



Annual Report 2013

# bALanced approach

# Financial and Operational Highlights

USD million (unless otherwise specified)	2013	2012	2011	2010	2009
Revenue	<b>9,760</b>	10,891	12,291	10,979	8,165
Adjusted EBITDA	<b>651</b>	915	2,512	2,597	596
Adjusted EBITDA Margin	<b>6.7%</b>	8.4%	20.4%	23.7%	7.3%
EBIT	<b>(1,804)</b>	60	1,749	2,031	(63)
Share of Profits/ (Losses) from Associates	<b>84</b>	278	(349)	2,435	1,417
Pre Tax (Loss)/Profit	<b>(3,241)</b>	(502)	610	3,011	839
(Loss)/Profit	<b>(3,322)</b>	(528)	237	2,867	821
(Loss)/Profit Margin	<b>(34.0%)</b>	(4.8%)	1.9%	26.1%	10.1%
Adjusted (Loss)/Profit	<b>(662)</b>	(498)	987	792	(1,378)
Adjusted (Loss)/Profit Margin	<b>(6.8%)</b>	(4.6%)	8.0%	7.2%	(16.9%)
Recurring (Loss)/Profit	<b>(594)</b>	(8)	1,829	1,683	(1,886)
Basic (Loss)/Earnings Per Share (in USD)	<b>(0.22)</b>	(0.04)	0.02	0.19	0.06
Total Assets	<b>20,480</b>	25,210	25,345	26,525	23,886
Equity Attributable to Shareholders of the Company	<b>6,550</b>	10,732	10,539	11,456	6,332
Net Debt	<b>10,109</b>	10,829	11,049	11,472	13,633

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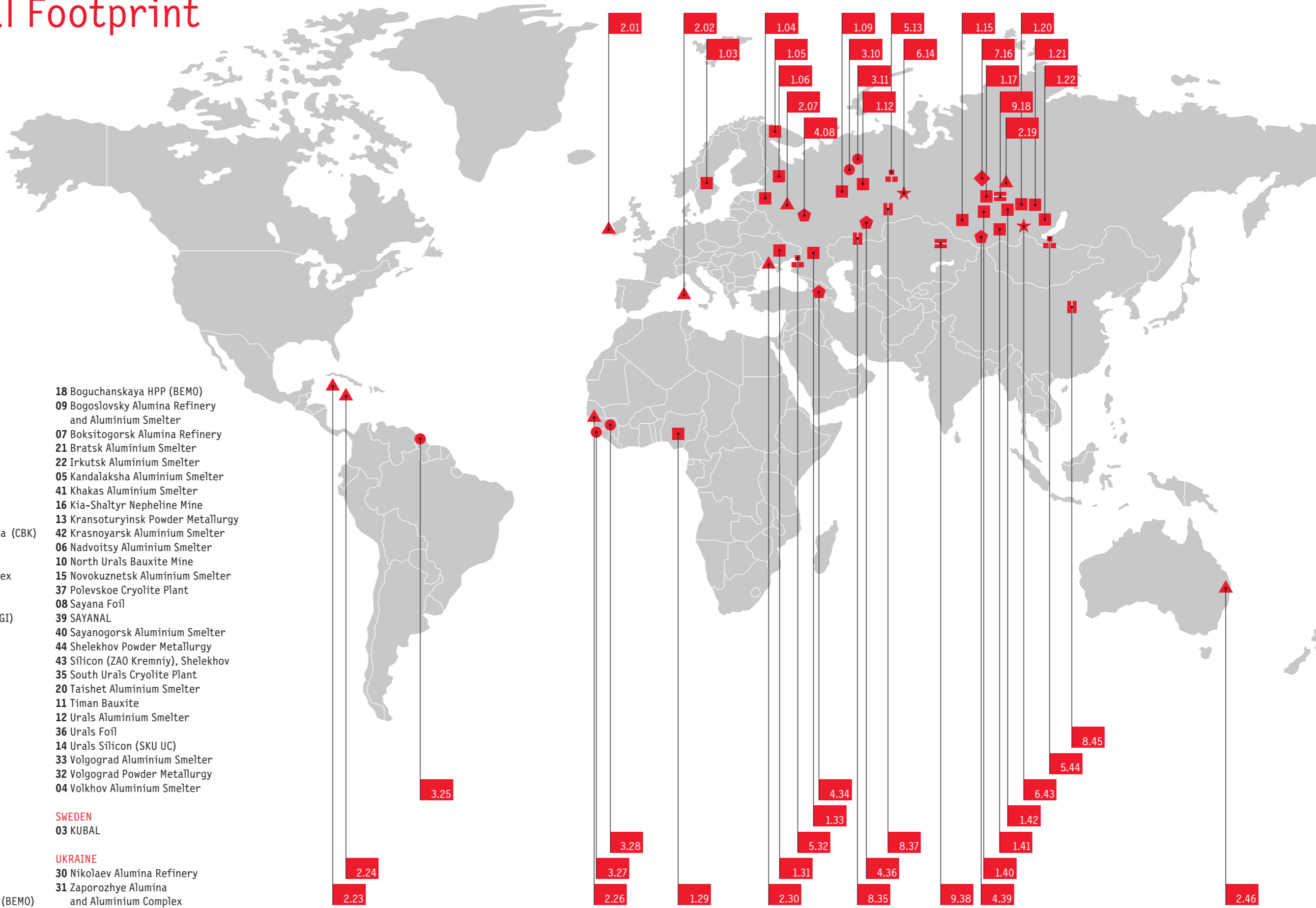
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# Corporate Profile

# Corporate Profile

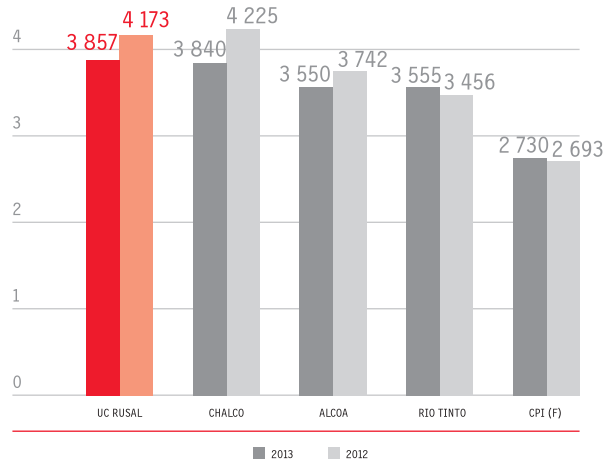
**UC RUSAL IS THE WORLD'S LARGEST PRODUCER** of primary aluminium and alloys with a particular focus on the production and sale of value-added products.

Within its upstream business, UC RUSAL is vertically integrated to a high degree, having secured substantial supplies of bauxite and alumina production capacity. The Company's core smelters are located in Siberia, Russia, benefiting from access to clean hydro generated electricity and being conveniently located to supply to important European and Asian markets.

**Global scale and reach** – Unique exposure to the global aluminium market. In 2013, UC RUSAL was the largest aluminium producer in the world and one of the industry leaders in alumina production.

## PRIMARY ALUMINIUM PRODUCTION

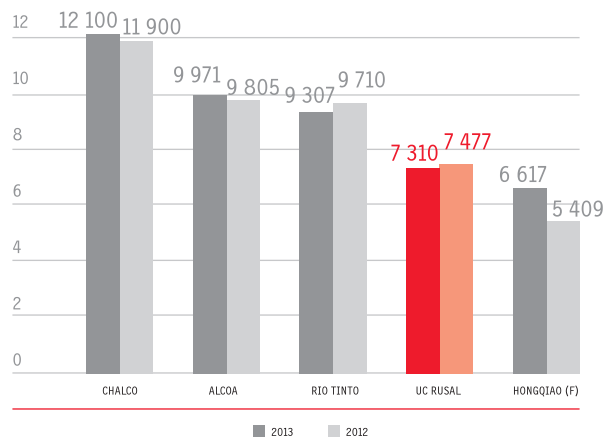
(thousand tonnes)



Source: Based on UC RUSAL's internal company report, and peer companies' publicly available results, announcements, reports and other information.

## ALUMINA PRODUCTION

(thousand tonnes)



Source: Based on UC RUSAL's internal company report, and peer companies' publicly available results, announcements, reports and other information.

**Secure access to sources of green, renewable electricity and low CO<sub>2</sub> footprint** – UC RUSAL has long term contracts with hydro power plants in Siberia. With over 85% of UC RUSAL's aluminium produced using renewable and environmentally friendly hydro generated electricity, UC RUSAL is targeting the best CO<sub>2</sub> footprint in the industry.



## Corporate Profile

### **Focus on higher margin upstream business –**

Primary aluminium production with a focus on alloys and value-added products. UC RUSAL's target is to increase the production of value-added products by up to 50%, in particular, through improvements to its smelters located in Siberia.

**High degree of vertical integration with its upstream business** – UC RUSAL's scale, upstream focus and position on the cost curve provide unique exposure to the aluminium industry. UC RUSAL operates bauxite and nepheline ore mines, alumina refineries, aluminium smelters and casting houses, foil mills and packaging production centres as well as power-generating facilities.

### **Proprietary R&D and internal EPCM expertise – UC**

RUSAL has developed its own in-house R&D, design and engineering centres and operates RA-300, RA-400 and Clean Soederberg smelting technologies. A new energy efficient and environmentally friendly RA-500 smelting technology is under design.

**Performing environmental initiatives** – UC RUSAL is the first Russian company to publish a report on the corporate realization of the UN Global Compact and to join UNDP. By following its environmental policy and undertaking to regularly review and update its provisions, the Company is constantly developing and improving its environmental management system and implementing its principles at all production facilities of UC RUSAL.

# Corporate Profile

## DIVERSIFICATION OPPORTUNITIES THROUGH INVESTMENTS

- As at the Latest Practicable Date, UC RUSAL owns 27.82% interest in Norilsk Nickel, the world's largest nickel and palladium producer and one of the leading producers of platinum and copper<sup>1</sup>.
- UC RUSAL's 50/50 LLP Bogatyr Komir coal joint venture in the Ekibastuz coal basin, one of the largest coal basins in the CIS, providing UC RUSAL with a natural energy hedge.

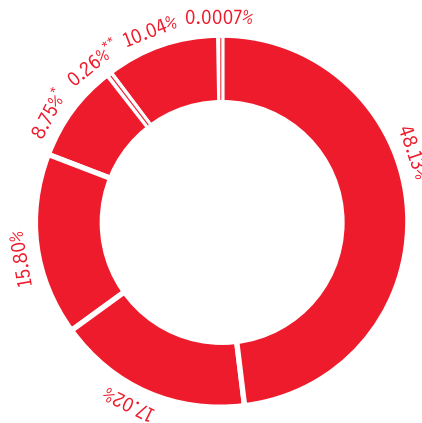
### KEY FACTS

In 2013, UC RUSAL accounted for about 7.7 % of the world's aluminium output<sup>2</sup> and about 7.3 % of the world's alumina production<sup>3</sup>, generated from the following facilities located throughout the world:

- 14 aluminium smelters ( 5 of which were mothballed in Autumn 2013)
- 11 alumina refineries
- 8 bauxite mines
- 4 foil mills
- 1 cathode plant

UC RUSAL's shares are listed on the Hong Kong Stock Exchange and are also listed on NYSE Euronext Paris in the form of Global Depositary Shares and on MICEX and RTS in the form of Russian Depositary Receipts.

## KEY SHAREHOLDERS<sup>4</sup>



48.13% En+ Group  
 17.02% Onexim  
 15.80% Sual Partners  
 8.75% Amokenga Holdings  
 0.26%\*\* Directors  
 10.04% Public Float  
 0.0007% Shares held for vesting under LTIP

Note:  
 (\*) Amokenga Holdings is ultimately controlled by Glencore International Plc.  
 (\*\*) Including 0.23% directly held by the CEO of the Company.

<sup>1</sup> Source: www.nornik.ru  
<sup>2</sup> Source: Brook Hunt (A Wood Mackenzie Company).  
<sup>3</sup> Source: Brook Hunt (A Wood Mackenzie Company).  
<sup>4</sup> Source: This information was taken from www.rusal.com on 31 December 2013.



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# Chairman's Statement

# Chairman's Statement



## DEAR SHAREHOLDERS,

There is no doubt that the last year has been one of great flux for the aluminium sector. The whole industry continued to face exceptionally tough market conditions with pre-existing high stock levels and on-going negative investor sentiment outweighing a rise in aluminium consumption which meant prices continued to be suppressed. However against this challenging backdrop, UC RUSAL has been at the forefront of calling for and adopting a disciplined approach to output. Early in the year, our Board of Directors recognized the urgent need to act in a responsible manner and as a result approved a programme aimed at increasing the Company's efficiency through the curtailment of production at our least efficient smelters. This disciplined approach, which saw UC RUSAL decrease output by 7.6% to 3,857kt in 2013 compared to 4,173kt in 2012 and which lead the way for the whole sector, has meant that UC RUSAL has been able to manage the effects of the downturn and keep disruption to a minimum

While there are encouraging signs of the market becoming more balanced and in fact moving to a deficit in the coming year, the Company and its Board of Directors remain committed to adopting a rational and measured approach to production with output in 2014 expected to decrease further.

