interest cost was capitalised due to postponement of construction projects as a result of the economic environment.

Included into construction in progress at 31 December 2012 and 2011 are advances to suppliers of property, plant and equipment of USD44 million and USD105 million, respectively.

(a) Impairment

At 31 December 2012, management analysed changes in the economic environment and developments in the aluminium industry and the Group's operations since 31 December 2011 and considered it necessary to carry out impairment tests for a number of cash-generating units of the Group, which were partially impaired in the previous years.

Based on results of impairment testing, management has concluded that an impairment loss of USD167 million relating to property, plant and equipment should be recognised in these financial statements in respect of Friguia cash generating unit. Additionally, management identified specific assets that are no longer in use and therefore are not considered to be recoverable amounting to USD128 million and USD250 million at 31 December 2012 and 31 December 2011, respectively. These have been impaired in full. No further impairment or reversal of previously recorded impairment was identified by management.

(b) Security

The carrying value of property, plant and equipment subject to lien under loan agreements was USD327 million as at 31 December 2012 (31 December 2011: USD316 million), refer to note 25.

(c) Net book value of properties

	31 December 2012	31 December 2011
	USD million	USD million
Owned and leased properties		
In the Russian Federation		
Freehold	1,752	1,770
short-term leases	22	22
medium-term leases	7	7
Outside the Russian Federation		
Freehold	164	209
	1,945	**2,008**
Representing		
Land and buildings	**1,945**	**2,008**

Included in the above mentioned amounts is the land held on long lease in the Russian Federation that comprised USD29 million and USD29 million at 31 December 2012 and 31 December 2011, respectively. The Group does not hold land in Hong Kong.

16 Intangible assets

	Goodwill	Other intangible assets	Total
	USD million	USD million	USD million
Cost			
Balance at 1 January 2011	3,993	522	4,515
Additions	-	14	14
Disposals	(3)	(49)	(52)
Foreign currency translation	(125)	-	(125)
Balance at 31 December 2011	**3,865**	**487**	**4,352**
Balance at 1 January 2012	**3,865**	**487**	**4,352**
Additions	18	15	33
Transfer from PPE	-	10	10
Disposals	-	(2)	(2)
Foreign currency translation	133	-	133
Balance at 31 December 2012	**4,016**	**510**	**4,526**
Amortisation and impairment losses			
Balance at 1 January 2011	(67)	(363)	(430)
Amortisation charge	-	(17)	(17)
Balance at 31 December 2011	**(67)**	**(380)**	**(447)**
Balance at 1 January 2012	**(67)**	**(380)**	**(447)**
Impairment	-	(13)	(13)
Amortisation charge	-	(15)	(15)
Balance at 31 December 2012	**(67)**	**(408)**	**(475)**
Net book value			
At 31 December 2011	**3,798**	**107**	**3,905**
At 31 December 2012	**3,949**	**102**	**4,051**

(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 initially 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 principally increased in 2007 as a result of the acquisition of certain businesses of SUAL Partners and Glencore.

(c) Impairment testing of goodwill and other intangible assets

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

At 31 December 2012, management analysed changes in the economic environment and developments in the aluminium industry and the Group's operations since 31 December 2011 and performed an impairment test for goodwill at 31 December 2012 using the following assumptions to determine the recoverable amount of the segment:

- Total production was estimated based on average sustainable production levels of 4.3 million metric tonnes of primary aluminium, of 7.5 million metric tonnes of alumina and of 10.4 million metric tonnes of bauxite. Bauxite and alumina will be used primarily internally for production of primary aluminium;
- Sales prices were based on the long-term aluminium price outlook derived from available industry and market sources at USD2,144 per tonne for primary aluminium in 2013, USD2,309 in 2014, USD2,412 in 2015, USD2,466 in 2016, USD2,564 in 2017, USD2,671 in 2018, USD2,761 in 2019 and USD2,824 in 2020 and thereafter. Operating costs were projected based on the historical performance of each cash generating unit;
- Nominal foreign currency exchange rates applied to convert operating costs of the Group denominated in RUB into USD were RUB31.2 for one USD in 2013, RUB32.0 in 2014, RUB32.4 in 2015, RUB32.2 in 2016, RUB32.0 in 2017, RUB32.8 in 2018, RUB33.7 in 2019 and USD34.6 in 2020 and thereafter. Inflation of 5.0% – 6.6% in RUB and 2.2% - 2.5% in USD was assumed in determining recoverable amounts;
- The pre-tax discount rate was estimated in nominal terms based on the weighted average cost of capital basis and was 11.6% ;
- A terminal value was derived following the forecast period assuming a 2.3% 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 40% and would lead to an impairment of USD1,876 million;
- A 5% increase in the projected level of electricity and alumina costs in the aluminium production would have resulted in a 27% decrease in the recoverable amount and would lead to an impairment of USD245 million;
- A 1% increase in the discount rate would have resulted in a 13% change in the recoverable amount and would not lead to impairment.

Based on results of impairment testing, management concluded that no impairment should be recorded in the consolidated financial statements as at 31 December 2012.

At 31 December 2011, management analysed changes in the economic environment and developments in the aluminium industry and the Group's operations since 31 December 2010 and

performed an impairment test for goodwill at 31 December 2011 using the following assumptions to determine the recoverable amount of the segment:

- Total production was estimated based on average sustainable production levels of 4.2 million metric tonnes of primary aluminium, of 7.7 million metric tonnes of alumina and of 13.3 million metric tonnes of bauxite. Bauxite and alumina will be used primarily internally for production of primary aluminium;
- Sales prices were based on the long-term aluminium price outlook derived from available industry and market sources at USD2,240 per tonne for primary aluminium in 2012, USD2,483 in 2013, USD2,540 in 2014, USD2,576 in 2015, USD2,600 in 2016, USD2,662 in 2017, USD2,748 in 2018 and USD2,809 in 2019 and thereafter. Operating costs were projected based on the historical performance of each cash generating unit;
- Nominal foreign currency exchange rates applied to convert operating costs of the Group denominated in RUB into USD were RUB30.0 for one USD in 2012, RUB30.1 in 2013 and 2014, RUB29.6 in 2015, RUB28.8 in 2016, RUB29.5 in 2017, RUB30.3 in 2018 and RUB 31.1 in 2019 and thereafter. Inflation of 4.8% – 5.9% in RUB and 2.1 - 2.3% 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 13.4%;
- A terminal value was derived following the forecast period assuming a 2.2% annual growth rate.

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

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

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

17 Interests in associates

	31 December	
	2012	**2011**
	USD million	**USD million**
Balance at the beginning of the year	9,714	11,151
Group’s share of profits/(losses) and other gains and losses attributable to associates	751	(349)
Dividends	(285)	(306)
Group’s share of other comprehensive income	(145)	(193)
Foreign currency translation	634	(589)
Balance at the end of the year	**10,669**	**9,714**
Goodwill included in interests in associates	5,626	5,315

The following list contains only the particulars of associates, all of which are corporate entities, which principally affected the results or assets of the Group.

				Proportion of ownership interest		
Name of associate	**Form of business structure**	**Place of incorporation and operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Group’s nominal interest**	**Principal activity**
OJSC MMC Norilsk Nickel	Incorporated	Russian Federation	190,627,747 shares, RUB1 par value	30.27%	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

On 10 December 2012, the Company, Interros, Millhouse, and the beneficial owners of Interros and Millhouse entered into a shareholders agreement establishing the corporate governance requirements, dividend policy, and voting rights in respect to managing the operations of Norilsk Nickel. The shareholders agreement requires the Company to dispose 3,873,537 shares to Millhouse at USD160 per share in cash provided the quasi-treasury shares of Norilsk Nickel are redeemed and upon the satisfaction of a number of other conditions specified in the agreement. Following the redemption of all quasi-treasury shares held by Norilsk Nickel and disposal of shares to Millhouse, it is expected that the Company will hold a 27.8% interest in Norilsk Nickel. As at 31 December 2012, satisfaction of the conditions subsequent was still in process and the sale of shares to Millhouse had not been executed.

The summary of the consolidated financial statements of associates is presented below:

	Assets	Liabilities	Revenues	Profit
	USD million	**USD million**	**USD million**	**USD million**
31 December 2012				
100 per cent	21,075	7,552	13,128	3,112
Group's effective interest including post acquisition adjustments	13,454	2,541	3,877	751
31 December 2011				
100 per cent	19,988	8,573	15,193	3,628
Group's effective interest including post acquisition adjustments	12,905	2,874	4,067	(349)

(a) OJSC MMC Norilsk Nickel

The carrying value and market value of the Group's investment in Norilsk Nickel as at 31 December 2012 and 31 December 2011 were as follows:

	31 December 2012	31 December 2011
	USD million	**USD million**
Carrying value	10,213	9,247
Market value (a)	8,859	7,365

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

As at 31 December 2011 the carrying value of the investment in Norilsk Nickel was affected by the entity's sales and purchases of its own shares. The impact of changes in the net assets of Norilsk Nickel, following a series of transactions with treasury shares, as well as the estimation of the recoverable amount of the investment is that the Group has recognised a loss of USD1,279 million.

The recoverable amount of the investment at 31 December 2012 was determined based on the underlying value in use of its businesses based on the following significant assumptions.

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

Metal	Units	2013	2014	2015	2016	2017
Nickel	USD/tonne	18,363	20,556	21,929	23,040	23,152
Copper	USD/tonne	8,122	8,055	7,696	7,396	7,170
Platinum	USD/oz	1,692	1,768	1,840	1,869	1,906
Palladium	USD/oz	722	799	836	850	877

- Total production volume was based on existing production levels for 2011 adjusted for a growth rate of 1.5-3.0% per year.
- The nominal foreign currency exchange rates applied to convert operating costs denominated in RUB into USD were RUB31.2 in 2013, RUB32.0 in 2014, RUB32.4 in 2015, RUB32.2 in 2016, RUB32.0 in 2017 and thereafter. Inflation of 5.0% – 6.6% in RUB and 2.2%-2.5% 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 and was 13.06%.