Throughout our capacity curtailment programme, UC RUSAL has ensured all efforts have been taken

to provide employees being affected with job opportunities within the Company or the wider Group, or by offering compensation benefits exceeding the level in accordance with the law. Importantly, we maintained all social initiatives in the regions where we operate supporting educational, health, cultural and other initiatives. In partnership with the Agency of strategic initiatives, the Company launched a Center of innovations in social sphere, operating now in Bratsk, Krasnoyarsk and Krasnoturyinsk. The Center's activities are aimed at involving individual entrepreneurs and small and medium business to solve regional social issues through realization of social entrepreneurial projects. Corporate and social responsibility remain integral to UC RUSAL's license to operate and we significantly increased our investment in this area during year to USD14 million. I am proud that the Company's employees have yet again demonstrated their commitment having been actively involved as volunteers in many of our major initiatives.

As well as addressing production levels, the Company has demonstrated an ability to adapt its production profile. The period under review has seen UC RUSAL shift the focus of its Research & Development to better reflect the present market situation and forecast lower price environment. Our streamlined approach to R&D will help ensure the Company is well positioned throughout this period. Our initiatives can be gathered in four major groups:

## Chairman's Statement

- Environmental projects – UC RUSAL's major project "EcoSoederberg" continued as scheduled at UC RUSAL's two largest aluminium smelters, Krasnoyarsk Aluminium Smelter (KrAZ) and Bratsk Aluminium Smelter (BrAZ) in 2014 and is expected to take 4 - 4.5 years to be completed;
- Managing smelter capacity – focusing on reduction of amperage and flexible re-launch of pots;
- Reduction of production costs – utilizing cathodes and anodes-based technology in order to reduce energy consumption;
- Increasing VAP output to as high as 42% of total aluminium output – in 2013 UC RUSAL completed 10 projects to increase VAP output investing around USD23 million.

In addition UC RUSAL continued to further improve corporate governance and internal procedures in line with the industry's best standards and over the last year, implemented a number of projects aimed at maintaining the highest standards of corporate governance. The Board welcomed new senior members to the management team, with a new HR director, a new CFO and a new director of Aluminium division appointed during the year. These additions strengthen our team and provide further in-house technical expertise, and I am sure the insights they and the other new team members will bring will make a significant contribution to the management of UC RUSAL going forward.

I am pleased that the efforts taken by the Company over the last 12 months were recognized by Transparency International who ranked UC RUSAL as the best Russian company in a survey of public reporting practices in emerging markets. UC RUSAL was the only Russian company in the multinational's Top-20, being placed sixth on the list. UC RUSAL scored the highest mark possible in organizational transparency with 100 per cent. This recognition further underscores the importance UC RUSAL places on corporate reporting and ownership structure transparency.

Furthermore, our CEO, Oleg Deripaska, was honored as Industry Ambassador of the Year by the Metal Bulletin Global Awards for Aluminium Excellence who recognized his influence within the global aluminium industry and the wider market noting that *"his approach is already starting to lead to positive results across the wider market, as smelters start to close inefficient and eco-unfriendly production lines to address the problem of overcapacity in the industry"*.

During that period we decided to commence judicial review proceedings in the High Court in London to argue that the LME should not implement the planned warehousing rule changes because the LME had not

properly considered alternatives. It is UC RUSAL's view that under the proposed new rules the LME price will remain disconnected from the physical market. On 27 March 2014 the High Court in London issued a judgment granting UC RUSAL's claim, prohibiting implementation of the proposed rule changes on the ground that the consultation process was flawed.

I also consider it necessary to mention two important post balance sheet events. In January 2014, the Board of Directors approved settlement terms in respect of arbitration proceedings before the London Court of International Arbitration brought by SUAL Partners Ltd against Glencore International AG, EN+ Group Limited, UC RUSAL and Mr Oleg Deripaska. The claims against the Company in the Arbitrations have been amicably resolved and the Arbitrations against the Company have been formally discontinued. We are pleased to put this action behind in an amicable fashion.

The successful refinancing of our USD5 billion debt arrangement with Sberbank is an important milestone for the Company. By extending the maturity date of certain existing bilateral facility agreements with Sberbank will mean that the Company is able to continue to execute our strategy on a firm financial footing.

All at UC RUSAL are aware of the measures we need to take in order to maintain our leadership position, and I am proud and thankful to all our team across all our projects for their considerable efforts during the year. Aluminium continues to be used for new applications and we remain extremely excited about its potential. We have proven during the year our ability to successfully manage the downturn and our resolute commitment to discipline allows us to look to the future with confidence.

Whilst the wider aluminum market remains in fragile situation, we have begun to see encouraging signs. UC RUSAL is estimating that by the end of 2014, aluminum consumption will grow by 6% compared to 2013. The sector wide production curtailments have begun to have a marked impact, with the Ex-China aluminum market deficit expected to grow from 455 thousand tones in 2013 to about 1.43 million tones in 2014, pointing towards a healthier and more balanced market.

Finally, I would like to thank all of our shareholders for their continued support. As a Board we are confident that we are well placed to succeed in the upcoming year and I look forward updating you on another year of success.

**MATTHIAS WARNIG**  
CHAIRMAN OF THE BOARD

# CEO's Review



2013 was another challenging year for the aluminium industry, which despite consumption growth of 6% to 51.7 million tonnes, saw negative investor sentiment continue to drive down LME prices by 8.6%, to USD 1,845 per tonne – a level which takes an ever greater share of production capacity to or below break-even level. The all-in price of aluminium was also affected by the LME's proposed warehouse policy changes, which added further to the uncertainty and negatively affecting market premiums in the second half of the year.

UC RUSAL has continued to implement a disciplined focus on maintaining operational efficiencies and cost controls in order to counter these conditions. As a result of this programme, as of 31 December 2013, UC RUSAL has already cut aluminium production by 316 kt or 7.6% of 2012 production volume. Whilst the Company has already begun to see the results of these efficiencies, their main effect is expected in 2014 as UC RUSAL's results in 2013 include operations at these non-efficient facilities, and their associated mothballing costs. UC RUSAL's revenue was down by 10.4% in 2013 to USD9,760 million from USD10,891 million in 2012 following a 9.9% decrease in volumes of the primary aluminium and alloys sold and an 8.6% drop in aluminium price. The continuing decrease in LME price was partly offset by a 30.3% increase in average realised premiums over LME price (to an average of USD271 per tonne from USD208 per tonne for the years 2013 and 2012, respectively). Adjusted EBITDA for 2013 reached USD651 million;

UC RUSAL's loss for the year reached USD3.3 billion, with the larger part represented by the impairment charges and restructuring amounting to around USD1.9 billion related to non-cash write-down of goodwill and certain non-current assets, including for Taishet smelter project as well as to the capacity optimization programme. .

Having gone through difficult, but important transformation, the Company is now seeing the initial benefit from its capacity rationalization programme which has aided its efforts to efficiently manage costs in the current environment of depressed prices. UC RUSAL now has the lowest level of cash cost per tonne of USD1,864 (in Q4 2013) in recent years. In 2013, adjusted EBITDA margin was 6.7%, while EBITDA margin in aluminium segment comprised 11.3% which is in line with the global peers.

As already mentioned, UC RUSAL's aluminium output decreased by 316 kt to 3,857 kt in 2013 as a result of the Company's ongoing rationalization programme. The most significant output decrease was reached through suspension of aluminium production at high cost smelters located mainly in the Western part of Russia. The production is expected to be decreased further in 2014 to 3.5 million tonnes under the inefficient capacity curtailment program announced in August 2013. Alumina output totaled 7,310 kt in 2013, a decrease of 2.2% compared to 2012. Bauxite production totaled 11,418 kt in 2013, a decrease of 7.7% compared to 2012. The

## CEO's Review

Company continued to take advantage of the excess of global supplies of the raw materials to purchase them at a lower cost on the open market.

During 2013, the Company further improved its product mix with the share of value added products in total production volume growing to 1,634 kt, as the Company continued its strategy to boost production of value added products by up to 50% of total production volume. In 2013, over ten projects relating to production of primary foundry alloys, slabs, billets and wire rod were implemented with a total budget of USD23 million. As at the end of 2013, UC RUSAL's share of Value Added Products was 42% of total output, against 18% in 2009, before the launch of the value added production programme.

To combat lower aluminium prices, UC RUSAL has continued its disciplined, proactive stance through its capacity rationalization programme at the Company's least efficient smelters. This has included postponing the launch of the BEMO smelter to the second half of 2014, while the Taishet aluminium smelter project is currently on hold, until market conditions improve. Whilst the closure of inefficient smelters has been unavoidable considering the overall situation in the market, UC RUSAL has ensured that every effort has been taken to ensure that employees are offered other job positions within the wider group or compensation benefits.

During the Review Period, UC RUSAL (through its subsidiary) and Interros successfully completed the

sale of shares and American depository receipts of Norilsk Nickel to Crispian Investments Limited with UC RUSAL (through its subsidiary) selling 3,873,537 shares of Norilsk Nickel for a consideration of USD160 per share in cash for a total consideration of USD 619,765,920. The net proceeds of the sale were used as prepayment for debt owned to Sberbank (in accordance with the mandatory prepayment provisions which apply in relevant financings into the Company). Following the transaction a new dividend policy was agreed with the shareholders of Norilsk Nickel, which will provide UC RUSAL with a stable dividend up until 2017 and beyond.

The Company maintained a robust cash position with USD1,386 million of free cashflow generated for the year 2013 and a reduction in working capital by 15.8% primarily due to the capacity curtailment measures. Also UC RUSAL decreased its net debt position by USD720 million or 6.6% as at 31 December 2013 as compared to the beginning of the year.

Already in the post balance sheet period, the Board of the Company approved the terms of several agreements between UC RUSAL and one of its major lenders, Sberbank of Russia, in order to extend the maturity date of certain existing bilateral facility agreements with Sberbank to the total amount of over USD5 billion.

Whilst the Company retains a cautious view of the global economic recovery, there have been encouraging signs that the world economies are turning a corner. According to the World Bank, global GDP is projected to grow from 2.4% in 2013 to 3.2% in 2014, stabilizing at 3.4%

## CEO's Review

and 3.5% in 2015 and 2016, respectively, with much of the initial acceleration reflecting a pick-up in high-income economies. UC RUSAL estimates that global demand for aluminium will demonstrate resilient growth, with a 6% annual growth forecast from 2013 to 2015. A stronger deficit in the market in the years ahead will help unwind stocks so that industry gets more healthy and fit for a new period of growth. As per our estimates, global aluminium deficit excluding China will reach 1.43 million tonnes in 2014 from 455kt in 2013. About 1.0-1.5 million tonnes of the global aluminium production out of China is expected to be idled in 2014. As for the world's largest aluminium market, China has already cut around 400-500kt of aluminium production in the first quarter of 2014, with more cuts to follow through the end of 2014 amounting to an expected total of 3 million tonnes.

UC RUSAL remains committed to its capacity optimization programme, which has helped counter the continued challenging market conditions of the past 12 months. This continued focus on cost control, and the underlying long-term growth projects mean the Company remains well positioned to deliver value and growth for all stakeholders.

**OLEG DERIPASKA**  
CHIEF EXECUTIVE OFFICER

17 April 2014



The background of the slide is a close-up, black and white photograph of numerous large rolls of metal wire. The rolls are stacked and arranged in a way that creates a strong sense of depth and repetition. The lighting highlights the metallic texture and the curved edges of the wire coils.

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# Business Overview

# Business Overview

## BUSINESS UNITS

### ALUMINIUM

UC RUSAL owns 14 aluminium smelters which are located in three countries: Russia (twelve plants), Sweden (one plant) and Nigeria (one plant). The Company's core asset base is located in Siberia, Russia, accounting for some 89% of the Company's aluminium output in 2013. Among those, the Bratsk and Krasnoyarsk smelters together account for nearly half of UC RUSAL's aluminium production.

During 2013, UC RUSAL continued to implement a comprehensive program designed to control costs, optimise the production process and strengthen the Company's position as one of the world's most cost-efficient aluminium producers. In addition, the Company has implemented inefficient capacity curtailment program resulting in 316 thousand tonnes or 7.6% reduction in 2013.

The table below<sup>1</sup> provides an overview of UC RUSAL's aluminium smelters (including capacity) as at 31 December 2013.

<sup>1</sup> The table presents total nameplate capacity of the plants, each of which is a consolidated subsidiary of the Group.

Asset	Location	% Ownership	Nameplate capacity, kt	Capacity utilisation rate
<b>Siberia</b>				
Bratsk aluminium smelter	Russia	100%	1,006	100%
Krasnoyarsk aluminium smelter	Russia	100%	1,008	99%
Sayanogorsk aluminium smelter	Russia	100%	542	95%
Novokuznetsk aluminium smelter	Russia	100%	322	77%
Khakas aluminium smelter	Russia	100%	297	94%
Irkutsk aluminium smelter	Russia	100%	529	74%
<b>Russia (Other than Siberia)*</b>				
Bogoslovsk aluminium smelter	Russia	100%	46	0%
Urals aluminium smelter	Russia	100%	75	0%
Volgograd aluminium smelter	Russia	100%	168	0%
Volkhov aluminium smelter	Russia	100%	–	0%
Nadvoitsy aluminium smelter	Russia	100%	24	46%
Kandalaksha aluminium smelter	Russia	100%	76	86%
<b>Other countries</b>				
KUBAL**	Sweden	100%	128	91%
ALSCON	Nigeria	85%	96	0%
<b>Total nameplate capacity</b>			<b>4,317</b>	<b>54%</b>

\*Note: capacity for other plants includes on-going disassembly of pots as of 31.12.2013 (NAZ, BAZ, VAZ).

\*\* Annual average capacity utilisation rate at Kubal is higher (102%) than it was on 31.12.2013.

### BEMO PROJECT

The BEMO Project involves the construction of the 3,000 MW Boguchanskaya Hydropower Plant (BEMO HPP) and the BEMO aluminium smelter in the Krasnoyarsk region in Siberia, which will produce approximately 588 kt of aluminium per annum.

The construction of the BEMO aluminium smelter is divided into a number of stages, with the first stage (147 kt of aluminium per annum, 168 pots) of the start-up complex scheduled for completion in 2014.

The capital expenditure for the BEMO aluminium smelter (capacity 298 kt per annum), incurred and to be incurred, is currently estimated at approximately USD1,612 million<sup>1</sup> (UC RUSAL's share of such capital expenditure will be approximately USD806 million), of which approximately USD1,037 million has been incurred as of 31 December 2013 (of which UC RUSAL's share amounted to approximately USD518 million).

As at 31 December 2013, the first stage of the start-up complex of the BEMO aluminium smelter was estimated to be 70% complete.

<sup>1</sup> All capital expenditure amounts given above for the BEMO project are based on UC RUSAL's management accounts and differ from amounts disclosed in the consolidated financial statements, as the management accounts reflect the latest best estimate of the capital costs required to complete the project, whereas amounts disclosed

## Business Overview

### TAISHET ALUMINIUM SMELTER

The Taishet aluminium smelter is located in Irkutsk, Russia, and will be constructed in the medium term. The smelter's design capacity is 750 kt per annum.

In 2013, delivery of the main process equipment to building site of Taishet aluminium smelter under previously signed contracts was completed; at the production site of the Taishet aluminium smelter construction and assembly works were ongoing aimed at safekeeping unfinished construction objects.

The total capital expenditure for the first phase of the smelter (375 kt per annum, excluding construction of the anode plant), incurred and to be incurred, is currently estimated to be approximately USD1,772 million, of which approximately USD748 million (exclusive of VAT) has been spent as of 31 December 2013. The total capital expenditure for 2013 was approximately USD 38.8 million (inclusive of VAT).

### ALUMINA

The Group owns 11 alumina refineries. Ten of UC RUSAL's alumina refineries are located in six countries: Ireland (one plant), Jamaica (two plants), Ukraine (one plant), Italy (one plant), Russia (four plants) and Guinea (one plant). In addition, the Company holds a 20% equity stake in QAL, an alumina refinery located in Australia. Most of the Group's refineries have ISO 9001 certified quality control systems, ten refineries and QAL have been ISO 14001 certified for their environmental management and three refineries have received OHSAS 18001 certification for their health and safety management system.

The Company's long position in alumina capacity helps to secure sufficient supply for the prospective expansion of the Company's aluminium production capacity and allows the Company to take advantage of favourable market conditions through third-party alumina sales.

The table below<sup>1</sup> provides an overview of UC RUSAL's alumina refineries (including capacity) as at 31 December 2013:

Asset	Location	% Ownership	Nameplate capacity, kt	Capacity utilisation rate
Achinsk Alumina Refinery	Russia	100%	1,069	87%
Boksitogorsk Alumina Refinery	Russia	100%	165	0%
Bogoslovsk Alumina Refinery	Russia	100%	1,052	91%
Urals Alumina Refinery	Russia	100%	768	101%
Friguia Alumina Refinery	Guinea	100%	650	0%
QAL	Australia	20%	4,058	83%
Eurallumina	Italy	100%	1,085	0%
Aughinish Alumina Refinery	Ireland	100%	1,927	100%
Alpart	Jamaica	100%	1,650	0%
Windaico	Jamaica	93%	1,210	49%
Nikolaev Alumina Refinery	Ukraine	100%	1,601	93%
<b>Total nameplate capacity</b>			<b>15,235</b>	<b>48%</b>
<b>UC RUSAL attributable capacity</b>			<b>11,870</b>	<b>61%</b>

<sup>1</sup> (Continued) in the consolidated financial statements reflect actual capital commitments as at 31 December 2013. All figures for the BEMO project are exclusive of VAT.

With energy being a major cost item, all of the Alumina Division plants were involved into major energy savings programs during 2013. In addition to that, a number of other important projects have been implemented to achieve cost savings and increase competitiveness including:

Achinsk Alumina Refinery. A program of partial substitution of costly bright coal by ligneous coal for

sintering purposes had been deployed. Major process improvements were introduced that allowed to add to the process up to 950 thousand tons of lower quality nepheline ore and reduced alumina production costs.

Urals Alumina Refinery. The program of High Silica Grade bauxite of North Urals Bauxite Mine handling via sintering process has been developed and deployed.

## Business Overview

**Aughinish Alumina Refinery.** A number of programs were initiated in order to optimize bauxite mix. Construction of new gas-fired boilers is ongoing as scheduled, expecting commissioning in mid-2014. The plant has reached its historical maximum production of 1.99 million tons.

**Winalco.** A pilot unit of pump-crusher and sizing screens, aimed to improve ore preparation stage was installed and tested.

**Friguia** stopped producing alumina in April 2012 as a result of a strike held by court to be illegal. Reduced alumina output at QAL was caused by a collapse of the bauxite feeding conveyor in January 2013 which required long repairs as well as by an unstable operation of CHP.

### BAUXITE

The Group operates 8 bauxite mines. UC RUSAL's bauxite mines are located in four countries: Russia (two mines), Jamaica (two mines), Guyana (one mine) and Guinea (two mines and one project). The Company's long position in bauxites capacity helps to secure sufficient supply for the prospective expansion of the Company's alumina production capacity and allows the Company to take advantage of favourable market conditions through third-party bauxite sales.

In 2014, two major expansion projects are expected to be completed. Construction completion and commissioning of a new Cheryomukhovskaya-Glubokaya mine at North Urals Bauxite Mine will increase capacity of North Urals up to 3.3 mt. Completion of the Kurubuka-22 project at Bauxite Company of Guyana should add significant capacity of high quality bauxite to UC RUSAL in 2014.

The table below provides an overview of UC RUSAL's bauxite mines (including capacity) as at 31 December 2013.

Asset	Location	% Ownership	Annual capacity mt	Capacity utilisation rate
Timan Bauxite <sup>(2)</sup>	Russia	80%	3.2	88%
North Urals Bauxite Mine	Russia	100%	3.0	84%
Compagnie des Bauxites de Kindia	Guinea	100%	3.3	100%
Friguia Bauxite and Alumina Complex	Guinea	100%	2.1	0%
Bauxite Company of Guyana, Inc. <sup>(2)</sup>	Guyana	90%	1.7	80%
Alpart	Jamaica	100%	4.9	0%
Winalco <sup>(3)</sup>	Jamaica	93%	4.0	35%
Dian-Dian Project	Guinea	100%		0%
<b>Total nameplate capacity</b>			<b>22.2</b>	<b>54%</b>

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

As at 31 December 2013, the Group had attributable JORC bauxite Mineral Resources of 1,856.4 million tonnes, of which 593.6 million tonnes were Measured, 623.7 million tonnes were Indicated and 639.1 million tonnes were Inferred.

<sup>1</sup> Calculated based on the pro rata share of the Group's ownership in corresponding alumina refineries (QAL and Winalco)

## Business Overview

Asset	Measured mt	Mineral Resources <sup>(1)</sup> Indicated mt	Inferred mt	Total mt
Timan Bauxite <sup>(2)</sup>	108.2	67	–	175.2
North Urals Bauxite Mine	6.0	175.4	114	295.4
Compagnie des Bauxites de Kindia	–	29.4	61.6	91.0
Friguia Bauxite and Alumina Complex	30.6	142.4	152.6	325.6
Bauxite Company of Guyana, Inc. <sup>(2)</sup>	3.0	41.3	44.2	88.5
Alpart	15.2	40.7	38.0	93.9
Winalco <sup>(3)</sup>	28.6	56.5	11.7	96.8
Dian-Dian Project	402	71	217	690
<b>Total</b>	<b>593.6</b>	<b>623.7</b>	<b>639.1</b>	<b>1,856.4</b>

### Notes:

#### (1) Mineral Resources:

- are recorded on an unattributable basis, equivalent to 100% ownership; and
- are reported as dry weight (excluding moisture).

Mineral Resources tonnages include Ore Reserve tonnages.

(2) The total annual capacity of the Group's fully consolidated subsidiaries Timan and Bauxite Co. of Guyana is included in annual capacity figures, notwithstanding that minority interests in each of these subsidiaries are held by third parties.

(3) Annual capacity is calculated based on the pro rata share of the Group's ownership in Winalco.

## ENERGY ASSETS

### BEMO PROJECT

In May 2006, UC RUSAL and RusHydro, a company controlled by the Russian Government, entered into a cooperation agreement for the joint construction of the BEMO Project.

The six 333 MW hydropower units of the BEMO HPP were put into operation during 2012–2013. Total installed capacity of these units by end of December 2013, is 1,998 MW, working capacity accounting for lower reservoir level is 1,362 MW.

Preparation of the last three 333 MW hydropower units of the plant for testing is currently underway.

During 2013, the plant has supplied 4,866GWh to the wholesale electricity and capacity market.

The start-up of the BEMO HPP's operation at the design capacity of 3,000 MW, with the commissioning of all 9 hydropower units, will depend on the time required to achieve the design water level of 208 meters in the dam reservoir. Once the design capacity is achieved, the BEMO HPP will become one of Russia's five largest hydropower plants.

UC RUSAL's proportion of capital expenditure for the BEMO Project is 50%. The total capital expenditure for the BEMO HPP, incurred and to be incurred, is currently

estimated to be approximately USD2,116 million<sup>1</sup> (UC RUSAL's share of this capital expenditure will be approximately USD1,058 million), of which USD2,000 million had been spent as of 31 December 2013 (of which UC RUSAL's share amounted to USD1,000 million).

The Investment Fund of the Russian Federation finances the necessary infrastructure (the costs of which are not included in the project budget). The total investment from the Investment Fund approved by the Russian Government for the BEMO Project amounted to RUB26.4 billion, including RUB19.9 billion invested in the period between 2008 and 2010 and RUB4.3 billion in 2011.

## MINING ASSETS

UC RUSAL's mining assets comprise 16 mines and mine complexes, including eight bauxite mines (the resources of which are described above), two quartzite mines, one fluorite mine, two coal mines, one nepheline syenite mine and two limestone mines.

The Company jointly operates the two coal mines with Samruk-Energo, the energy division of Samruk-Kazyna under a 50/50 joint venture, LLP Bogatyr Komir. The long position in alumina capacity is supported by the Company's bauxite and nepheline syenite resource base.

<sup>1</sup> All capital expenditure amounts given above for the BEMO project are based on UC RUSAL's management accounts and differ from amounts disclosed in the consolidated financial statements, as the management accounts reflect the latest best estimate of the capital costs required to complete the project, whereas amounts disclosed in the consolidated financial statements reflect actual capital commitments as at 31 December 2013. All figures for the BEMO project are exclusive of VAT.

# Business Overview

## LLP BOGATYR KOMIR

LLP Bogatyr Komir, which is located in Kazakhstan, is a 50/50 joint venture between the Company and Samruk-Energo.

LLP Bogatyr Komir, which produced approximately 42 mt of coal in 2013, has approximately 664 mt of JORC Proved and Probable Ore Reserves and has Measured Mineral Resources and Indicated Mineral Resources in aggregate of approximately 2 billion tonnes as at 31 December 2013.

LLP Bogatyr Komir generated sales of approximately USD 372 million in 2012 and USD 388 million in 2013<sup>1</sup>. Sales are divided approximately as to one third and two thirds, respectively between Russian and Kazakh customers in terms of physical volumes.

## INVESTMENT IN NORILSK NICKEL

Norilsk Nickel is the world's largest nickel and palladium producer and one of the leading producers of platinum and copper. UC RUSAL held a 27.82% shareholding in Norilsk Nickel as at 31 December 2013.