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

- A 5% reduction in the projected sales price level of main metals for a five-year period would have resulted in a decrease in the recoverable amount by 15% and would result in impairment of USD422 million;
- A 1% increase in the discount rate would have resulted in a 13% decrease in the recoverable amount and would result in impairment USD168 million.

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

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

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

- Total production volume was based on existing production levels for 2010 adjusted for a growth rate of 1.5-3.0% per year.
- The nominal foreign currency exchange rates applied to convert operating costs denominated in RUB into USD were RUB30.0 for one USD in 2012, RUB30.1 in 2013 and 2014, RUB29.6 in 2015, RUB28.8 in 2016, RUB29.5 in 2017, RUB30.3 in 2018 and RUB31.1 in 2019 and thereafter. Inflation of 4.8% – 5.9% in RUB and 2.1%-2.3% 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 and was 14.09%.

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

- A 5% reduction in the projected sales price level of main metals for a five-year period would have resulted in a decrease in the recoverable amount by 4% and would result in impairment of USD256 million;
- A 1% increase in the discount rate would have resulted in a 12% change in the recoverable amount and would result in impairment of USD1,002 million.

On the date these consolidated financial statements were issued, the Group was unable to obtain the consolidated financial statements of Norilsk Nickel as at 31 December 2012. Consequently the Group has estimated its share in the profit and other comprehensive income of Norilsk Nickel for the year ended 31 December 2012 based on publicly available information reported by Norilsk Nickel. The information used as a basis for these estimates is incomplete in many aspects. Once the consolidated financial statements for Norilsk Nickel become available, the financial information will be compared to management's estimates. If there are significant differences, adjustments may be required to restate the Group's share of profit, other comprehensive income and the carrying value of the investment in Norilsk Nickel which are reported in these financial statements.

18 Interests in jointly controlled entities

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

	31 December	
	2012	**2011**
	USD million	**USD million**
Balance at the beginning of the year	1,102	1,136
Acquisitions	16	32
Contributions to jointly controlled entities	4	2
Group's share of profits	55	25
Dividends	(72)	(48)
Foreign currency translation	51	(45)
Balance at the end of the year	**1,156**	**1,102**

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
Mega Business & Alliances B.V. and its companies	Incorporated	Netherlands/ Russian Federation/ Kazakhstan	18,000 shares, EUR1	50%	50%	Transportation business
North United Aluminium	Incorporated	China	170,375,940 RMB	33%	33%	Aluminium alloys trading

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

	31 December 2012	**31 December 2011**
	USD million	**USD million**
Non-current assets	1,798	1,413
Current assets	301	101
Non-current liabilities	(673)	(323)
Current liabilities	(270)	(89)
Net assets	**1,156**	**1,102**
Income	811	436
Expenses	(756)	(411)
Profit for the year	**55**	**25**
Foreign currency translation differences for foreign operations	51	(45)

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

North United Aluminium

In April 2012 the Group acquired a 33% interest in North United Aluminium for USD16 million. North United Aluminium is a Chinese trader specialising in the trade of aluminium, alloys and other non-ferrous metals.

19 Investments in subsidiaries

The Company

	31 December	
	2012	**2011**
	USD million	**USD million**
Unlisted shares, at cost	26,248	26,248
Less: impairment	(7,485)	(8,435)
	18,763	**17,813**

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

20 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
USD million	**31 December 2012**	**31 December 2011**	**31 December 2012**	**31 December 2011**	**31 December 2012**	**31 December 2011**
Property, plant and equipment	43	61	(556)	(597)	(513)	(536)
Inventories	19	20	(1)	(5)	18	15
Trade and other receivables	8	6	(4)	(2)	4	4
Derivative financial liabilities	9	4	(3)	(5)	6	(1)
Losses carried forward	109	100	-	-	109	100
Others	65	26	(110)	(137)	(45)	(111)
Deferred tax assets/(liabilities)	253	217	(674)	(746)	(421)	(529)
Set off of deferred taxation	(154)	(151)	154	151	-	-
Net deferred tax assets/(liabilities)	**99**	**66**	**(520)**	**(595)**	**(421)**	**(529)**

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

USD million	1 January 2011	Recognised in the statement of income	Foreign currency translation	31 December 2011
Property, plant and equipment	(549)	13	-	(536)
Inventories	22	(7)	-	15
Trade and other receivables	3	1	-	4
Derivative financial liabilities	147	(148)	-	(1)
Losses carried forward	57	43	-	100
Other items	(10)	(109)	8	(111)
Total	**(330)**	**(207)**	**8**	**(529)**

USD million	1 January 2012	Recognised in the statement of income	Foreign currency translation	31 December 2012
Property, plant and equipment	(536)	20	3	(513)
Inventories	15	6	(3)	18
Trade and other receivables	4	-	-	4
Derivative financial liabilities	(1)	7	-	6
Losses carried forward	100	9	-	109
Other items	(111)	63	3	(45)
Total	**(529)**	**105**	**3**	**(421)**

Recognised tax losses expire in the following years:

	31 December	31 December
	2012	2011
Year of expiry	USD million	USD million
Without expiry	-	27
From 6 to 10 years	91	44
From 2 to 5 years	15	18
Up to 1 year	3	11
	109	**100**

(c) Unrecognised deferred tax assets

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

	31 December 2012	31 December 2011
	USD million	USD million
Deductible temporary differences	347	332
Tax loss carry-forwards	524	422
	871	**754**

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:

	31 December 2012	31 December 2011
Year of expiry	USD million	USD million
Without expiry	441	351
From 6 to 10 years	82	68
From 2 to 5 years	1	3
	524	**422**

(d) Unrecognised deferred tax liabilities

Retained earnings of the Group's subsidiaries where dividend distributions are subject to taxation included USD4,130 million and USD4,975 million as at 31 December 2012 and 31 December 2011, respectively, for which deferred taxation has not been provided because remittance of the earnings has been indefinitely postponed through reinvestment and, as a result, such amounts are considered to be permanently invested. It was not practicable to determine the amount of temporary differences relating to investments in subsidiaries where the Group is able to control the timing of reversal of the difference. Reversal is not expected in the foreseeable future. For other subsidiaries in the Group, including the significant trading companies, the distribution of dividends does not give rise to taxes.

(e) Current taxation in the consolidated statement of financial position represents:

	31 December 2012 USD million	31 December 2011 USD million
Net income tax (receivable)/payable at the beginning of the year	(21)	20
Income tax for the year	131	166
Income tax paid	(104)	(176)
Translation difference	(8)	(31)
	(2)	**(21)**
Represented by:		
Income tax payable	18	16
Prepaid income tax (note 22)	(20)	(37)
Net income tax recoverable	**(2)**	**(21)**

21 Inventories

	31 December 2012 USD million	31 December 2011 USD million
Raw materials and consumables	1,173	1,333
Work in progress	854	797
Finished goods and goods held for resale	782	1,033
	2,809	3,163
Provision for inventory obsolescence	(185)	(161)
	2,624	**3,002**

Inventories at 31 December 2012 and 31 December 2011 are stated at cost.

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

	Year ended 31 December	
	2012	2011
	USD million	USD million
Carrying amount of inventories sold	8,718	8,246
Write-down of inventories	24	33
	8,742	**8,279**

22 Trade and other receivables

The Group

	31 December 2012 USD million	31 December 2011 USD million
Trade receivables from third parties	203	200
Impairment loss on trade receivables	(34)	(41)
Net trade receivables from third parties	**169**	**159**
Trade receivables from related parties, including:	**28**	**40**
Companies capable of exerting significant influence	*29*	*32*
Impairment loss	*(8)*	*(8)*
Net trade receivables from companies capable of exerting significant influence	*21*	*24*
Companies under common control	*4*	*8*
Related parties – associates	*3*	*8*
VAT recoverable	449	529
Impairment loss on VAT recoverable	(60)	(56)
Net VAT recoverable	**389**	**473**
Advances paid to third parties	107	102
Impairment loss on advances paid	(3)	(4)
Net advances paid to third parties	**104**	**98**
Advances paid to related parties, including:	**79**	**68**
Related parties – companies capable of exerting significant influence	*1*	-
Related parties – companies under common control	*2*	-
Related parties – associates	*76*	*68*
Prepaid expenses	**20**	**42**
Prepaid income tax	**20**	**37**
Prepaid other taxes	**20**	**14**
Other receivables from third parties	98	100
Impairment loss on other receivables	(26)	(24)
Net other receivables from third parties	**72**	**76**
Other receivables from related parties, including:	**24**	**25**
Related parties – companies capable of exerting significant influence	-	*1*
Related parties – companies under common control	*12*	*11*
Related parties – associates	*12*	*13*
	925	**1,032**

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

The specific allowance for doubtful trade and other receivables and the uncollectible amount of trade and other receivables written off during the year ended 31 December 2012 amounted USD20 million and USD22 million, respectively (31 December 2011: USD18 million and USD32 million, respectively).

(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 2012	31 December 2011
	USD million	USD million
Current	161	137
Past due 0-90 days	23	52
Past due 91-365 days	10	8
Past due over 365 days	3	2
Amounts past due	36	62
	197	**199**

Trade receivables are on average due within 60 days from the date of billing. The receivables that are neither past due nor impaired (i.e. current) relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. Further details of the Group's credit policy are set out in note 30(e).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	Year ended 31 December	
	2012	2011
	USD million	USD million
Balance at the beginning of the year	(49)	(73)
Impairment loss recognised	5	(2)
Uncollectible amounts written off	2	26
Balance at the end of the year	**(42)**	**(49)**

As at 31 December 2012 and 31 December 2011, the Group's trade receivables of USD42 million and USD49 million, respectively, were individually determined to be impaired. Management assessed that the receivables were not expected to be recovered. Consequently, specific allowances for doubtful debts were recognised.