UC RUSAL's shareholding in Norilsk Nickel allows for significant diversification of earnings, through Norilsk Nickel's exposure to PGMs<sup>1</sup> and bulk materials, and also broadens UC RUSAL's strategic opportunities. The Company's objective is to maximise the value of this investment for all shareholders.

## COMPANY PROFILE<sup>2</sup>

Norilsk Nickel is the world leader in production of nickel and palladium. Norilsk Nickel's Resource Base consists of 707 mt of Proved and Probable Ore Reserves and 2,444 mt of Measured and Indicated Mineral Resources. Its key assets are located in Norilsk region and Kola Peninsula in Russia, with foreign assets located in Finland, Australia, Botswana and South Africa.

In 2013, Norilsk Nickel produced 285 kt of nickel, 371 kt of copper, 2,661 thousand ounces of palladium and 651 thousand ounces of platinum. Reduction of production (Nickel -5%, Copper +2%, Palladium -3%, Platinum -5%) is mainly caused by a conservation of assets in Australia and by a significant reduction of production in Botswana.

On 4 October 2013, Norilsk Nickel presented a new strategy in London. According to a new approach, the strategic objective of Norilsk Nickel is to increase return on invested capital. To achieve this goal Norilsk Nickel is going to (1) optimise its asset portfolio and, (2) focus on development of its high-class assets (annual revenue higher than USD 1 billion, EBITDA margin more than 40%), first of all Polar Division

## FINANCIAL RESULTS<sup>3</sup>

The market value of UC RUSAL's investment in Norilsk Nickel decreased to USD 7,261 million as at 31 December 2013 from USD 8,143 million as at 31 December 2012. (excluding the shares clarified as held for sale as at that date). Such a reduction was caused by the deterioration of the market environment.

## SETTLEMENT WITH INTERROS IN RELATION TO NORILSK NICKEL

On 3 December 2012, the Board accepted an offer from Interros, Norilsk Nickel's largest shareholder, to enter into an agreement and improve the existing corporate governance and transparency of the Norilsk Nickel group, to maximise profitability and shareholder value and to settle the disagreements of UC RUSAL and Interros in relation to the Norilsk Nickel group (the 'Interros Offer'), including the arbitration commenced by UC RUSAL against Interros on 11 August 2010 in the London Court of International Arbitration relating to a dispute concerning a cooperation agreement entered into by UC RUSAL and Interros on 25 November 2008.

On 10 December 2012, UC RUSAL, Interros, Millhouse LLC (Millhouse) and respective beneficial owners of Interros and Millhouse, namely Mr. Vladimir Potanin and Mr. Roman Abramovich, entered into an agreement giving effect to the Interros Offer (the 'Agreement'). Simultaneously with the execution of the Agreement Mr. Oleg Deripaska entered into a separate deed to ensure UC RUSAL's performance under the Agreement. Millhouse was subsequently substituted by Crispian Investments Limited (Crispian).

The Agreement provided all quasi-treasury shares held by subsidiaries of Norilsk Nickel, representing approximately 16.99% of the then charter capital of the company, to be redeemed by Norilsk Nickel.

To the best of the knowledge, information and belief of the Directors, the redemption took place in two stages:

- (1) the cancellation of approximately 9.69% of the share capital of Norilsk Nickel (with reference to the share capital of Norilsk Nickel as at the date of the Agreement) was approved by shareholders of Norilsk Nickel at the general meeting held on 29 January 2013 and was reflected in the share register of Norilsk Nickel on 2 April 2013; and
- (2) the cancellation of approximately 7.30% of the share capital of Norilsk Nickel (with reference to the share capital of Norilsk Nickel as at the date of the Agreement) was approved at the general meeting held on 6 June 2013 and was reflected in the share register of Norilsk Nickel on 13 August 2013.

On 24 April 2013 Interros sold to Crispian 5,420,464 shares in Norilsk Nickel and UC RUSAL sold to Crispian 3,873,537 shares in Norilsk Nickel at USD160 for each Norilsk Nickel share.

<sup>1</sup> Revenue for 2012 and 2013 respectively, excluding railway tariffs.

<sup>1</sup> PGMs – platinum group metals.

<sup>2</sup> Production and operational data in this section is derived from [www.nornick.com](http://www.nornick.com)

<sup>3</sup> Source: Bloomberg (Ticker GMKN RX for market value).

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After the aforesaid acquisition and following the redemption of all of the quasi-treasury shares, UC RUSAL, Interros and Crispian hold approximately 27.82%, 30.3% and 5.87% shares in Norilsk Nickel respectively.

Under the Agreement in the event that any of UC RUSAL, Interros or Crispian (the 'Norilsk Nickel Shareholders') commits certain breaches as set out in the Agreement, the non-defaulting Norilsk Nickel Shareholders may at their discretion (i) buy-out on a pro rata basis 7.5% (in case defaulting party is UC RUSAL or Interros) of the shares in Norilsk Nickel of the defaulting party in cash at a 25% discount to the average weighted price of the shares at the Moscow stock-exchange for 90 days prior to the buy-out date; or (ii) purchase 1.875% (0.6% in the case of Crispian) of the shares in Norilsk Nickel of the defaulting party in cash at a nominal consideration of USD 1.

The Board of Directors of Norilsk Nickel shall be composed of thirteen (13) members, out of which four (4) will be nominated by UC RUSAL, four (4) by Interros, one (1) by Crispian, and three (3) will be independent directors, with each independent director being nominated by each of UC RUSAL, Interros and Crispian. The thirteenth member of the Board will be elected by Norilsk Nickel's remaining minority shareholders. The independent chairperson of the board of directors shall be nominated jointly by UC RUSAL, Interros and Crispian. Also, Mr. Potanin shall be the general director of Norilsk Nickel and shall be responsible for the management of the Norilsk Nickel group. In addition, Mr. Potanin in his capacity as a managing partner will assume certain obligations seeking, among others, to address the proper governance of Norilsk Nickel.

Under the Agreement certain reserved matters set forth in the Agreement require the consent of each of UC RUSAL, Interros and Mr. Abramovich. Such reserved matters include among other things (a) dividend policy and (or) any non-cash dividends; (b) amendment to the charter and by-laws of Norilsk Nickel and certain of its key subsidiaries; (c) related party transactions; (d) material transactions; (e) transactions outside the ordinary course of business; (f) acquisitions and disposals outside of Russia; (g) securities transactions; (h) marketing and sales strategy; (i) profit distributions other than dividends; (j) replacement of the CEO of Norilsk Nickel by a management company; and (k) approval of limits and counterparties for certain types of transactions entered into in the ordinary course of business.

The Agreement provides for certain measures ensuring the stability of dividends paid by Norilsk Nickel. Norilsk Nickel is expected to declare dividends in respect of 2013 and 2014 (to be paid in 2014 and 2015 respectively) in the amount of 50% of EBITDA<sup>1</sup> but no less than USD 2 billion – excluding any income from disposal of non-core assets (foreign and energy assets)

distributed as dividends. The dividends of Norilsk Nickel in respect of 2015 (to be paid in 2016) are expected to be declared in the amount of 50% of EBITDA plus the difference between USD 7 billion and the actual dividends paid in 2014 and 2015 (provided that Norilsk Nickel may reduce the resulting amount of dividend in respect of 2015 by no more than 20%). The dividends of Norilsk Nickel in respect of 2016 and subsequent years (which shall be payable from 2017) shall be equal to 50% EBITDA of Norilsk Nickel plus an amount of the dividend reduction made by Norilsk Nickel in respect of 2015, if any. In respect of 2017 and subsequent years, the dividends shall be in an amount equal to 50 % of EBITDA.

The ongoing disputes and claims with regard to the Norilsk Nickel Group and transactions with shares of Norilsk Nickel, including the judicial, arbitration and other proceedings between UC RUSAL and the Interros Group have been stayed and, subject to implementation of and the compliance with the terms and conditions provided in the Agreement, such disputes and claims shall be settled in full.

Pursuant to the Agreement, each of UC RUSAL and Interros may not sell or otherwise dispose of the shares it holds in Norilsk Nickel if in the result their respective share decreases below 20 % for a period of five (5) years after the date of the Agreement or until the moment when Crispian's share decreases below 2.5% but in any case for a period of three (3) years after the date of the Agreement and Crispian may not sell or dispose of the shares it holds in Norilsk Nickel if in the result its share decreases to below 4 % for a period of two (2) years after the date of the Agreement and below 2.5% for the next three (3) years, subject to certain exceptions. Moreover, each of UC RUSAL, Interros and Crispian are entitled to a right of first refusal in respect of any contemplated sale of Norilsk Nickel shares by any other party to the Agreement, subject to certain exceptions.

The transactions contemplated by the Agreement may require the satisfaction of certain conditions including, among other things, approval of UC RUSAL's shareholders as required under the Listing Rules of the Hong Kong Stock Exchange.

### GROUP WIDE INITIATIVES

#### INNOVATIONS AND SCIENTIFIC PROJECTS ALUMINIUM

In order to improve the environmental situation at the aluminium smelters using obsolete Soderberg technology, Soderberg technology is being converted to the Eco-Soderberg technology at the Krasnoyarsk Aluminium Smelter. Two hundred eighty-four reduction cells were converted to Eco-Soderberg in 2013 (198 cells in 2012.) In 2013, we were able to confirm the environmental & process parameters of Eco-Soderberg

<sup>1</sup> EBITDA of Norilsk Nickel is going to be calculated based on the audited consolidated financial statements of Norilsk Nickel according to IFRS for the year in respect of which the dividend is paid

## Business Overview

cells: the following figures were achieved, compared to conventional KrAZ cells: a 2.2% increase in current efficiency and a 230 kWh/tonne decrease in power consumption, and a 0.91 kg/tonne decrease in fluoride emissions. Plans are to continue to introduce this technology at the Krasnoyarsk, Bratsk and Irkutsk Aluminum Smelters.

In addition, new pre-baked anode designs for RA-167 reduction cells have been developed & installed for trials to replace the existing C-2, C-3 VSS reduction cells (with min CapEx) in order to support an environmental upgrade of Vertical Stud Soderberg (VSS) cells. New reduction cells will replace C-2, C-3 cells at NkAZ and IrkAZ. In 2013, we confirmed the design parameters of five reduction cells.

Within the framework of the *Development of Technology of Alternative Pitch* R&D project, technology for the production of compound pitch from the RF raw materials has been developed. Two hundred tons of petroleum-coal tar pitch were produced at the Ural Coke & Chemical Plant. Such pitch consists of 50 percent of petroleum refinery products. According to preliminary results, it will allow a 50% decrease in benz(a)pyrene emissions. Also, anode paste, based on petroleum-coal tar pitches supplied by the Ural Coke & Chemical plant, has been produced. There is no impact of this new paste on the reduction cell's process parameters.

In 2013, our R&D team was successful in developing an inert anode to produce 99.5% purity aluminium. The inert anode technology has undergone rig testing in a 3,000amp pilot cell. A new design of the inert anode reduction cell has been developed for more than 100kA. Our new inert anode reduction cell is expected to be manufactured in 2014 and undergo testing at KrAZ in 2015.

Other R&D achievements in 2013 include: development & successful testing of a new reduction cell design that reduces electricity consumption down to 1,000kW per hour for self-baking anodes and down to 300kW per hour for prebaked anodes; implementation of new technology regarding using unshaped lining materials in the course of cell installation at SAZ to considerably reduce CapEx and OpEx; upgrade of the RA-400 cell's lining & anode beam to reduce the weight of the beam by almost 6 tons.

In order to widen the nomenclature of value-added finished products, the production technology of wire rod made of heat-resistant electrotechnical Al-Zr alloy was developed. In 2013 Al-Zr wire rod passed certification at Russian largest cable plants ("Irkutsskabel" and "Lyudinovokabel") as conforming to the requirements of international standard IEC 62004.

### ALUMINA

As part of an R&D project to develop a technology for processing red mud, construction of a new area was completed at UAZ to produce mud with low caustic content so it can be used as flux in iron and steel metallurgy and cement production. Industrial tests of this flux in Severstal iron and steel plant were made in November 2013. Flux has a caustic content of less than 1%, moisture content is 28-30%, Fe<sub>2</sub>O<sub>3</sub> content is nearly 40%.

UC RUSAL has improved technology of scandium extraction from red mud by increasing scandium recovery by 8-10%. Design documentation and detailed engineering for scandium concentrate production pilot unit with capacity 100-120 kg Sc<sub>2</sub>O<sub>3</sub> per year have been made. Pilot unit will start its work in the middle of 2014.

In an effort to expand and strengthen its own raw materials base in Siberia, UC RUSAL improved in laboratory scale its HCl-based technology for processing Siberian clays and other mineral resources that can be converted into alumina and a number of other useful by-products. Estimation of techno-economic parameters shows competitive advantage of this technology in Siberia. Promising deposits of alternative mineral resources have been identified that should last for more than 100 years and industrial tests of samples of the new raw materials have been carried out at key production stages. In 2014 process design criteria for pilot unit will be elaborated.

A number of R&D projects implemented in 2013 and aimed to increase the efficiency of the Company's existing alumina refineries are set out as follows:

- In 2013, RUSAL ETC's Engineering and Technology Directorate (Alumina) in Saint Petersburg carried out several R&D projects at UAZ, which processes 100% of boehmite bauxite supplied by the Middle Timan Bauxite deposit, including project to develop and implement in industrial pilot scale new design of feedwell for bauxite residue washer. The new design was elaborated jointly with Hatch/CSIRO and allowed to achieve higher compaction of solids in washer underflow resulting in reduced alumina and caustic soda losses in mud circuit.
- Another R&D project realised at UAZ is development of more efficient evaporation technology that was made possible after conversion of refinery on low carbonate feedstock (Timan bauxite). The project included development of optimal evaporation flow sheet, modernisation of two three-effect evaporation trains into one five effect train, industrial pilot testing. The project implementation at 4 evaporation trains of UAZ Unit 3 allows to save 0.72 GJ per tonne of alumina produced at the refinery.



## Business Overview

- For BAZ alumina refinery new technology for joint processing of sinter and bauxite was developed in lab scale, design documentation for pilot unit was made and construction of pilot unit began. In case of successful realisation production cost of alumina at BAZ will be reduced by approximately USD 20 per tonne of alumina produced.
- For Eurallumina plant in Italy laboratory research was made to find optimal process parameters to substitute CBG bauxite by less expensive gibbsitic bauxites allowing to reduce digestion temperature and save energy costs. As result of the study, process design criteria was developed. The process design criteria will form basis of feasibility study for modernisation of technology of this refinery that will be done in 2014.
- For Ewarton alumina refinery in Jamaica new design of energy saving bauxite grinding equipment was developed and pilot unit installed. After successful realisation of the technology in full scale, significant savings in the plant are expected, including double reduction of energy consumption and maintenance costs at grinding area and removal of 80% of calcite entering the plant in the beginning of the grinding process.
- A project for Ewarton alumina plant was the laboratory study for optimisation of digestion conditions resulting in significant improvement of energy efficiency. Based on results of this study, process design criteria for Ewarton technology modernisation was issued.

### MODERNISATION AND DEVELOPMENT

The Company continues to invest in the three areas of development:

- Increasing raw materials independence;
- Reducing production costs and improving production efficiency;
- Increasing the share of value added products (aluminium alloys) in total output.

### RAW MATERIALS SUFFICIENCY

- In 2013, the Company continued to work with its Chinese partners to design a calcined coke production facility in Sayanogorsk with the annual capacity of 139.2 kt using retort furnaces. Calcined coke will be used by SAZ and KhAZ. In 2014, the design should be completed and the project will undergo state audit.
- In 2013-2014, a project to modernise the calcination kilns at IrkAZ will be developed in order to produce 92 kt of calcined coke and meet all of IrkAZ's demand for this raw material.
- 2013 saw the completion of the Taishet carbon plant design with the annual capacity of 870 kt of anode blocks, which should meet the demand of the

Boguchansk aluminium smelter that is currently under construction and the Taishet aluminium smelter, currently under development, for this raw materials. State audit is scheduled for 2014.

### REDUCING PRODUCTION COSTS AND IMPROVING PRODUCTION EFFICIENCY

- In order to reduce operational expenditures and to increase productivity of casting machines when producing foundry alloys, the construction documentation for the design of energy-efficient furnace roof with the new type of heaters was developed. Use of the new types of lining materials for furnace will allow to increase the capacity of furnace from 15 to 20 tonnes without increasing of outside dimensions.
- For the purpose of cost reduction and import substitution the casting mould and starting plate for the production of rolling slabs of 500 \* 1800 mm cross section was designed, manufactured and put on production. In 2013, the mould was in operation at KrAZ for the production of rolling slabs of 3104 alloy (to produce can stock), for Alcoa Russia. No difference in performance characteristics and quality of slabs was detected comparing to the quality of slabs produced with conventional Wagstaff moulds. The cost of mould developed is 40% lower than the cost of mould of foreign manufacturers.
- Implementation of the Green Soederberg process. Over 280 pots were modernised in potrooms 3-6 at KrAZ. The remaining potrooms are to be modernised in 2014. The transition to the green Soederberg process will reduce electricity consumption to 400 kWh per tonne of aluminium, increase the service life of the pots and reduce total emissions of gaseous compounds by 13.6 kt a year. BrAZ continues to modernise the pots in the experimental production area. In 2013 over 20 automatic raw material feeders were put into operation. In 2014 more automatic raw materials feeders are to go into operation and the cathode units are to be modernised.
- KrAZ completed modernisation of pots in potroom No 10. The project is an example of successful R&D commercialisation carried off by the Company. The project included replacing existing cathode units with a new design developed by the Engineering and Technology Centre of the Company. The new cathode unit increase the service life of pots by 19 months, while reducing electricity consumption by more than 300 kWh per tonne of aluminium.
- SAZ continues to modernise its carbon plant to be able to make grooved anodes. Once the project is completed electricity consumption will be reduced by 160 kWh per tonne. The project is to be completed in 2014

## Business Overview

- Use of technology utilise Guinean Kindia bauxite as a sweetening ore at NGZ developed in 2012 has also proven its commercial efficiency in 2013. This reduced the consumption of the expensive Guyana, Boke, Sierra Leone and Jamaican bauxites by at least 30 % and caustic soda consumption by 15 kg NaOH per tonne alumina resulting in 10.5 USD/t reduction in NGZ alumina cash cost.
- 100% of the bauxites used by UAZ comes from the Mid Timan bauxite mine thus reducing production cost at the refinery.
- For AGK a process and key parameter are used for burning coal powder in sintering kilns. The coal powder consists of 70% coal and 30% brown coal.
- Work on detailed engineering was completed pursuant to the feasibility study for the modernisation of the alumina refinery at UAZ.

### INCREASING THE SHARE OF VALUE ADDED PRODUCTS (ALUMINIUM ALLOYS) IN TOTAL OUTPUT

- The Company puts special emphasis on increasing the share of aluminium alloys in total output. In 2013, continued implementation of projects took place which aimed at increasing the share of added value products in total output.
- SAZ. Modernisation of the casting machine will allow the smelter to increase production of slabs from 5xxx, 6xxx series alloys by 120,000 tonnes per year. The project is to be completed in 2014. New HYCAST casting furnishings will allow the smelter to increase the output of billets from 6xxx alloys by 15 kt per year. Implementation is to be completed in 2014.
- KhAZ. Modernisation of the Brochot-2 line will allow the smelter to increase the production of high quality foundry alloys by more than 80 kt a year. The project should be completed in 2014.
- IrkAZ. Modernisation of the casthouse will allow the smelter to increase the production of wire rod to 3 kt a year. The wire rod will be allowed with transition metals and will offer improved physical and electrical properties so it can be used in the electric power industry. The project is to be completed in 2015.
- KAZ. Modernisation of the casthouse involves installation of an additional rolling mill for the production of wire rod so total production of wire rod from various alloys can be increased to 53 thousand tonnes per year. The project is to be completed in 2014.

### ENGINEERING AND CONSTRUCTION DIVISION

The Engineering and Construction Division (ECD) was established by UC RUSAL in July 2005 for outsourcing services relating to equipment repair and maintenance, engineering and construction projects from aluminium smelters.

The key advantage of the ECD is its ability to ensure comprehensive repair, scheduled maintenance, and the provision of engineering and construction services resulting in lower capital expenditure and operating costs and enabling a steady and sustainable economic growth by creating new production facilities and renovating the existing production capacity.

#### KEY FUNCTIONAL AREAS OF THE ECD:

- repair, maintenance and replacement of process equipment at all facilities of the Group;
- implementation of projects to create new production facilities and renovate existing production facilities using a principle of entering into a contract for engineering, equipment procurement and construction directly involving the customer in the engineering process.

#### MAINTENANCE AND REPAIR

The ECD carries out major and minor repairs, maintenance and replacement of process equipment at all production facilities of the Group in Russia and Ukraine.

Currently, the total headcount of the Division does not exceed 16,300 employees. The Division has 21 business units in Russia and the CIS.

Major and minor repairs scheduled for 2013 were performed to the fullest extent, 1,364 pots were relined and 418 primary process equipment units were repaired, as well as the target technical availability ratio was achieved at the level of 0.92.

In 2013, high-quality services enabled reduced unscheduled equipment downtime for repair purposes by 19.3 thousand hours (or 6%) compared to the 2012 downtime and technical and economic indicators of production facilities to be obtained.

The ECD continues to reduce costs and improve the quality of its services, being focusing on higher productivity, lower losses and financial costs, improving quality of operations and lowering downtime for equipment maintenance and repair. Repair crews have been established in branches, which operate closely with maintenance personnel.

In 2012, to distribute the best experience in applying TPS tools, the Krasnoyarsk Branch organised a project at the cathode busbar production facility for the Boguchany Aluminium Smelter construction project, where the practical training of 65 managers and experts of ECD's production facilities was continued in 2013.

All business units have made efforts to apply the production system methodology in practice that is an important element in training personnel and the production culture with a focus on the continuous improvement of production processes.

## Business Overview

In 2013, operations relating to preparing and performing major and significant minor equipment repairs at production facilities of the Company were performed, a procedure was defined to control all repair preparation stages, contracting for the supply of materials and the provision of services, operations relating to the development of production schedules and operation organisation projects were systematised.

Since June 2013, branches and production facilities of the ECD have been planning and performing minor equipment repairs on weekly basis that allow achieving a higher quality level of minor repair preparation and performance, reducing equipment downtime, repairs due to technical condition, and materially decreasing costs.

Production facilities and branches of the ECD implemented 213 projects as part of retrofitting production facilities of the Company.

During 2013, business units of the ECD made efforts to reduce emergency equipment stoppages, decrease periods and costs of repairs, for which purposes 117 projects were opened and implemented.

The implementation of these projects enabled, among other things, stable operation of the diesel processing equipment at RUSAL Novokuznetsk and of process cranes at RUSAL Krasnoyarsk, lower equipment downtime at the anode rodding department of RUSAL Sayanogorsk and reduced costs relating to the transportation of grinded bath at IrkAZ-SUAL, a branch of SUAL.

The total effect from implementing the projects reached almost RUB 130 million in 2013.

### PRIORITIES OF THE ECD IN THE MAINTENANCE AND REPAIR AREA IN 2014:

- continue efforts to increase the productivity, improve the quality of repairs and equipment maintenance, reduce unscheduled equipment downtime and increase the service life of equipment and its period between repairs;
- standardise all equipment maintenance and repair processes that will allow the complete switch from strictly cyclical repairs to repairs based on technical condition and preventive equipment maintenance;
- continue efforts to renew the fleet of diesel processing equipment produced for aluminium smelters of the Company using its own resources;
- as to assessing the current situation relating to the preparation and performance of major and significant minor equipment repairs at production facilities of the Company, continue efforts to draft and control compliance with the major and minor equipment repair matrix;
- continue efforts relating to weekly planning and performance of minor equipment repairs at production facilities of the Company;

- reduce financial costs relating to repairs, for which purposes target indicators have been set for each business unit and branch of the ECD in accordance with the measures for reducing costs of the ECD in 2014.

### ENGINEERING AND CONSTRUCTION:

The ECD applies in its projects the principle of entering into a contract for EPCM, directly involving the customer in the engineering process, acting as an internal contractor for the Group.

The ECD procures the full range of operations relating to the implementation of projects, including the preparation of design documents, engineering, equipment procurement, construction and commissioning of industrial facilities.

The Division plays an active part in the construction of industrial facilities and implementation of the Company's investment projects.

As part of the Boguchany Aluminium Smelter construction project, a separate business unit was established on the production site in Tayozhny village in September 2012. This business unit has organised and performs construction and installation operations, accelerating the construction progress every month.

The following may be highlighted as key performance results of the ECD in the smelter construction area in 2013:

- Target indicators for construction and installation operations performed by own efforts were achieved: for the anode rodding department – 80%, for shell assembling and installation – 100%, for busbar production and installation – 90%, and for special installation operations – 85% of the total construction scope.

Construction contracts in the aggregate amount of approximately RUB 2.4 billion were signed, of which more than 82% were performed. Contracts were signed for the maintenance of installed equipment.

- Construction competencies were strengthened in the 'turn-key' construction completion area.

The ECD operates in the external market and implements electric power facility construction and renovation projects, including the construction of high-voltage lines (VL-110 and 500 kV) in the Krasnoyarsk Territory and the Irkutsk Region.

Branches of the ECD have EPCM-based teams for upgrading and renovating existing facilities at aluminium smelters and alumina refineries of the Group.