The Group does not hold any collateral over these balances.

The Company

	31 December 2012	31 December 2011
	USD million	USD million
Other receivables	16	29

23 Cash and cash equivalents

The Group

	31 December 2012	31 December 2011
	USD million	USD million
Bank balances, USD	211	292
Bank balances, RUB	52	39
Bank balances, other currencies	46	49
Cash in transit	5	3
Short-term bank deposits	176	230
Cash and cash equivalents in the consolidated statement of cash flows	490	613
Restricted cash	15	33
	505	**646**

As at 31 December 2012 and 31 December 2011 included in cash and cash equivalents was restricted cash of USD15 million and USD33 million, respectively, mainly pledged under a Swiss Law Pledged Agreement with BNP Paribas (Suisse) SA and Banca Nazionale Del Lavoro S.p.A.

The Company

	31 December 2012	31 December 2011
	USD million	USD million
Restricted cash	13	13
	13	**13**

24 Equity

(a) Share capital

	31 December 2012		31 December 2011	
	USD	**Number of shares**	**USD**	**Number of shares**
Ordinary shares at the end of the year, authorised	200 million	20 billion	200 million	20 billion
Ordinary shares at 1 January	151,930,148	15,193,014,862	151,930,148	15,193,014,862
Ordinary shares at the end of the year of USD0.01 each, issued and paid	**151,930,148**	**15,193,014,862**	**151,930,148**	**15,193,014,862**

(b) Share-based compensation

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

- CEO: awarded shares vest over a 3-year period in equal instalments, subject to the terms of the LTIP Rules
- Other eligible employees: awarded shares vest over a 5-year period in equal instalments.

The vesting period started in November 2010.

During 2011, some 14,603,764 shares were granted under the plan. The fair value of shares as at 31 December 2012 totalled USD14 million (USD11 million as at 31 December 2011).

The Company recognised additional employee expense in relation to share-based LTIP in the amount of USD4 million for the year ended 31 December 2012 (USD12 million in 2011), with a corresponding increase in equity.

In November 2012 2,224,967 previously granted shares were vested with a corresponding value of USD3 million (in November 2011 - 3,254,566 shares with a corresponding value of USD5 million).

During 2012 the trustee acquired 3,059,914 shares on the open market for USD2 million. As at 31 December 2012 the trustee held the remaining balance of USD1 million comprised 834,947 shares under the LTIP ("Shares held for vesting").

(c) Other reserves

The acquisition of RUSAL Limited by the Company has been accounted for as a non-substantive acquisition. The consolidated share capital and share premium represent only the share capital and share premium of the Company and the share capital and other paid in capital of RUSAL Limited prior to the acquisition has been included in other reserves.

In addition, other reserves include the cumulative unrealised actuarial gains and losses on the Group's defined post retirement benefit plans, the effective portion of the accumulative net change in fair value of cash flow hedges and the Group's share of other comprehensive income.

(d) Distributions

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

(e) Currency translation reserve

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

(f) Movement in components of equity within the Company

USD million	**Share capital**	**Reserves**	**Total**
Balance at 1 January 2011	152	8,760	8,912
Loss and total comprehensive income for the year	-	(2,680)	(2,680)
Other changes resulting from transactions under common control	-	(131)	(131)
Balance at 31 December 2011	**152**	**5,949**	**6,101**
Balance at 1 January 2012	**152**	**5,949**	**6,101**
Profit and total comprehensive income for the year	-	306	306
Other changes resulting from transactions under common control	-	(10)	(10)
Balance at 31 December 2012	**152**	**6,245**	**6,397**

25 Loans and borrowings

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

	31 December 2012	31 December 2011
	USD million	USD million
Non-current liabilities		
Secured bank loans	8,907	9,505
Unsecured bank loans	508	629
	9,415	**10,134**
Current liabilities		
Secured bank loans	769	574
Unsecured bank loans	127	-
Accrued interest	35	55
	931	**629**

Terms and debt repayment schedule as at 31 December 2012

	TOTAL	2013	2014	2015	2016	2017	Later years
	USD million	USD million	USD million	USD million	USD million	USD million	USD million
Secured bank loans							
Variable							
USD – 3M Libor + 4.25%	2,751	371	789	793	798	-	-
USD – 3M Libor + 5.25%	973	-	-	-	-	496	477
USD – 1Y Libor + 4.5%	4,963	-	-	-	4,963	-	-
RUB – refinancing rate of RCB + 1.5%	398	398	-	-	-	-	-
Fixed							
RUB – 9.7%	591	-	-	-	591	-	-
	9,676	**769**	**789**	**793**	**6,352**	**496**	**477**
Unsecured bank loans							
Variable							
USD – 3M Libor + 6.5%	451	90	120	120	121	-	-
EURO – 3M Libor + 6.5%	184	37	49	49	49	-	-
Total	**635**	**127**	**169**	**169**	**170**	**-**	**-**
Accrued interest	35	35	**-**	**-**	**-**	**-**	**-**
Total	**10,346**	**931**	**958**	**962**	**6,522**	**496**	**477**

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

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

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

- 25% + 1 share of Norilsk Nickel

The secured bank loans are also secured by properties, plant and equipment with a carrying amount of USD327 million.

As at 31 December 2012 rights, including all monies and claims, arising out of certain sales contracts between the Group's trading subsidiaries and its ultimate customers, were assigned to secure the USD4.75 billion syndicated facility.

The nominal value of the Group's loans and borrowings was USD10,522 million at 31 December 2012 (31 December 2011: USD10,928 million).

On 26 January 2012 the Group successfully completed negotiations with its international and Russian lenders to obtain an option to exercise a covenant holiday for a 12-month period during which certain financial covenants are not applied commencing from any quarter in 2012. On 30 March 2012 the Group decided to exercise this option with effect from the first quarter of 2012. In November 2012 the Group agreed with the lenders to extend the period of the covenant holiday till 31 December 2013 (inclusive).

Under the covenant holiday option the extended margin grid will be applied as follows:

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

During the year 2012 the Group made the following repayments:

- On 30 January 2012 the Group made an early repayment of Tranche A loans under the USD4.75 billion syndicated facility in the amount of USD500 million using proceeds of a Sberbank facility obtained in January 2012 with a credit limit of RUB18.3 billion and a maturity of five years;
- On 16 March 2012 the Group made a principal repayment of RUB2 billion against its VTB loan;
- On 30 March 2012 the Group repaid in full its loan with Natixis in the amount of USD66 million;

- On 14 November 2012 the Group made an early repayment of Tranche A loans under the USD4.75 billion syndicated facility in the amount of USD406 million (scheduled for the first and second quarters of 2013) out of the remaining proceeds of the Sberbank facility and the Group's own funds.

On 28 December 2012 the Group entered into a new credit facility of USD300 million with Gazprombank with a maturity of 5 years and an interest rate of 3-months Libor plus 6.5% p.a.

In 2012 the Group has entered into several cross-currency swaps, for details refer to note 28.

Terms and debt repayment schedule as at 31 December 2011

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

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

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

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

- 25% + 1 share of Norilsk Nickel

The secured bank loans are also secured by the following:

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

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

In 2011 the Group has entered into several interest rate swaps, for details refer to note 28.

Debt refinancing during the year ended 31 December 2011

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

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

The facility was provided in two tranches:

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

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

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

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

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

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

The Company

	31 December	
	2012	**2011**
	USD million	**USD million**
Non-current liabilities		
Secured bank loans	8,907	9,096
Unsecured loans from related parties	329	427
	9,236	**9,523**
Current liabilities		
Secured bank loans	371	481
Unsecured loans from related parties	462	15
Accrued interest	61	59
	894	**555**

Terms and debt repayment schedule as at 31 December 2012

	TOTAL	**2013**	**2014**	**2015**	**2016**	**2017**	**Later years**
	USD million	**USD million**	**USD million**	**USD million**	**USD million**	**USD million**	**USD million**
Secured bank loans							
Variable							
USD – 1Y Libor + 4.5%	4,963	-	-	-	4,963	-	-
USD – 3M Libor + 4.25%	2,751	371	789	793	798	-	-
USD – 3M Libor + 5.25%	973	-	-	-	-	496	477
Fixed							
RUB – 9.7%	591	-	-	-	591	-	-
	9,278	**371**	**789**	**793**	**6,352**	**496**	**477**
Unsecured loans from related parties							
Interest free	301	301	**-**	**-**	**-**	**-**	**-**
USD – fixed 4.6%	161	161	**-**	**-**	**-**	**-**	**-**
RUB – fixed 8.31%-8.51%	329	-	329	-	**-**	**-**	**-**
	791	**462**	**329**	**-**	**-**	**-**	**-**
Accrued interest	61	61	**-**	**-**	**-**	**-**	**-**
Total	**10,130**	**894**	**1,118**	**793**	**6,352**	**496**	**477**

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

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

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

- 25% + 1 share of Norilsk Nickel.

Terms and debt repayment schedule as at 31 December 2011

	TOTAL	2012	2013	2014	2015	2016	Later years
	USD million	USD million	USD million	USD million	USD million	USD million	USD million
Secured bank loans							
Variable							
USD – 1Y Libor + 4.5%	4,944	-	-	-	-	4,944	-
USD – 3M Libor + 2.6%	3,658	481	793	793	793	798	-
USD – 3M Libor + 3.85%	975	-	-	-	-	-	975
	9,577	**481**	**793**	**793**	**793**	**5,742**	**975**
Unsecured loans from related parties							
Interest free	15	15	-	-	-	-	-
RUB – fixed 8.31%-8.51%	427	-	-	427	-	-	-
	442	**15**	**-**	**427**	**-**	**-**	**-**
Accrued interest	59	59	-	-	-	-	-
Total	**10,078**	**555**	**793**	**1,220**	**793**	**5,742**	**975**

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

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

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

- 25% + 1 share of Norilsk Nickel.