In 2013, business units of the ECD implemented 21 environmental projects:

- Krasnoyarsk – construction of map No 5 of the red mud disposal area at RUSAL Krasnoyarsk;

## Business Overview

- Sayanogorsk – construction of the map No 2 of the industrial waste landfill, construction of the map No 3 of the soda liquor disposal area and 2nd construction stage of the solid domestic waste landfill;
- AGK – construction of KPL treatment facilities and recycled water system at the CHPP (Discharge Action No 1), repairs of electric filters No 17, 18 and 22 of sintering kilns, continued efforts to extend the service life of map No 2 of the red mud disposal area at AGK, completed primary operations to extend the service life of map No 1 and commission map No 2 in 2014, completed design operation and obtained approval from the Central State Expert Appraisal Department (Glavgosexpertiza) for the OJSC RUSAL Achinsk Red Mud Disposal Area Renovation Project (Mud Disposal Area Map No 3);
- NGZ – completed construction and installation operations and launched gas treatment equipment at lime burning kiln No 1, continued efforts to extend the service life of mud disposal area No 2, completed renovation of red mud disposal area No 1, including technical rehabilitation of map B;
- BAZ – construction of section No 2 at red mud disposal area No 2 and extension of the industrial waste landfill;
- UAZ – completed construction and efforts to extend the service life of map No 2 at red mud disposal field No 3, commenced construction of map No 3 at red mud disposal field No 3;
- SUAL-Kremniy-Ural – construction of gas treatment facilities for silicon kilns No 1-6.

To procure higher personnel load and reduce costs, the ECD engages its business units in implementing investment environmental projects relating to the production and erection of metal structures and installation of pipes. The Achinsk Branch has a gas treatment equipment repair and renovation department. Besides, the Achinsk Branch installs power equipment using its own resources. At BAZ-SUAL, the whole scope of operations relating to the installation of red mud pipelines is performed using own resources.

The ECD installs by its own efforts primary process equipment for constructing Cheremukhovskaya – Glubokaya mine at RUSAL North Ural OJSC.

### PRIORITIES OF THE ECD IN THE ENGINEERING AND CONSTRUCTION AREA IN 2014:

1. Complete the first construction stage at Boguchany Aluminium Smelter.
2. Continue implementing 20 environmental and nature protection projects at production facilities of the Company with the following key objectives:
  - Commence renovation of the red mud disposal area at OJSC RUSAL Achinsk (red mud disposal area map No 3, 146 Hectares)
  - Continue and develop the programme of gas treatment unit repair and renovation at sintering kilns of RUSAL Achinsk.
  - Complete and commission section No 2 of red mud disposal area No 2 (114 Hectares) at BAZ-SUAL.
  - Construct map No 3 of red mud disposal field No 3 (76 hectares) at UAZ-SUAL.
  - Continue efforts to extend the service life of the existing red mud disposal field and waste landfills at NGZ, RUSAL Achinsk, OJSC RUSAL Krasnoyarsk, and RUSAL Sayanogorsk.
3. Continue construction of surface facilities at Cheremukhovskaya – Glubokaya mine at RUSAL North Ural OJSC and install primary process equipment.

### CORPORATE STRATEGY

UC RUSAL's mission is to generate superior and sustainable returns for its shareholders over a long term period. The Group's strategy to achieve this focuses on the following issues:

1. Maintaining UC RUSAL's position as one of the most efficient and lowest cost producers through:
  - competitively priced long-term power contracts;
  - closure, where relevant, of less competitive and high-cost production facilities;
  - development, where appropriate, of captive power generation capacity to create a natural hedge for electricity costs;
  - R&D focusing on an increased smelting and refining efficiency;
  - expansion of aluminium production capacity in Siberia timed with cycle and demand growth where the long-term and competitive power is located;
  - increase of a share of value added products in the production mix and leverage of primary sales to maximise overall premium over LME;
  - further cost reduction programmes across all divisions;
  - optimisation of other raw material sourcing, transport and logistics to minimise costs; and
  - increase of production process flexibility to be able to adapt quickly to changing markets.
2. Increasing of sales to automotive, packaging/ printing and electronics sectors by:
  - expanding value added products in the production mix at UC RUSAL plants in Siberia;
  - expanding sales to Asia taking full advantage of UC RUSAL's operating proximity to Asian end-users;
  - refurbishing and modernising cast houses of smelters located in the European part of Russia, the Urals, Sweden and Ukraine, to take advantage of the logistical proximity of these facilities to consumption centres in the western regions of Russia as well as in the European Union; and

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- establishing in cooperation with strategic partners new downstream facilities taking advantage of available infrastructure and skilled work force of the smelters where primary aluminium production has been discontinued.
- 3. Improving the existing capital structure to re-establish a sound platform for growth by:
  - further reducing financial debt; and
  - refinancing debt obligations on better terms, where possible.
- 4. Pursuing value accretive growth opportunities organically or through acquisitions or asset swaps by:
  - exploring growth opportunities in regions with stranded, low-cost captive electricity supply and preparing for the next upward momentum in the cycle;
  - enhancing bauxite and alumina self-sufficiency by exploring new opportunities in geographically diverse regions and exploiting regional supply/demand imbalances; and
  - securing access to and self-sufficiency in key production inputs.
- 5. Managing environmental protection matters and utilising natural resources responsibly by ensuring all of UC RUSAL's production facilities meet emission standards set by local laws in the jurisdictions where UC RUSAL conducts its business.

### ENVIRONMENTAL AND SAFETY POLICIES

As with other natural resources and mineral processing companies, the Group's operations create hazardous and non-hazardous waste, effluent emissions into the atmosphere, as well as water, soil and safety concerns for its workforce. Consequently, the Group is required to comply with a range of health, safety and environmental laws and regulations. The Group believes that its operations are in compliance with all material respects with the applicable health, safety and environmental legislations of the Russian Federation, including its regions, and the countries and regions where the Group's plants are situated. The Group regularly reviews and updates its health, safety and environmental management practices and procedures to ensure where feasible that they comply, or continue to comply, with best international standards.

Operating on five continents and being involved in the metal production and processing, mining and power generation industries, UC RUSAL shares responsibility for addressing regional and global environmental issues and finding cutting edge approaches to solving such problems. The Company considers its environmental protection activities to be an inherent part of its

business as well as its contribution to public sustainable development projects.

UC RUSAL's goal is to facilitate the gradual improvement of environmental indicators, while taking into account practical possibilities and social and economic factors.

The following guidelines are adhered to when making management decisions at all levels and in all areas of the Company's business:

- **Risk Management:** define and assess environmental risks, set targets and plan work taking into account environmental risk management issues;
  - **Compliance:** comply with environmental legislative requirements of the countries where UC RUSAL has operations, as well as comply with environmental covenants assumed by the Company;
  - **Prevention:** apply the best available techniques and methods to prevent pollution, minimise risks of environmental accidents and other negative impact on the environment;
  - **Training:** train employees of the Company to meet the environmental requirements applicable to their business areas to give employees a better understanding of the environmental consequences should such requirements not be met;
  - **Cooperation:** note the opinions and interests of related parties, establish environmental requirements when selecting suppliers and contractors and assist them in complying with those requirements;
  - **Measurability and evaluation:** establish, measure and evaluate environmental indicators and assess compliance with environmental legislation in the countries where UC RUSAL operates and with environmental covenants assumed by the Company; and
  - **Openness:** openly demonstrate the Company's plans and results of its environmental activities, including through public reports issued by the Company.
- Key goals of UC RUSAL's environmental strategy include:
- reducing emissions, including greenhouse gases;
  - creating a closed-circuit water supply system for the main production processes of the Company's facilities;
  - increasing the volume of treated and used waste products and their safe disposal;
  - replacing and disposing of electrical equipment containing polychlorobiphenyls (PCBs);
  - rehabilitating land which has been negatively impacted and assisting in the maintenance of biodiversity; and
  - creating corporate systems to manage environmental aspects and risks.
- By following this environmental policy and

## Business Overview

undertaking to regularly review and update its provisions, the Company has tasked itself to be constantly developing and improving its environmental management system and implementing its principles at all production facilities of UC RUSAL, including all those which are in operation and those which are still under construction.

The Group has also taken steps to lessen the environmental impact of its operations and complied with all applicable environmental laws and regulations.

In 2007, the Company signed a memorandum of understanding with the United Nations Development Program. The aim of the memorandum is to implement measures to minimise the Group's impact on climate change, by reducing the Group's greenhouse gas emissions. The Group is actively participating in the International Aluminium Institute's activities related to targeting the reduction of greenhouse gas emissions and energy efficiency. The Group has achieved significant reductions in greenhouse gas emissions. For instance, the Group's aluminium smelters reduced greenhouse gas emissions in 2013 by 49% compared to 1990 emissions level.

Within the framework of achieving its objectives of continuous development and improvement of the environmental management system, the Company pays special attention to certifying its factories for compliance with ISO 14001, the international standard for environmental management systems. All UC RUSAL's aluminium smelters are certified as ISO 14001 compliant.

UC RUSAL's activities to provide safe working conditions for employees and reduce occupational diseases and injuries are governed by the corporate Occupational Health and Safety Policy. The Company's efforts are integrated into the Occupational Health and Safety Management System, which is one of the crucial management systems in UC RUSAL's business.

The Company has the following health and safety objectives:

- To strive for zero injuries, zero emergencies and zero fires;
- To ensure the safety and health of our personnel in their workplaces;
- To prevent occupational diseases.

The Occupational Health and Safety Management System is deployed at every production facility. It includes a risk management system, emergency response plans, budgeting of health and safety measures, personnel training based on national and corporate requirements, and a corporate e-learning system.

Occupational health and fire safety measures are financed strictly on a timely basis to provide for identification of hazards and development of procedures to improve working conditions. In 2013, the Company spent USD 77.58 million on these measures, which is a 2.3% increase year-on-year (USD 75.8 million in 2012).

UC RUSAL pays special attention to establishing a constructive dialogue with state authorities and employees, business partners, the general public and expert organisations to jointly resolve health and safety issues. The Company's experts and managers participate in the legislation process through the Occupational Health, Safety and Environmental Committee of the Russian Union of Industrialists and Entrepreneurs, Russian Duma committees, federal ministries and services, the Russian Chamber of Industry and Commerce, the Russian Mining Trade Union, the Russian Association of Mining Industrialists, and other non-profit organisations and partnerships.

Among the universally accepted health and safety management systems is a system based on the OHSAS 18001:2007 international standard. Regular audits of this system in UC RUSAL is strengthened by numerous regular internal audits, which qualitatively and quantitatively assess key elements of the system, identify deficiencies and develop effective corrective measures to manage risks and prevent failures and injuries. According to the 2013 data, the LTAR (Lost Time Accident Rate<sup>1</sup>) was 1.1 which is an improvement vs 2012 (1.25) and the global average for the aluminium industry in 2012 (1.8).

UC RUSAL's production facilities are active participants in the life of the regions where they operate, and regularly take part in regional competitions and festivals. In 2013, the Krasnoyarsk aluminium smelter won a regional health and safety competition arranged by the Krasnoyarsk regional administration.

In total, 26 internal audits were carried out at the Company's sites as part of the OHSAS 18001:2007 certification process. Det Norske Veritas held re-certification audits at the production facilities and the Head Office, which confirmed the health and safety management systems' compliance with requirements of OHSAS 18001:2007. As at the Latest Practicable Date, 10 production facilities of the Company, in addition to the Head Office, have OHSAS 18001 certificates.

### SOCIAL INVESTMENTS AND CHARITY

The following key principles form the foundation of UC RUSAL's social activities from early 2000s, when the Company was among the first to bring its charitable projects onto the systemic level: the long-term strategy, maximal efficiency, equal opportunities and qualitative changes.

The Social Programs Center (CSP), the Company's charitable foundation, which has operated since 2004, has become a center of competences in the field of advanced social technologies, corporate charity and volunteering in the regions where UC RUSAL operates.

## Business Overview

The Company and its CSP implement social investment in active cooperation with numerous partners from the regional and municipal administrations, social nonprofit organizations and business associations. Keeping the focus on the best global practices of social activities we aim to share our experience and knowledge to our partners in the field.

In 2013, the Company's social investments focused on four key programs: RUSAL's Territory, RUSAL's First Aid, Formula for the Future and Social Entrepreneurship Development Program.

### RUSAL'S TERRITORY

In 2013, UC RUSAL continued implementing its RUSAL's Territory program, aimed at development of the social infrastructure and the support of socially significant civil initiatives in the regions where the Company operates.

The RUSAL's Territory program includes support of two particular types of project:

- Development of social infrastructure is creating opportunities for innovative infrastructural projects initiated by organizations and institutions in social spheres, which gradually improve the quality of life for the children and youth in the regions where UC RUSAL operates. That includes support of reconstruction, renovation and outfitting of the educational, sport and youth facilities.
- Support and development of civil initiatives in local communities in the direction of scientific and technical creativity of youth and school students, with the aim of boosting their potential for future employment, delivery of social practices, organization of volunteer events and activities to promote a healthy lifestyle and knowledge of the native land.