26 Bonds

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

Simultaneously, the Group entered into cross-currency swaps with an unrelated financial institution in relation to each tranche whereby the first tranche with semi-annual coupon payments of 8.3% p.a. was transformed into a USD obligation with a matching maturity of USD530 million bearing interest at 5.13% p. a. and the second tranche with semi-annual coupon payments of 8.5% p.a. was transformed into a USD obligation with a matching maturity of USD533 million bearing interest at 5.09% p. a. The proceeds of the bond issues were used for repayment of part of the Group's outstanding debts. The closing market price at 31 December 2012 was 956.0 roubles and 929.9 roubles per bond for the first and second tranches respectively.

27 Provisions

USD million	Pension liabilities	Site restoration	Provisions for legal claims	Tax provisions	Total
Balance at 1 January 2011	134	322	40	30	526
Provisions made during the year	17	138	12	44	211
Provisions reversed during the year	(30)	(32)	(2)	(27)	(91)
Actuarial loss	4	-	-	-	4
Provisions utilised during the year	(15)	(5)	(14)	-	(34)
Foreign currency translation	(5)	(22)	-	-	(27)
Balance at 31 December 2011	**105**	**401**	**36**	**47**	**589**
Balance at 1 January 2012	105	401	36	47	589
Provisions made during the year	16	123	4	10	153
Provisions reversed during the year	-	(37)	(7)	(44)	(88)
Actuarial loss	41	-	-	-	41
Provisions utilised during the year	(15)	(7)	(10)	-	(32)
Foreign currency translation	4	14	-	-	18
Balance at 31 December 2012	**151**	**494**	**23**	**13**	**681**
Non-current	***135***	***486***	***-***	***-***	***621***
Current	***16***	***8***	***23***	***13***	***60***
	151	**494**	**23**	**13**	**681**

(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 2012 and 2011 was 65,149 and 64,861, respectively. The number of pensioners as at 31 December 2012 and 2011 was 35,575 and 34,933, respectively.

Group subsidiaries outside the Russian Federation and Ukraine

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 2012	31 December 2011
	USD million	USD million
Current service cost	8	8
Past service costs recognised during the year	(1)	4
Interest cost	15	17
Actuarial expected return on plan assets	(6)	(8)
Curtailment/settlement	-	(33)
Net income/(expense) recognised in the statement of income	**16**	**(12)**

The reconciliation of the present value of the defined benefit obligation to the liabilities recognised in the consolidated statement of financial position is as follows:

	31 December 2012	31 December 2011
	USD million	USD million
Present value of defined benefit obligations	314	243
Fair value of plan assets	(161)	(136)
Present value of obligations	153	107
Unrecognised past service cost	(2)	(2)
Net liability in the statement of financial position	**151**	**105**

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

	31 December 2012	31 December 2011
	USD million	USD million
Net liability at beginning of the year	105	134
Net expense recognised in the statement of income	16	(12)
Contributions paid into the plan by the employers	(15)	(15)
Actuarial losses charged directly to equity	41	4
Foreign currency translation	4	(6)
Net liability at end of the year	**151**	**105**

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

	31 December 2012	31 December 2011
	USD million	**USD million**
Present value of defined benefit obligations at beginning of the year	243	272
Service cost	8	8
Interest cost	15	17
Actuarial losses/(gains)	52	(4)
Currency exchange losses/(gains)	7	(9)
Contributions by employees	3	3
Benefits paid	(14)	(12)
Translation difference	-	1
Settlement and curtailment gain	-	(33)
Present value of defined benefit obligations at the end of the year	**314**	**243**

Movement in fair value of plan assets:

	31 December 2012	31 December 2011
	USD million	**USD million**
Fair value of plan assets at the beginning of the year	136	132
Actuarial expected return on plan assets	6	8
Contributions paid into the plans by the employers	15	15
Contributions paid into the plans by the employees	3	3
Benefits paid by the plan	(13)	(12)
Investment gains/(losses)	12	(6)
Currency exchange gain/(losses)	2	(4)
Fair value of plan assets at the end of the year	**161**	**136**

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

	Year ended 31 December	
	2012	**2011**
	USD million	**USD million**
Cumulative amount at beginning of the year	15	19
Recognised during the year	(41)	(4)
Cumulative amount at the end of the year	**(26)**	**15**

At 31 December 2012 the fair value of plan assets comprised investments in different asset categories as follows:

Asset class	**USD million**	**%**
Equity	52	32
Fixed income	106	66
Real estate	-	-
Cash equivalents	3	2
Total plan assets	**161**	**100**

The Group expects to pay the defined benefit retirement plans an amount of USD16 million during the 12 month period beginning on 1 January 2013.

Actuarial valuation of pension liabilities

The actuarial valuation of the Group and the portion of the Group funds specifically designated for the Group's employees were completed by a qualified actuary, Robert van Leeuwen AAG, as at 31 December 2012, 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 2012	**31 December 2011**
	% per annum	% per annum
Discount rate	5.2	6.3
Expected return on plan assets	4.3	4.9
Future salary increases	5.1	5.1
Future pension increases	0.7	0.6
Staff turnover	4.0	4.0
Mortality	USSR population table for 1985, Ukrainian population table for 2000	USSR population table for 1985, Ukrainian population table for 2000
Disability	70% Munich Re for Russia; 40% of death probability for Ukraine	70% Munich Re for Russia; 40% of death probability for Ukraine

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

	31 December 2012	**31 December 2011**
	USD million	**USD million**
Present value of defined benefit obligations	314	243
Fair value of plan assets	(161)	(136)
Deficit in plan	**153**	**107**

The actuarial valuation shows that the Group's obligations are 51% covered by the plan assets held as at 31 December 2012 (31 December 2011: 56%).

The analysis of amounts arising from schemes that are wholly unfunded and schemes that are partly funded are as follows:

	31 December 2012		31 December 2011	
	USD million		USD million	
	Present value of the DBO	Net liability	Present value of the DBO	Net liability
Wholly unfunded	128	126	93	91
Partially funded	186	25	150	14
Total	**314**	**151**	**243**	**105**

(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 2012	31 December 2011
Timing of cash outflows	2013: USD8 million	2012: USD8 million
	2014 -2018: USD137 million	2013 -2017: USD150 million
	2019-2029: USD366 million	2018-2028: USD280 million
	after 2029: USD151 million	after 2028: USD170 million
Risk free discount rate before adjusting for inflation (a)	1.96%	2.95%

(a) the risk free rate for the year 2012 represents an effective rate, which comprises rates differentiated by years of obligation settlement and by currencies in which the provisions was calculated

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

As at 31 March 2012, management reassessed the timing of site restoration activities at OJSC SUBR and recalculated the related asset retirement obligation. The resulting increase in provisions and impairment of non-current assets of USD20 million was recorded in these consolidated financial statements. The amount of provision is estimated by discounting the expected expenditures to their present value based on risk free discount rates ranging from 0.33% to 3.32% at 31 December 2012.

(c) Provisions for legal claims

The Group's subsidiaries are subject to a variety of lawsuits and claims in the ordinary course of its business. As at 31 December 2012, there were several claims filed against the Group's subsidiaries contesting breaches of contract terms and non-payment of existing obligations. Management has reviewed the circumstances and estimated that the amount of probable outflow related to these claims should not exceed USD23 million (31 December 2011: USD36 million). The amount of claims, where management assesses outflow as possible approximates USD213 million (31 December 2011: USD164 million).

At each reporting date the Directors have assessed the provisions for litigation and claims and concluded that the provisions and disclosures are adequate.

(d) Tax provisions

As at 31 December 2012, management of the Group reassessed certain tax claims with high probability of outflow and decreased the provision by USD44 million relating to excise tax obligation at Eurallumina.

At each reporting date the Directors have assessed the provisions for taxation and concluded that the provisions and disclosures are adequate.

28 Derivative financial assets/liabilities

	31 December 2012		31 December 2011	
	USD million		USD million	
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
Cross-currency swaps	-	103	-	164
Petroleum coke supply contracts and other raw materials	15	40	25	16
Interest rate swaps	-	76	-	9
Structured investment	-	-	9	-
Electricity contracts	-	7	-	9
Total	**15**	**226**	**34**	**198**

The following significant assumptions were used in estimating derivative instruments:

	2013	2014	2015	2016
LME Al Forward, USD per tonne	2,103	2,195	2,290	2,380
Platt's FOB Brent, USD per barrel	107	102	98	95
Forward exchange rate, RUB to USD	31.43	33.07	34.79	36.57
Forward 1Y LIBOR, %	0.93	0.96	1.20	1.50

Cross-currency swaps

During the year ended 31 December 2011, the Group entered into cross-currency swaps to transform the two tranches of its rouble bonds into USD obligations of USD530 million and USD533 million respectively (refer to note 26). The terms of the swaps are 3 and 4 years respectively.

In February 2012 – May 2012 the Group entered into additional cross-currency swaps to convert RUB15.2 billion of 5 year rouble denominated credit facility into a USD denominated liability of USD504 million.

Petroleum coke supply contracts and other raw materials

In May and September 2011, the Group entered into long-term petroleum coke supply contracts where the price of coke is determined with reference to the LME aluminium price and the Brent oil price. The strike price for aluminium is set at USD2,403.45 per tonne and USD2,497.72 per tonne respectively, while the strike price for oil is set at USD61.10 per barrel and USD111.89 per barrel respectively.

Interest rate swap

During the year ended 31 December 2011, the Group entered into an interest rate swap to convert the floating 1Y Libor rate into a fixed rate of 2.4795% on a portion of USD4.58 billion facility with Sberbank of Russia. The notional amount of facility subject to this swap is USD3.3 billion and the swap is effective from 30 September 2012 until the maturity of the underlying loans.

Structured investment

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

Electricity contracts

In November 2009, the Group entered into long-term electricity contracts for 9 to 11 years for electricity and power supply with related parties controlled by the immediate parent company of the Group. The companies have to submit and register notifications for purchase and sale of electricity and capacity under the long-term electricity and capacity supply contracts with the administrator of trading system ("ATS") on a monthly or quarterly basis. The Company believes that at this time these long-term contracts represent an intention to purchase electricity and capacity of up to a stated volume at a pre-agreed price.

At 31 December 2012 the Company revalued the embedded derivatives based on the contractually committed volumes of electricity and capacity stated in the notices submitted to the ATS and recognised a loss of USD71 million.

29 Trade and other payables

	31 December 2012 USD million	31 December 2011 USD million
Accounts payable to third parties	**640**	**537**
Accounts payable to related parties, including:	**153**	**87**
Related parties – companies capable of exerting significant influence	*73*	*53*
Related parties – companies under common control	*80*	*29*
Related parties – associates	*-*	*5*
Advances received	**226**	**262**
Advances received from related parties, including:	**278**	**453**
Related parties – companies capable of exerting significant influence	*255*	*394*
Related parties – companies under common control	*5*	*57*
Related parties – associates	*18*	*2*
Other payables and accrued liabilities	**218**	**168**
Other payable and accrued liabilities related parties, including:	**6**	**5**
Related parties – associates	*6*	*5*
Other taxes payable	**133**	**153**
Non-trade payables to third parties	**2**	**2**
	1,656	**1,667**

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 2012 USD million	31 December 2011 USD million
Due within twelve months or on demand	793	624

The Company

	31 December 2012 USD million	31 December 2011 USD million
Trade and other payables	822	803

30 Financial risk management and fair values

(a) Fair values

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

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

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

Long-term loans and borrowings, other non-current liabilities: the fair values of other non-current liabilities are based on the present value of the anticipated cash flows and approximate carrying value, other than bonds issued. Fair value of bonds issued at 31 December 2012 was USD931 million (31 December 2011: USD854 million).

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

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

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

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

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

As at 31 December 2012

The Group

	Level 1	Level 2	Level 3	Total
	USD million	**USD million**	**USD million**	**USD million**
Assets				
Derivative financial assets	-	-	15	15
	-	**-**	**15**	**15**
Liabilities				
Derivative financial liabilities	-	-	226	226
	-	**-**	**226**	**226**

As at 31 December 2011

The Group

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

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

Derivative financial instruments:	**USD million**
At 1 January 2011	627
Changes in fair value estimation recognised during the year	(224)
Realised portion of electricity contracts	(239)
Balance at 31 December 2011/1 January 2012	**164**
Changes in fair value estimation recognised during the year	129
Realised portion of electricity, coke and raw materials contracts	(82)
Balance at 31 December 2012	**211**

(b) Financial risk management objectives and policies

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

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

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

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

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

(c) Market risk

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

(i) Commodity price risk

During the years ended 31 December 2012 and 2011, the Group has entered into certain long term electricity contracts and other commodity derivatives contracts in order to manage its exposure of commodity price risks. Details of the contracts are disclosed in note 28.

(ii) Interest rate risk

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

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

The Group

	31 December 2012		31 December 2011	
	Effective interest rate %	**USD million**	**Effective interest rate %**	**USD million**
Fixed rate loans and borrowings				
Loans and borrowings	5.09%-10.13%	4,909	5.09%-5.8%	4,301
		4,909		**4,301**
Variable rate loans and borrowings				
Loans and borrowings	5.15%-9.94%	6,468	1.88%-10.7%	7,470
		6,468		**7,470**
		11,377		**11,771**

The Group's fixed rate loans and borrowings for the year ended 31 December 2012 include a USD obligation of USD530 million bearing interest at 5.13% per annum and a USD obligation of USD533 million bearing interest at 5.09% per annum. These obligations represent the hedged amount of rouble bonds (for detailed information, refer to note 26). Also, it includes a USD3.3 billion of credit facility, which is hedged with an interest rate swap and RUB18.3 billion credit facility, partially hedged with cross-currency swap (for detailed information refer to note 28).

The Company

	31 December 2012		31 December 2011	
	Effective interest rate %	**USD million**	**Effective interest rate %**	**USD million**
Fixed rate loans and borrowings				
Loans and borrowings	0%-10.13%	1,382	0%-8.51%	442
		1,382		**442**
Variable rate loans and borrowings				
Loans and borrowings	5.15%-5.96%	8,687	3.53%-5.8%	9,577
		8,687		**9,577**
		10,069		**10,019**

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

The Group

	Increase/ decrease in basis points	**Effect on profit before taxation for the year**	**Effect on equity for the year**
		USD million	**USD million**
As at 31 December 2012			
Basis percentage points	+14	(9)	7
Basis percentage points	-14	9	(7)
As at 31 December 2011			
Basis percentage points	+24	(18)	15
Basis percentage points	-24	18	(15)

(iii) Foreign currency risk

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

Borrowings are primarily denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily USD but also RUB and EUR. This provides an economic hedge.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances or entering into currency swap arrangements.

The Group's exposure at the reporting date to foreign currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate is set out in the table below. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are ignored.

	USD-denominated vs. RUB functional currency		**RUB-denominated vs. USD functional currency**		**EUR-denominated vs. USD functional currency**		**Denominated in other currencies vs. USD functional currency**	
As at 31 December	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
	USD million	**USD million**	**USD Million**	**USD million**	**USD Million**	**USD million**	**USD million**	**USD million**
Non-current assets	-	-	2	2	17	-	20	48
Trade and other receivables	1	-	294	340	32	88	69	22
Cash and cash equivalents	106	-	113	165	35	29	11	14
Derivative financial assets	-	-	15	25	-	-	-	-
Loans and borrowings	(228)	(227)	(390)	(327)	(184)	(179)	-	-
Provisions	-	-	(127)	(102)	(59)	(40)	(40)	(18)
Derivative financial liabilities	-	-	(47)	(24)	-	-	-	-
Non-current liabilities	-	-	-	(1)	-	-	-	-
Income taxation	-	-	(3)	(6)	(1)	(1)	(10)	(6)
Trade and other payables	-	(1)	(522)	(338)	(71)	(40)	(73)	(85)
Net exposure arising from recognised assets and liabilities	**(121)**	**(228)**	**(665)**	**(266)**	**(231)**	**(143)**	**(23)**	**(25)**

Foreign currency sensitivity analysis

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

	Year ended 31 December 2012		
		USD million	**USD million**
	Change in exchange rates	**Effect on profit before taxation for the year**	**Effect on equity for the year**
Depreciation of USD vs. RUB	5%	(27)	(32)
Depreciation of USD vs. EUR	5%	(12)	(12)
Depreciation of USD vs. other currencies	5%	(1)	(1)

	Year ended 31 December 2011		
		USD million	USD million
	Change in exchange rates	Effect on profit before taxation for the year	Effect on equity for the year
Depreciation of USD vs. RUB	5%	(2)	(5)
Depreciation of USD vs. EUR	5%	(7)	(7)
Depreciation of USD vs. other currencies	5%	(1)	(1)

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

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

(d) Liquidity risk

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

The following tables show the remaining contractual maturities at the reporting date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates, or if floating, based on rates current at the reporting date) and the earliest the Group can be required to pay.

The Group

	31 December 2012 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	TOTAL	Carrying amount
	USD million	USD million	USD million	USD million	USD million	USD million
Trade and other payables to third parties	860	-	-	-	860	860
Trade and other payables to related parties	159	-	-	-	159	159
Bonds, including interest payable	54	564	546	-	1,164	988
Loans and borrowings, including interest payable	1,575	1,536	8,963	510	12,584	10,346
	2,648	**2,100**	**9,509**	**510**	**14,767**	**12,353**

	31 December 2011 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	TOTAL	Carrying amount
	USD million	USD million	USD million	USD million	USD million	USD million
Trade and other payables to third parties	707	-	-	-	707	707
Trade and other payables to related parties	92	-	-	-	92	92
Bonds, including interest payable	54	54	1,102	-	1,210	932
Loans and borrowings, including interest payable	1,157	1,874	9,153	1,048	13,232	10,763
	2,010	**1,928**	**10,255**	**1,048**	**15,241**	**12,494**

The Company

	31 December 2012					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	TOTAL	Carrying amount
	USD million	USD million	USD million	USD million	USD million	USD million
Trade and other payables to third parties	3	-	-	-	3	3
Trade and other payables to related parties	819	-	-	-	819	819
Loans and borrowings, including interest payable	1,192	1,660	8,621	510	11,983	10,130
Other liabilities	1,630	-	-	-	1,630	1,452
	3,644	**1,660**	**8,621**	**510**	**14,435**	**12,404**

	31 December 2011					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	TOTAL	Carrying amount
	USD million	USD million	USD million	USD million	USD million	USD million
Trade and other payables to third parties	2	-	-	-	2	2
Trade and other payables to related parties	801	-	-	-	801	801
Loans and borrowings, including interest payable	1,038	1,303	9,039	1,048	12,428	10,078
Other liabilities	-	1,718	-	-	1,718	1,383
	1,841	**3,021**	**9,039**	**1,048**	**14,949**	**12,264**

(e) Credit risk

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

At 31 December 2012 and 2011, the Group has certain concentrations of credit risk as 1.4% and 0.1% of the total trade receivables were due from the Group's largest customer and 6.9% and 16.1% of the total trade receivables were due from the Group's five largest customers, respectively (refer to note 5 for the disclosure on revenue from largest customer).

With respect to credit risk arising from guarantees, the Group's policy is to provide financial guarantees only to wholly-owned subsidiaries and associates.

(f) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding non-controlling interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries were subject to externally imposed capital requirements in the both years presented in these consolidated financial statements.