In 2013, thanks to UC RUSAL's grant funding, over 20 infrastructural projects were implemented. The projects included the opening of the educational center of natural sciences at the Krasnoyarsk State Pedagogic University, creation of the center of computer technologies at the Taezhny Rural Library (Krasnoyarsk region), renovation of the football stadium in Sevorouralsk (Sverlovsk region), construction of the swimming pool at the Elementary School combined with a kindergarten in Shelekhov (Irkutsk region), the street

sport playground in Kamensk-Uralsky, further sports and healthy lifestyle projects in Tayozhny, Novokuznetsk (Kemerovo region), Kandalaksha (Murmansk region), Nikolaev (Ukraine). In total the civil initiatives grant funding has supported the implementation of 61 cultural and educational projects in 16 cities across Russia and Ukraine.

In 2014 UC RUSAL plans to continue developing the program in six regions across Russia and Ukraine where the Company operates, including Krasnoyarsk region, the Republic of Khakassia, Irkutsk, Kemerovo, Sverdlovsk and Nikolayev (Ukraine) regions.

### "RUSAL'S FIRST AID" PROGRAM

Encouragement of corporate volunteering is one of UC RUSAL's humanitarian priorities. The Company's employees and their families take part in the RUSAL's First Aid program. The program involves them dealing with social challenges affecting a city or region by participating in the activities valuable to the local communities. In 2013, corporate volunteering actively developed through social activities and events for children's homes, social and educational institutions, environmental volunteer action The Enisey-river Day, and charitable project The New Year Marathon (chain of activities and events) "We trust in miracles and make them true!". The 69 volunteer teams were formed out of the Company's field employees and their family members in 15 cities where the programs are implemented. Their volunteer experience obtained within the program is valuable and important adding to their personal growth and development of professional skills. The Marathon teams conducted over 700 various social actions for 191 nonprofit organizations and institutions, a thousand New Year gifts were donated by the Company's employees and delivered to children from low income families and children's homes. For the first time in 2013 the UC RUSAL's CSP mobilized many volunteer teams from the local partner companies and organizations.

Volunteering has become popular not only among the Company's employees and their families, but also among the whole population of the territories. UC RUSAL's promotion of volunteering has been recognized, with the grant of the Ministry of Economic Development of the Russian Federation, in the nationwide competition of the most competent initiatives of informational and

## Business Overview

methodological support for socially oriented NGOs. Furthermore the volunteer work of the Company's employees with the children from orphanages has been recognized with the Presidential grant in the framework of nationwide projects contest. The grant enables CSP to conduct a legal education project for pre-graduates at childrens' homes.

### PROGRAM OF INDIVIDUAL DONATIONS

In 2013, UC RUSAL continued the program of individual donations from its employees. This program provides every staff member of the Company with the opportunity to lend affordable financial assistance to social organizations and people in need. Accumulated funds are being directed to charitable organizations helping severely ill children, people with disabilities, teens in difficult life situations, as well as urgent funding for costly medical expenses. The program participants donate the necessary clothing and other items for orphans and children at social boarding schools.

During 2013 UC RUSAL's staff members donated USD164,000 in the framework of the program.

### "FORMULA FOR THE FUTURE" PROGRAM

The "Formula for the Future" program is a starting point for the development of professional and personal skills of young employees. The program aims to identify future leaders and socially active young people and helps them to acquire the necessary competencies in the field of project management and social technologies. The participants of the program are proactive, responsible young staff members seeking to contribute to the development of the Company.

The program is implemented at 11 industrial sites and gives opportunities for young workers to act in public areas, not associated with the Company. The activist leaders of the program, in the youth councils of the UC RUSAL plants, get program participants involved in volunteer and other charitable activities. Furthermore, they conduct vocational guidance and mentoring activities for day school graduates and college students.

The program activities, for vocational guidance of the younger generation, have been recognized with the Presidential grant of the Russian Federation in the

nationwide competition of projects for children and youth. In 2013, the youth councils, teams and individual program participants won diplomas and prizes in the local, regional and interregional competitions and youth festivals.

### "SOCIAL ENTREPRENEURSHIP DEVELOPMENT" PROGRAM

In early 2013 UC RUSAL launched a new corporate social initiative to support and develop social entrepreneurship in the regions where the Company operates. In March 2013 the Company opened three Centers of Innovation in Social Sphere (CISS) in the Krasnoyarsk, Sverdlovsk and Irkutsk regions. CISS provides a regional networking infrastructure for social entrepreneurs with the aim of raising awareness in the field and creating a public-private communication platform. CISS has been jointly developed by RUSAL and the Russian Governmental Agency of Strategic Initiatives. In April 2013, CISS started the first training cycle of a Social Entrepreneurship School, which provides applicants with training of social business skills applicable to finance, law, planning and social project management.

Upon completion of the training course and development of their own social business projects, the participants made presentations to the experts and potential funders on the series of the investment sessions in November 2013. The key project areas were education and leisure centers for children; training of assistant dogs, wood workshop employing ex-convicts and hairdressing salons. In six months the Centre provided training for 80 social entrepreneurs. The Company's goal is to introduce a set of successful cases in social entrepreneurship to widen the social business initiatives in the regions where UC RUSAL operates. As a result in 2014 the Company plans to open CISS in a few more regions and form coalition of partners to jointly support social entrepreneurship. This will create new growth and sustainable improvement of life quality for the people in the regions where the Company operates.

The total amount of the funds UC RUSAL invested in social programs, charity and sponsorship in 2013 totalled USD14 million.

**1** LOST TIME ACCIDENT RATE (per MHW) is the number of Lost Time Accidents (LTI) that occurred over a period time per 1 000 000 Man Hours Worked of hours worked in that period. Lost Time Accident is an accident which results in the injured person being absent for one or more workdays beyond the day of the accident.





bALanced approach

# Management Discussion and Analysis

# Management Discussion and Analysis

## OVERVIEW OF TRENDS IN INDUSTRY AND BUSINESS

### KEY HIGHLIGHTS

UC RUSAL forecasts that:

- Global demand for aluminium will trend upwards its growth and is expected to increase by 6% reaching 55 million tonnes in 2014, primarily driven by China, other Asian countries, United States (US) and European Union (EU);
- Global aluminium deficit excluding China is expected to reach 1.43 million tonnes in 2014 from 455 thousand tonnes in 2013. About 1.0-1.5 million tonnes of the global aluminium production out of China is expected to be idled in 2014;
- Aluminium premiums will continue to be strong in 2014 due to tightness of physical supply in the markets and robust demand;
- The Chinese aluminium market will remain balanced in 2014. Approximately 3 million tonnes of Chinese aluminum production is expected to be cut in 2014 as a result of low aluminum prices. Chinese semis exports are not expected to have a significant impact on the global primary metal balance outside of China.

### GLOBAL ALUMINUM DEMAND

Aided by strong growth within Asia, the US and by a continuing market rebound in Europe, global aluminium consumption rose by 6% in 2013 to 51.7 million tonnes, with ex-China Asia consumption rising by 4% or to 26.2 million tonnes year-on-year in 2013. Consumption in China, the largest growing market, grew by 13% or to 25.5 million tonnes year-on-year in 2013, followed by India (6% growth), ex-China Asia (6% growth) and North America (4% growth). Consumption growth in Europe continued, with a strong rebound seen in the second half of 2013 and total 2013 growth reaching 2%.

### ASIA

According to the National Bureau of Statistics ("NBS") data, Chinese fixed-asset investment increased by 19.6% year-on-year in 2013. The NBS data also showed that new construction projects rose by 13.5% in 2013. During 2013, the Chinese automotive industry was the top gainer, surging 14.9% after record sales of 21.98 million vehicles according to the China Association of Automobile Manufacturing ("CAAM").

In South East Asia, the transport sector remained strong, with Thailand continuing to be a leader in automotive production in the region. Automotive

production in the region in 2013 has repeated the 2012 record despite Japanese output decreasing by 3%, offset by substantial growth in the Association of Southeast Asian Nations ("ASEAN") countries by 6%. The tendency in the second half of 2013 showed a strong recovery of automotive exports from Japan which in turn should support strong domestic production in the beginning of 2014. Construction activity also grew in the region, led by infrastructure development and the building of new houses.

In Japan, following industrial production weakness experienced during the first nine months of 2013, economic indicators have in recent months signaled improved market conditions. The Japanese PMI in December 2013 was 55.2, which was the fastest pace of expansion in more than seven years, suggesting that the Government's pro-growth policies, introduced in early 2013, are having a positive impact on the economy. Operating conditions in the Japanese manufacturing sector improved at the sharpest pace since July 2006. New export orders rose for the fourth successive month in December, whereas housing starts rose by 11% in 2013, and climbed to the highest level in 5 years.

Construction, transport and the electronic sectors remain the key drivers of aluminium consumption growth within India. In November 2013, for the first time in four months, the PMI climbed to 51.3, as new orders rose, raising hopes for the country's economy. Manufacturing activity picked up, led by a rise in new domestic orders which helped lift output growth.

Construction and packaging growth in the Middle East is encouraging local consumption of primary metal. The production of aluminium extrusions and flat rolled products will dominate the Middle Eastern market due to the expectation of robust growth in the construction and packaging sectors.

### NORTH AMERICA

The North American transport sector remained the main driver of aluminium consumption growth in the region. Light vehicle production in North America was 16.2 million units in 2013, up 4.3% compared to 2012. The key driver in the sector continues to be the increased demand for aluminium automotive body sheets and announced expansions by Aluminium rollers to meet the demand. The new Ford F-150 was unveiled at the North American International Auto Show in Detroit and will have a body and load bed made almost entirely of aluminum. F-series trucks account for about 12% of the company's global sales.

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Further positive news was the construction sector, where USA housing starts rose by 19% in 2013 to the level of 928 thousand units.

Secondary aluminium and alloys production by independent smelters in USA has decreased by 4% in January-October 2013 due to shortage of scrap, giving additional room for primary aluminium demand growth. Tightness of scrap will continue to take place in 2014.

## EUROPE

Aluminum demand in Europe continued to experience a strong rebound in the latter part of 2013, with the biggest increase from Turkey (10%), followed by Germany (3%) and France (2%). In the consumer market, European new car registrations jumped by 13.3% in the month of December. Primary aluminium demand in Europe grew by 1.5% in 2013.

The recovery in the Eurozone manufacturing sector accelerated further at the end of 2013 with strong growth in manufacturing PMI. Factory activity in Germany, Italy, Spain and the United Kingdom (UK) continue to expand while France remains weak.

Automotive production increased in Germany, Spain and UK in 2013. Production in Spain grew by 9% (2.16 million units), Germany rose by 1% (5.4 million units), UK grew by 3.1% (1.5 million units). France's car production is expected to slip to 1.5 million units (-9%). Total automotive production growth in Europe is expected to be around 1% in 2014.

## GLOBAL ALUMINUM SUPPLY

According to recently published statistics from the International Aluminum Institute and CRU market data, global aluminum production excluding China reached 25.66 million tonnes in 2013, down by 48 thousand tonnes compared to 2012. Despite aluminium production growth in the Middle East and other Asian countries, the estimated 1.2 million tonnes of capacity cuts in Europe, North America and South America resulted in a deficit in the aluminium market. According to UC RUSAL's latest estimates, as a result of continued ex-China consumption growth and almost unchanged production there was a 455 thousand tonnes aluminum ex-China supply deficit.

Following recent Chinese Government measures to tackle overcapacity and deteriorating market conditions the Chinese aluminium industry experienced tempered net capacity rise with an increase of 2.2 million tonnes in 2013. Shutdowns in the central and southern parts of China amounted to 2.1 million tonnes. Some aluminium smelters in Central parts of China continue cutting output to reduce loss due to falling domestic aluminum price. As expected

around 3 million tonnes of Chinese aluminium production to be cut in 2014 as a result of low aluminum price. However, some amount of new low-cost aluminum capacity will still go into production in Xinjiang and other North Western regions in 2014.

Apart from pressure of new low-cost capacities, inefficient smelters and smelters that do not meet prescribed government standards will continue to be decommissioned due to increased power tariff because of tiered power pricing system, which is scheduled to be commenced from January 2014. As a result, the Chinese aluminum market is expected to be balanced with production increasing in line with consumption growth and old capacity being replaced with new more efficient capacity.

Chinese aluminum semis net export grew by 12.7% in 2013 compared to the same period of last year. However net export over 2012-2013 grew by just 4.7% compared to 2011 level. The majority part of Chinese semis is mainly delivered to the final consuming industries including transport, construction, machinery, etc. but not to primary metal consumers including rolling mills, casting houses etc. Thus Chinese semis exports have very limited impact on global primary metal balance outside of China.

## ALUMINUM STOCKS AND PREMIUMS

Aluminium stocks held in LME warehouses ended the year with 248 thousand tonnes above those as at the end of 2012 of 5,458 thousand tonnes. Globally, around 45% of the aluminum held in LME facilities has been requested for delivery. Metal continues to be locked in financial deals and expected to flow to off-warrant locations rather than released to consumers directly.