31 Commitments

(a) Capital commitments

In May 2006, the Group signed a Co-operation agreement with OJSC HydroOGK and RAO UES. Under this Co-operation agreement OJSC HydroOGK and the Group have jointly committed to finance the construction and future operation of Boguchansk hydropower station ("BoGES") and an aluminium plant, the planned main customer of the hydropower station, together referred to as the "BEMO project". The parties established two joint companies with 50:50 ownership, into which the Group is committed to invest USD2,121 million by the end of 2015 (31 December 2011: USD1,946 million). As at 31 December 2012 the outstanding commitment of the Group for construction of the aluminium plant was approximately USD510 million to be committed by the end of 2015 (31 December 2011: USD738 million) and the outstanding commitment for the hydropower station construction was USD83 million to be committed by the end of 2013 (31 December 2011: USD12 million).

The Group has entered into contracts that result in contractual obligations primarily relating to various construction and capital repair works. The commitments at 31 December 2012 and 2011 approximated USD371 million and USD388 million, respectively. These commitments are due over a number of years.

(b) Purchase commitments

Commitments with third parties for purchases of alumina, bauxite and other raw materials in 2013-2034 under supply agreements are estimated from USD2,853 million to USD2,941 million at 31 December 2012 (31 December 2011: USD3,012 million to USD3,088 million) depending on the actual purchase volumes and applicable prices.

Commitments with related parties for purchases of alumina and other raw materials in 2013-2014 under supply agreements are estimated from USD230 million to USD272 million at 31 December 2012 (31 December 2011: USD339 million to USD393 million). These commitments will be settled at the market price at the date of delivery. There are no purchase commitments for the transportation service with third parties under long-term agreements at 31 December 2012 (31 December 2011: from USD8 million to USD12 million).

(c) Sale commitments

Commitments with third parties for sales of alumina and other raw materials in 2013 - 2016 are estimated from USD799 million to USD965 million at 31 December 2012 (31 December 2011: from USD819 million to USD974 million) and will be settled at market prices at the date of delivery. Commitments with related parties for sales of alumina in 2013-2015 approximated USD698 million at 31 December 2012 (31 December 2011: USD115 million).

Commitments with related parties for sales of primary aluminium and alloys in 2013 - 2016 are estimated to range from USD5,029 million to USD5,715 million at 31 December 2012 (31 December 2011: from USD4,208 million to USD4,935 million). Commitments with third parties for sales of primary aluminium and alloys at 31 December 2012 are estimated to range from USD1,244 million to USD1,297 million at 31 December 2012 (31 December 2011: from USD1,139 million to USD1,316 million). These commitments will be settled at market price at the date of delivery. Commitments include sales to Glencore in accordance with a recently concluded long-term contract for which the sales volumes will depend on the actual production in 2013-2018. The volume of sales commitments to Glencore for 2013 year under the agreement is specified and is estimated to be from USD3,253 to USD3,386 million.

(d) Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	31 December 2012	31 December 2011
	USD million	USD million
Less than one year	3	5
Between one and five years	11	15
	14	**20**

(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.

32 Contingencies

(a) Taxation

Russian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant local, regional and federal authorities. Notably recent developments in the Russian environment suggest that the authorities in this country are becoming more active in seeking to enforce, through the Russian court system, interpretations of the tax legislation, in particular in relation to the use of certain commercial trading structures, which may be selective for particular tax payers and different to the authorities' previous interpretations or practices. Different and selective interpretations of tax regulations by various government authorities and inconsistent enforcement create further uncertainties in the taxation environment in the Russian Federation.

Tax declarations, together with related documentation, are subject to review and investigation by a number of authorities, each of which may impose fines, penalties and interest charges. Fiscal periods remain open to review by the authorities for three calendar years preceding the year of review (one year in the case of customs). Under certain circumstances reviews may cover longer periods. In addition, in some instances, new tax regulations effectively have been given retroactive effect. Additional taxes, penalties and interest which may be material to the financial position of the taxpayers may be assessed in the Russian Federation as a result of such reviews.

In addition to the amounts of income tax the Group has provided (refer to note 27), there are certain tax positions taken by the Group where it is reasonably possible (though less than 50% likely) that additional tax may be payable upon examination by the tax authorities or in connection with ongoing disputes with tax authorities. The Group's best estimate of the aggregate maximum of additional amounts that it is reasonably possible may become payable if these tax positions were not sustained at 31 December 2012 and 2011 is USD409 million and USD278 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.

New transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances.

The new transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe new basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level. The new transfer pricing rules eliminated the 20-percent price safe harbour that existed under the previous transfer pricing rules applicable to transactions on or prior to 31 December 2011.

The new transfer pricing rules primarily apply to cross-border transactions between related parties, as well as to certain cross-border transactions between independent parties, as determined under the Russian Tax Code. In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume of the transactions between the same parties exceeds a particular threshold (RUB3 billion in 2012, RUB2 billion in 2013, and RUB1 billion in 2014 and thereon).

Since there is no practice of applying the new transfer pricing rules by the tax authorities and courts, it is difficult to predict the effect, if any, of the new transfer pricing rules on these consolidated financial statements.

The Company believes it is compliant with the new rules as it has historically applied the OECD - based transfer pricing principles.

Estimating additional tax which may become payable is inherently imprecise. It is, therefore, possible that the amount ultimately payable may exceed the Group's best estimate of the maximum reasonably possible liability; however, the Group considers that the likelihood that this will be the case is remote.

(b) Environmental contingencies

The Group and its predecessor entities have operated in the Russian Federation, Ukraine, Jamaica, Guyana, the Republic of Guinea and the European Union for many years and certain environmental problems have developed. Governmental authorities are continually considering environmental regulations and their enforcement and the Group periodically evaluates its obligations related thereto. As obligations are determined, they are recognised immediately. The outcome of environmental liabilities under proposed or any future legislation, or as a result of stricter enforcement of existing legislation, cannot reasonably be estimated. Under current levels of enforcement of existing legislation, management believes there are no possible liabilities, which will have a material adverse effect on the financial position or the operating results of the Group. However, the Group anticipates undertaking significant capital projects to improve its future environmental performance and to bring it into full compliance with current legislation.

(c) Legal contingencies

The Group's business activities expose it to a variety of lawsuits and claims which are monitored, assessed and contested on the ongoing basis. Where management believes that a lawsuit or another claim would result in the outflow of the economic benefits for the Group, a best estimate of such outflow is included in provisions in these consolidated financial statements (refer to note 27(c)).

In May 2009, the Republic of Guinea filed a claim in Guinea against one of the Group's subsidiaries of USD1,000 million contesting the terms of privatisation of the Group's subsidiary in Guinea. The subsidiary appealed that decision and received a decision from the Appeal Court of Conakry overruling the previous court's decision regarding the jurisdiction of the local court to consider this claim in Guinea. In June 2011 the relevant Group subsidiary filed a request for arbitration with the International Chamber of Commerce in Paris against the Republic of Guinea for, among other things, a declaration that the privatization is valid. In May 2012 the Republic of Guinea filed an answer and counterclaim that the privatisation is invalid. Thereafter, the Republic of Guinea withdrew its counterclaim, and merely denies that the relevant Group subsidiary is entitled to the relief it seeks. The final hearing in the case is scheduled for September 2013. On the basis that the counterclaim has been withdrawn management believes the risk of a significant cash outflow in connection with the case is remote.

On 24 November 2006 a claim was issued on behalf of Mr. Michael Cherney ("Mr. Cherney") against Mr. Oleg V. Deripaska ("Mr. Deripaska"), the controlling shareholder of En+. Mr. Deripaska advised the Company on 27 September 2012 that Mr. Cherney's litigation in London against Mr. Deripaska has been terminated on the basis that Mr. Cherney will make no claim against the shares or assets of the Company or Mr. Deripaska.

On 4 April and 23 July 2012, the Company received separate requests for arbitration made to the London Court of International Arbitration ("LCIA"), pursuant to the LCIA arbitration rules, for the commencement of arbitration by SUAL Partners against Glencore International AG, En+, the Company and Mr. Oleg Deripaska. The two arbitrations were subsequently joined in one arbitration proceeding. The dispute relates to certain shareholder arrangements between the parties in respect of the Company. SUAL Partners alleges, inter alia, that certain contracts between the Company and Glencore International AG and a contract between the Company and a company indirectly controlled by En+ were, or will be, in breach of those shareholder arrangements. SUAL Partners seek injunctive relief preventing the Group from performing the contracts, annulment of the contracts, an account of profits from, and damages against the defendants. Management do not expect that the arbitration will have a material adverse effect on the Group's financial position or its operation as a whole.

(d) Risks and concentrations

A description of the Group's major products and its principal markets, as well as exposure to foreign currency risks are provided in note 1 "Background" and note 3 "Significant accounting policies". The price at which the Group can sell its products is one of the primary drivers of the Group's revenue. The Group's prices are largely determined by prices set in the international market. The Group's future profitability and overall performance is strongly affected by the price of primary aluminium that is set in the international market.

(e) Insurance

The insurance industry in the Russian Federation is in a developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption or third party liability in respect of property or environmental damage arising from accidents on Group properties or relating

to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

33 Related party transactions

(a) Transactions with management and close family members

Management remuneration

Key management received the following remuneration, which is included in personnel costs (refer to note 9(a)):

	Year ended 31 December	
	2012	**2011**
	USD million	**USD million**
Salaries and bonuses	91	81
Share-based compensation	3	8
	94	**89**

(b) Transactions with associates and joint ventures

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

(c) Transactions with other related parties

The Group

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

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

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

	Year ended 31 December	
	2012	2011
	USD million	USD million
Purchases of raw materials – companies under common control	148	135
Purchases of alumina, bauxite and other raw materials – companies capable of exerting significant influence	345	246
Purchases of raw materials – associates	30	29
Energy costs – companies under common control	742	782
Energy costs – companies capable of exerting significant influence	182	190
Other costs – companies under common control	17	9
Other costs – associates	198	191
Distribution expenses - companies under common control	10	5
	1,672	**1,587**

Electricity contracts

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

Year	2013	2014	2015	2016	2017	2018	2019	2020
Volumes, KWh million	45,898	46,128	46,384	46,735	46,900	46,952	18,300	18,300
Estimated value, USD million	409	414	419	425	430	435	100	105

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

The Company

	31 December	
	2012	**2011**
	USD million	**USD million**
Investments in subsidiaries	18,763	17,813
Loans to related parties (Group companies)	9	510
Trade and other receivables from related parties	15	15
Loans and borrowings from related parties	833	463
Trade and other payables to related parties	819	801
Other liabilities *(i)*	1,452	1,383

(i) Included in other liabilities is a payable for 1,600 ordinary shares issued by one of the Company's subsidiaries on 12 February 2010 and redeemable at the option of that subsidiary. The nominal value of the payable, which is repayable on demand on or after 7 December 2013, is USD1,600 million. The fair value of the payable at initial recognition amounted to USD1,057 million was determined by discounting at applicable current interest rates and the resultant difference between nominal and fair value was recorded directly in equity of the Company. The carrying value of the payable balance as at 31 December 2012 is USD1,425 million (31 December 2011: USD1,284 million).

The remainder of other liabilities represents a promissory note payable issued by the Company to a subsidiary in an amount of USD553 million, bearing zero interest and repayable on demand. Upon initial recognition the fair value of the payable was determined by discounting at applicable interest rates at USD420 million, with the resultant difference between nominal and fair value recorded directly in equity. The carrying value of the payable balance as at 31 December 2012 is USD27 million (31 December 2011: USD99 million).

(d) Related parties balances

At 31 December 2012 included in non-current assets are balances of USD32 million related to companies which are related parties (31 December 2011: USD30 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.

34 Particulars of subsidiaries

As at 31 December 2012 and 2011, 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
Friguia	Guinea	9 February 1957	388 649 shares of GNF 1,987,831.98 each	100.0%	Alumina
OJSC RUSAL Achinsk	Russian Federation	20 April 1994	4,188,531 shares of RUB 1 each	100.0%	Alumina
RUSAL Mykolaev Ltd	Ukraine	16 September 2004	1,332,226 shares of UAH 720 each	100.0%	Alumina
OJSC RUSAL Boxitogorsk Alumina	Russian Federation	27 October 1992	1,012,350 shares of RUB 1 each	100.0%	Alumina
Eurallumina SpA	Italy	21 March 2002	10,000,000 shares of Euro 1.55 each	100.0%	Alumina
OJSC RUSAL Bratsk	Russian Federation	26 November 1992	5,505,305 shares of RUB 0.2 each	100.0%	Smelting
OJSC RUSAL Krasnoyarsk	Russian Federation	16 November 1992	85,478,536 shares of RUB 20 each	100.0%	Smelting
OJSC RUSAL Novokuznetsk	Russian Federation	26 June 1996	53,997,170 shares of RUB 0.1 each	100.0%	Smelting
OJSC RUSAL Sayanogorsk	Russian Federation	29 July 1999	59,902,661,099 shares of RUB 0.068 each	100.0%	Smelting
Khakas Aluminium Smelter Ltd	Russian Federation	23 July 2003	charter fund of RUB10,077,594,515.7	100.0%	Smelting
RUSAL Resal Ltd	Russian Federation	15 November 1994	charter fund of RUB27,951,217.29	100.0%	Processing
OJSC RUSAL SAYANAL	Russian Federation	29 December 2001	59,902,661,099 shares of RUB 0.006 each	100.0%	Foil
CJSC RUSAL ARMENAL	Armenia	17 May 2000	3,140,700 shares of AMD 1,000 each	100.0%	Foil
RUS-Engineering Ltd	Russian Federation	18 August 2005	charter fund of RUB2,026,200,136.37	100.0%	Repairs and maintenance
OJSC Russian Aluminium	Russian Federation	25 December 2000	23,124,000,000 shares of RUB 1 each	100.0%	Holding company
Rusal Global Management B.V.	Russian Federation	8 March 2001	charter fund of RUB50,000	100.0%	Management company
OJSC United Company RUSAL Trading House	Russian Federation	15 March 2000	163,660 shares of RUB 100 each	100.0%	Trading
Rusal America Corp.	USA	29 March 1999	1,000 shares of USD 0.01 each	100.0%	Trading
RS International GmbH	Switzerland	22 May 2007	1 share with nominal value of CHF 20,000	100.0%	Trading
Rusal Marketing GmbH	Switzerland	22 May 2007	Capital quota of CHF2,000,000	100.0%	Trading
RTI Limited	Jersey	27 October 2006	2 shares of USD 1 each	100.0%	Trading
Alumina & Bauxite Company Limited	British Virgin Islands	3 March 2004	50,000 shares of USD 1 each	100.0%	Trading
CJSC Komi Aluminii	Russian Federation	13 February 2003	1,703,000,000 shares of RUB 1 each	100.0%	Alumina
OJSC Bauxite-Timana	Russian Federation	29 December 1992	44,500,000 shares of RUB 10 each	80.0%	Bauxite mining
OJSC Severo-Uralsky Bauxite Mine	Russian Federation	24 October 1996	2,386,254 shares of RUB 275.85 each	100.0%	Bauxite mining
OJSC SUAL	Russian Federation	26 September 1996	2,542,941,932 shares of RUB 1 each	100.0%	Primary aluminum and alumina production

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 RUB 0.25 each	98.0%	Primary aluminum and alumina production
SUAL-PM LLC	Russian Federation	20 October 1998	charter fund of RUB56,300,959	100.0%	Aluminum powders production
CJSC Kremniy	Russian Federation	3 August 1998	320,644 shares of RUB 1,000 each	100.0%	Silicon production
SUAL-Kremniy-Ural LLC	Russian Federation	1 March 1999	charter fund of RUB 8,763,098	100.0%	Silicon production
UC RUSAL Alumina Jamaica Limited (a)	Jamaica	26 April 2001	1,000,000 shares of USD 1 each	100.0%	Alumina
UC RUSAL Alumina Jamaica II Limited (b)	Jamaica	16 May 2004	200 shares of USD 1 each	100.0%	Alumina
Kubikenborg Aluminium AB	Sweden	26 January 1934	25,000 shares of SEK 1,000 each	100.0%	Smelting
Aughinish Alumina Ltd	Ireland	22 September 1977	1,000 shares of Euro 2 each	100.0%	Alumina

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

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

(b) owned a 65% interest in the Alpart jointly owned mine and refinery as at 1 January 2011.

On 16 September 2011 UC RUSAL entered into a share purchase agreement with Norway's Norsk Hydro ASA to acquire the remaining 35% stake in the Alumina Partners of Jamaica ("Alpart") for cash consideration of USD46 million and the company became a wholly-controlled operation thereafter.

35 Immediate and ultimate controlling party

At 31 December 2012 and 2011, the directors consider the immediate parent of the Group to be En+, which is incorporated in Jersey with its registered office at Ogier House, The Esplanade, St. Helier, Jersey, JE4 9WG, Channel Islands. En+ is controlled by Fidelitas Investments Limited (a company incorporated in the British Virgin Islands) through its wholly-owned subsidiary. Mr. Oleg V. Deripaska is the founder, the trustee and a principal beneficiary of a discretionary trust, which controls Fidelitas Investments Limited. None of these entities produce financial statements available for public use.

36 Events subsequent to the reporting date

In January 2013 the Group obtained a USD400 million multicurrency credit facility for a term of 5 years, and in February 2013 drew down USD328 million of the facility. The drawn down funds together with USD78 million of the Group's own funds were used for early repayment of principal amounts originally scheduled for the third and fourth quarters of 2013 under the USD4.75 billion syndicated facility.

In January 2013, the Company received a writ of summons and statement of claim filed in the High Court of Justice of the Federal Capital Territory of Nigeria (Abuja) by plaintiff BFIG Group Divino Corporation ("BFIG") against certain subsidiaries of the Company. It is a claim for damages arising out of the defendants' alleged tortious interference in the bid process for the sale of the Nigerian government's majority stake in the Aluminium Smelter Company of Nigeria ("ALSCON") and alleged loss of BFIG's earnings resulting from its failed bid for the said stake in ALSCON. BFIG seeks compensatory damages in the amount of USD2.8 billion. Based on a preliminary

assessment of the claim, the Company does not expect the case to have any material adverse effect on the Group's financial position or its operation as a whole.

In February 2013 the Group made a principal repayment of RUB2 billion against its VTB loan utilising the its own funds.

37 Accounting estimates and judgements

The Group has identified the following critical accounting policies under which significant judgements, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Property, plant and equipment – recoverable amount

In accordance with the Group's accounting policies, each asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties and is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal.

Value in use is also generally determined as the present value of the estimated future cash flows, but only those expected to arise from the continued use of the asset in its present form and its eventual disposal. Present values are determined using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset. Future cash flow estimates are based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves (refer to 'Bauxite reserve estimates' below), operating costs, restoration and rehabilitation costs and future capital expenditure. This policy requires management to make these estimates and assumptions which are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged against the statement of income.

Inventories – net realisable value

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

Goodwill – recoverable amount

In accordance with the Group's accounting policies, goodwill is allocated to the Group's Aluminium segment as it represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is tested for impairment annually by preparing a

formal estimate of the recoverable amount. The recoverable amount is estimated as the value in use of the Aluminium segment.

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

Investments in associates and jointly controlled entities – recoverable amount

In accordance with the Group's accounting policies, each investment in an associate or jointly controlled entity is evaluated every reporting period to determine whether there are any indications of impairment after application of the equity method of accounting. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds the recoverable amount. For impairment purposes, an investment in an associate is treated as a single unit of account. The recoverable amount of an investment in an associate or jointly controlled entity is measured at the higher of fair value less costs to sell and value in use.

Similar considerations to those described above in respect of assessing the recoverable amount of property, plant and equipment apply to investments in associates or jointly controlled entities. In addition to the considerations described above the Group may also assess the estimated future cash flows expected to arise from dividends to be received from the investment, if such information is available and considered reliable.

Legal proceedings

In the normal course of business the Group may be involved in legal proceedings. Where management considers that it is more likely than not that proceedings will result in the Group compensating third parties a provision is recognised for the best estimate of the amount expected to be paid. Where management considers that it is more likely than not that proceedings will not result in the Group compensating third parties or where, in rare circumstances, it is not considered possible to provide a sufficiently reliable estimate of the amount expected to be paid, no provision is made for any potential liability under the litigation but the circumstances and uncertainties involved are disclosed as contingent liabilities. The assessment of the likely outcome of legal proceedings and the amount of any potential liability involves significant judgement. As law and regulations in many of the countries in which the Group operates are continuing to evolve, particularly in the areas of taxation, sub-soil rights and protection of the environment, uncertainties regarding litigation and regulation are greater than those typically found in countries with more developed legal and regulatory frameworks.

Provision for restoration and rehabilitation

The Group's accounting policies require the recognition of provisions for the restoration and rehabilitation of each site when a legal or constructive obligation exists to dismantle the assets and restore the site. The provision recognised represents management's best estimate of the present value of the future costs required. Significant estimates and assumptions are made in determining the amount of restoration and rehabilitation provisions. Those estimates and assumptions deal with uncertainties such as: changes to the relevant legal and regulatory framework; the magnitude of possible contamination and the timing, extent and costs of required restoration and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the statement of financial position by adjusting both the restoration and rehabilitation asset and provision. Such changes give rise to a change in future depreciation and interest charges. For closed sites, changes to estimated costs are recognised immediately in the statement of income.

Taxation

The Group's accounting policy for taxation requires management's judgement in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the statement of financial position. Deferred tax assets, including those arising from carried forward tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and is not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, restoration and rehabilitation costs, capital expenditure, dividends and other capital management transactions. Assumptions are also required about the application of income tax legislation. These estimates and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of income.

The Group generally provides for current tax based on positions taken (or expected to be taken) in its tax returns. Where it is more likely than not that upon examination by the tax authorities of the positions taken by the Group additional tax will be payable, the Group provides for its best estimate of the amount expected to be paid (including any interest and/or penalties) as part of the tax charge.

Bauxite reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

The Group determines ore reserves under the Australasian Code for Reporting of Mineral Resources and Ore Reserves September 1999, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Since economic assumptions used to estimate reserves change from period to period, and since additional geological data is generated during the course of operations, estimates of reserves may change from period to period.

Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows.
- Depletion charged in the statement of income may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

Exploration and evaluation expenditure

The Group's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the statement of income.

Development expenditure

Development activities commence after project sanctioning by the appropriate level of management. Judgement is applied by management in determining when a project has reached a stage at which economically recoverable reserves exist such that development may be sanctioned. In exercising this judgement, management is required to make certain estimates and assumptions similar to those described above for capitalised exploration and evaluation expenditure. Any such estimates and assumptions may change as new information becomes available. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the appropriate amount will be written off to the statement of income.

Defined benefit pension and other post retirement schemes

For defined benefit pension schemes, the cost of benefits charged to the statement of income includes current and past service costs, interest costs on defined benefit obligations and the effect of any curtailments or settlements, net of expected returns on plan assets. An asset or liability is consequently recognised in the statement of financial position based on the present value of defined obligations, less any unrecognised past service costs and the fair value of plan assets.

The accounting policy requires management to make judgements as to the nature of benefits provided by each scheme and thereby determine the classification of each scheme. For defined benefit pension schemes, management is required to make annual estimates and assumptions about future returns on classes of scheme assets, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, exchange rates, life expectancy and expected remaining periods of service of employees. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. Where actual experience differs to these estimates, actuarial gains and losses are recognised directly in the statement of comprehensive income.

Fair values of identifiable net assets of acquired companies

The Group's policy is to engage an independent appraiser to assist in determining fair values of identifiable net assets of acquired companies for all significant business combinations.

A variety of valuation techniques is applied to appraise the acquired net assets depending on the nature of the assets acquired and available market information. The details of methods used and assumptions made to determine fair values of property, plant and equipment are disclosed in note 15, intangible assets – in note 16 and provisions – in note 27. Other assets and liabilities acquired including provisions are evaluated in accordance with the Group's applicable accounting policies disclosed in note 3.

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

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

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

	Effective for accounting periods beginning on or after
Amendments to IFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
IFRS 12, *Disclosure of Interest in Other Entities*	1 January 2013
IFRS 10, *Consolidated financial statements*	1 January 2013
IFRS 11, *Joint arrangements*	1 January 2013
Investment Entities (Amendments to IFRS 11, IFRS 12 and IAS 27)	1 January 2014
IFRS 13, *Fair value measurement*	1 January 2013
IAS 27, *Separate financial statements* (2011)	1 January 2013
IAS 28, *Investments in associates and joint ventures (2011)*	1 January 2013
IFRIC 20, *Stripping costs in the production phase of surface mine*	1 January 2013
IAS 19, *Employee benefits(2011)*	1 July 2013
IFRS 9, *Financial instruments*	1 January 2015
Amendments to IAS 32 *Financial Instruments: Presentation – offsetting Financial Assets and Financial Liabilities*	1 January 2014

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

There has been no purchase, sale or redemption of UC RUSAL's listed securities during 2012 by UC RUSAL or any of its subsidiaries.

Code of Corporate Governance Practices

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

UC RUSAL formally adopted a corporate governance code which is based on the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Hong Kong Listing Rules**") then in force on 11 November 2010. The Directors consider that save for code provisions A.1.7 (physical board meeting and independent non-executive directors' participation when considering matters with conflict of interest), A.4.1 (specific term of non-executive directors) and A.4.2 (specific term of directors) for reasons set out below and also on page 90 of UC RUSAL's interim report for six months ended 30 June 2012, UC RUSAL has complied with the code provisions as set out in Appendix 14 to the Hong Kong Listing Rules then in force during the period from 1 January 2012 to 31 March 2012, and the code provisions in the Corporate Governance Code and Corporate Governance Report in the existing Appendix 14 to the Hong Kong Listing Rules (the "**CG Code**") during the period from 1 April 2012 to 31 December 2012.

The Board has generally endeavored throughout the twelve-month period ended 31 December 2012 to ensure that it does not deal with business by way of written resolution where a substantial shareholder or a Director has disclosed an interest in a matter to be considered by the Board which the Board has determined to be material. As a result, there was only one occurrence (out of the 18 written resolutions the Board passed during the period) when urgent business was dealt with by the Board by way of written resolution where a material interest of a Director had been disclosed. In that instance, the Board was asked to resolve on an administrative matter that required an urgent confirmation from the Board rather than in respect of any operational business. The Director involved did not vote nor was he counted in the quorum.

Of the 13 Board meetings held in the twelve-month period ended 31 December 2012 where one or more Director(s) had disclosed a material interest, there were 5 of those meetings where not all the independent non-executive Directors (who had not disclosed material interests in the transaction) were present. Given the size of the Board and the amount of urgent business transacted by the Company where Directors and substantial shareholders have material interests, it is difficult to rearrange any scheduled Board meeting or postpone the discussion of such business in order to ensure all of the independent non-executive Directors are present. The Board meetings on those occasions were therefore proceeded with despite the fact that certain independent non-executive Directors were not able to attend but on each occasion at least half of the independent non-executive Directors (none of whom had disclosed material interests on any of those occasions) was present.

Audit Committee

The Board established an audit committee (the "**Audit Committee**") to assist it in providing an independent view of the effectiveness of the Company's financial reporting process, internal control and risk management systems and to oversee the audit process. The Audit Committee consists of a majority of independent non-executive Directors. Members of the Audit Committee are as follows: three independent non-executive Directors, being Dr. Peter Nigel Kenny (Chairman), Mr. Philip Lader and Ms. Elsie Leung Oi-sie and two non-executive Directors, Mr. Dmitry Yudin and Mr. Christophe Charlier. The Audit Committee has reviewed the financial results of the Company for the year ended 31 December 2012.

Material events since the end of the year

31 January 2013	UC RUSAL announced that the Company has entered into a syndicated credit facility agreement of up to USD400 million with various international banks aimed at the early partial debt prepayment.
8 February 2013	UC RUSAL announced its key production data for 2012.

Forward-looking statements

This announcement contains statements about future events, projections, forecasts and expectations that are forward-looking statements. Any statement in this announcement that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risk and uncertainties include those discussed or identified in the prospectus for UC RUSAL. In addition, past performance of UC RUSAL cannot be relied on as a guide to future performance. UC RUSAL makes no representation on the accuracy and completeness of any of the forward-looking statements, and, except as may be required by applicable law, assumes no obligations to supplement, amend, update or revise any such statements or any opinion expressed to reflect actual results, changes in assumptions or in UC RUSAL's expectations, or changes in factors affecting these statements. Accordingly, any reliance you place on such forward-looking statements will be at your sole risk.

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

4 March 2013

As at the date of this announcement, the executive Directors are Mr. Oleg Deripaska, Ms. Vera Kurochkina, Mr. Maxim Sokov and Mr. Vladislav Soloviev, the non-executive Directors are Mr. Dmitry Afanasiev, Mr. Len Blavatnik, Mr. Ivan Glasenberg, Mr. Maksim Goldman, Ms. Gulzhan Moldazhanova, Mr. Christophe Charlier, Mr. Artem Volynets, Mr. Dmitry Yudin, Mr. Vadim Geraskin, and the independent non-executive Directors are Mr. Barry Cheung Chun-yuen, Dr. Peter Nigel Kenny, Mr. Philip Lader, Ms. Elsie Leung Oi-sie and Mr. Matthias Warnig (Chairman).

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