As a result of the current tight aluminum supply, physical premiums continue to rise, reaching record highs by the end of 2013. After the fall created by the uncertainty over LME warehousing policy in the middle of the year by year end the Rotterdam duty unpaid premium reached 210-230 USD/t, the US Midwest premium 12 cents/lb and Japan MJP 255 USD/t. The rise has continued into 2014 with the MW at 20 cents/lb and Rotterdam 275-315 USD/t in January.

## ALUMINUM INDUSTRY OUTLOOK IN 2014

UC RUSAL expects global aluminum consumption growth of 6% in 2014 over 2013. China and other Asian economies are expected to grow strongly and the developed markets including the US and Europe should continue to show a healthy growth.

Consumption growth excluding China of 1 million tonnes and continued capacity curtailments despite production capacity increase in the Middle East and

# Management Discussion and Analysis

Asia should lead to 90 thousand tonnes of production reduction in 2014 according to UC RUSAL estimate and the supply deficit will grow from 455 thousand tonnes in 2013 to approximately 1.43 million tonnes in 2014. An additional 1.0-1.5 million tonnes of ex-China capacity is expected to be curtailed in 2014.

It is expected that Chinese aluminum market will continue to be balanced with very limited net production capacity increase.

## OUR BUSINESS

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

## ALUMINIUM PRODUCTION RESULTS<sup>1</sup>

UC RUSAL's total attributable aluminum output (see footnote 2-3 below table) amounted to 3,857 kt in 2013, as compared to 4,173 kt in 2012, a decrease of 8%.

The decrease in volumes during the period discussed above was due to gradual mothballing of production at most aluminium smelters located in European part of Russia, as well as Alscor (Nigeria). The mothballing of production was a result of the curtailment program for inefficient capacity initially approved by the Board of the Company and announced in the third quarter of 2012 and updated further in March 2013 and August 2013 on the back of prevailing unsupportive economic situation in the industry.

The decrease in volumes was also supported by smelters located in Siberian Region (Russia), where production rationalization was performed mainly through amperage reduction.

The production is expected to be decreased further in 2014 to 3.5 million tonnes under the inefficient capacity curtailment program.

<sup>1</sup> The sums of the figures in the table are different due to rounding.

# Management Discussion and Analysis

The table below shows the contribution to production from each facility.

Asset (Kt)	Interest <sup>2</sup>	Year ended 31 December		Change year-on-year (%)
		2013	2012	
<b>Russia (Siberia)</b>				
Bratsk aluminium smelter	100%	1,002	995	1%
Krasnoyarsk aluminium smelter	100%	1,002	1000	0%
Sayanogorsk aluminium smelter	100%	513	541	(5%)
Novokuznetsk aluminium smelter	100%	248	291	(15%)
Irkutsk aluminium smelter	100%	392	413	(5%)
Khakas aluminium smelter	100%	279	295	(5%)
<b>Russia – Other</b>				
Bogoslovsk aluminium smelter	100%	41	103	(60%)
Volgograd aluminium smelter	100%	112	168	(33%)
Urals aluminium smelter	100%	32	71	(55%)
Nadvoitsy aluminium smelter	100%	29	60	(52%)
Kandalaksha aluminium smelter	100%	66	71	(7%)
Volkhov aluminium smelter	100%	8	16	(50%)
<b>Sweden</b>				
KUBAL	100%	131	129	2%
<b>Nigeria</b>				
ALSCON	85%	2	22	(91%)
<b>Total production</b>		<b>3,857</b>	<b>4,173</b>	<b>(8%)</b>

The Company's aluminium division is divided into Aluminium Division East and Aluminium Division West.

## ALUMINIUM DIVISION EAST

Aluminium Division East comprises all smelters located in Siberia, Russia.

Increase in output:

Production of alloys increased from 1,219 thousand tonnes in 2012 to 1,261 thousand tonnes in 2013.

- Production of high purity aluminium at the Krasnoyarsk aluminium smelter decreased by 29% to 11.2 thousand tonnes in 2013.
- Production and shipment of calcined coke at the Krasnoyarsk aluminium smelter and Bratsk aluminium smelter was 68.1 thousand tonnes in 2013 (increased by 3% as compared to 2012).
- Production and shipment of baked anodes at the Sayanogorsk aluminium smelter was 42.8 thousand tonnes in 2013 (increased by 43% as compared to 2012).

<sup>2</sup> Presents total production of the plants, each of which is a consolidated subsidiary of the Company.

The following projects were implemented in Aluminium Division East in 2013:

- Development of an in-house reduction technology:
  - At NkAZ, the pilot area, where conversion of C-2/3 Soderberg pots to the RA-167 pre-bake technology is being tested, continues to operate; a gas treatment unit was installed;
  - At a pilot area at BrAZ, an automatic material distribution system and a new-generation centralised alumina supply system were commissioned;
  - At KrAZ, conversion of Potroom 10 from EU-165 to the RA-180 reduction technology was completed. The new pots will run at a higher amperage and will have a longer life;
  - Also at KrAZ, conversion of Potrooms 3 to 6 to the Green Soderberg technology continues. Energy efficiency;
  - At SAZ, a project to produce slotted anodes continues;

## Management Discussion and Analysis

- At a pilot area at KrAZ, new, more energy efficient pot designs are being tested. Use of new potroom vehicles:
- In 2013, RUS-Engineering manufactured and supplied new types of pot treatment vehicles: alumina unloading machine, a new transport module, a crust breaking machine and a multi-purpose potroom machine;
- Plans for 2014 include manufacturing of the following new machinery: a paste loading machine, a beam racking machine, and a multi-purpose pot treatment machine.  
Health Safety and Environmental (HSE):
- Production facilities of Aluminium Division East confirmed the compliance of their respective HSE management systems with OHSAS 18001 following an external audit by DNV;
- BrAZ and IrkAZ confirmed their compliance with the ISO 14001 environmental management standard.

### ALUMINIUM DIVISION WEST (2013)

Aluminium Division West comprises the Volgograd smelter, Nadvoitsy smelter, Kandalaksha smelter, Volkhov smelter (all in Russia), KUBAL (in Sweden), the aluminium sections of the Bogoslovsk and Ural smelters (in Russia), as well as the secondary alloys facility.

As part of the capacity curtailment programme approved by the Board of Directors, aluminium production was shut down at the following smelters:

**Ural aluminium smelter (UAZ):** July 2013 with a potential re-start;

**Volkhov aluminium smelter (VAZ):** August 2013 with no potential re-start; main equipment is being dismantled;

**Volgograd aluminium smelter (VgAZ):** aluminium production was shut down in September 2013 with a potential re-start; at the same time aluminium powder production is still in operation (from solid metal supplied from Siberian smelters) together with anode paste to be delivered to Kandalaksha aluminium smelter (unreduced production capacity). From December 2013 solid metal has been cast into value added products in the casthouse.

**Bogoslovsk aluminium smelter (BAZ):** aluminium production shut down in August 2013 completely with a potential re-start of potline 6; equipment of four potrooms in block 1 shut down in March 2013 is being dismantled.

**Nadvoitsy aluminium smelter (NAZ):** potrooms 1 and 2 (horizontal stud Soederberg) were shut down in July 2013 with no potential re-start (potroom 3 was stopped in September 2012). Equipment in potrooms 1, 2 and 3 is being dismantled. Potroom 4 is in operation.

### Novokuznetsk Aluminium smelter\* (NKAZ) ;

NKAZ-1 - complete shutdown in September 2013.

NKAZ-2 - continue the output curtailment

programme:

- Reduction of line current by 3 kA in 2013 on average (potrooms No7, No8, No10A, No10E, No11, No12) - completed in April-May 2013 ;
- Downtime of pots due to reduction of pot rebuilds by 14 pots.

Despite the ongoing mothballing of a number of plants, implementation of projects related to new and value-added products continues.

A project at KAZ to install a wire rod line is in its final stage. Two tilting furnaces made by Jasper GmbH and a Properzi-made wire rod production line have already been installed, and commissioning is in progress. The first batch should be produced in April 2014.

In March 2014, stage 1 of a new casting complex at VgAZ will be commissioned. It consists of two tilting furnaces made by Mechatherm and will be used to remelt solid aluminium and produce up to 50 kilotonnes of billets per year.

In 2013, the Company decided to launch a number of other new projects involving the creation of new production areas at existing smelters for the purposes of diversifying production and creating additional jobs. The projects aim to produce value-added products using liquid aluminium and various alloys. For instance, one of the potential projects is the creation of a joint venture between RUSAL and the Israel-based Omen at VAZ.

### ALUMINA PRODUCTION RESULTS

UC RUSAL's total attributable alumina output<sup>3</sup> amounted to 7,310 thousand tonnes in 2013, as compared to 7,477 thousand tonnes in 2012, a decrease of 2%.

The decrease in the volume of alumina production in 2013 as compared to that of 2012 was primarily due to Friguia Alumina Refinery (Guinea), where operations were suspended in April 2012 and Queensland Alumina Ltd (Australia), where production decreased temporarily following hurricane Oswald in January 2013.

- In 2013, large-scale contracts were signed to purchase fuel oil: a consignment agreement to supply approximately 76,500 tonnes of fuel oil from Valero Energy Ltd. to Aughinish from 1 April 2013 to 31 March 2014 and a contract to supply approximately 220,000 tonnes of fuel oil from Vitol inc. to Winalco from 1 July 2013 to 30 June 2014.
- In 2013, large-scale aluminium fluoride purchase contracts were signed with Eurochem (10,500

<sup>3</sup> Calculated based on the pro rata share of the Company's (and its subsidiaries') ownership in corresponding alumina refineries.  
\* It was the part of curtailment programme Aluminium Division East.

## Management Discussion and Analysis

tonnes) and with FosAgro-Cherepovets (26,000 tonnes).

- In 2013, a contract was signed with METINVEST-HOLDING to purchase 4,000 tonnes of pitch per month (Ukrainian producers – AKKhZ, ZKKhZ, DKKhZ and EKKhP) from August 2013 to January 2014; 10,000 tonnes per month from February 2014 to January 2015.

The Participants Agreement between Rusal and Rio Tinto relating to Queensland Alumina Limited was extended for the term of 4 years (2014–2017) along with agreements for the supply of Weipa bauxite to the refinery. Management believes that the terms of extended Participants Agreement and the new bauxite contracts agreed with Rio Tinto are in the best interests of the Company.

Asset (Kt)	Interest	Year ended 31 December		Change year-on-year(%)
		2013	2012	
<b>Ireland</b>				
Aughinish Alumina	100%	1,935	1,926	0%
<b>Jamaica</b>				
Alpart	100%	–	–	–
Winalco (Ewarton and Kirkvine Works)	93%	549	514	7%
<b>Ukraine</b>				
Nikolaev Alumina Refinery	100%	1,493	1,429	4%
<b>Italy</b>				
Eurallumina	100%	–	–	–
<b>Russia</b>				
Bogoslovsk Alumina Refinery	100%	958	1,006	(4.8%)
Achinsk Alumina Refinery	100%	926	945	(2.0%)
Urals Alumina Refinery	100%	775	768	0.9%
Boxitogorsk Alumina Refinery	100%	–	–	–
<b>Guinea</b>				
Friguia Alumina Refinery	100%	–	150	(100%)
<b>Australia (JV)</b>				
Queensland Alumina Ltd. <sup>4</sup>	20%	674	740	(8.9%)
<b>Total production</b>		<b>7,310</b>	<b>7,477</b>	<b>(2.2%)</b>

### BAUXITE PRODUCTION RESULTS

UC RUSAL's total attributable bauxite output<sup>5</sup> was 11,418 kt in 2013, as compared to 12,365 kt in 2012 a decrease of 8 %.

The decrease in the volume of bauxite production in 2013 as compared to 2012 was primarily due to suspension of mining operations at Friguia bauxite mine in Guinea since April 2012, and suspension of Cheryomukhovskaya mine at North Urals bauxite

mine due to construction of Cheryomukhovskaya-Glubokaya mine; this was partially offset by the increased output at the facilities in Timan (Russia) and Winalco (Jamaica).

The decrease in bauxite volumes in 2013 is in line with alumina production for the corresponding period.

The table below shows the contribution from each facility.

<sup>4</sup> Pro-rata share of production attributable to UC RUSAL.

<sup>5</sup> Calculated based on pro-rata share of the Company's ownership in corresponding bauxite mines and mining complexes. The total production of the Company's fully consolidated subsidiaries, Timan and Bauxite Company of Guyana Inc., are included in the production figures,

## Management Discussion and Analysis

<i>Bauxite mines (Kt Wet)</i>	Interest	Year ended 31 December		Change year-on- year (%)
		2013	2012	
<b>Jamaica</b>				
Alpart	100%	–	–	–
Windalco (Ewarton and Kirkvine)	93%	1,412	1,812	(22%)
<b>Russia</b>				
North Urals	100%	2,498	2,954	(15%)
Timan	80%	2,824	2,212	28%
<b>Guinea</b>				
Friguia	100%	–	491	(100%)
Kindia	100%	3,326	3,331	(0%)
<b>Guyana</b>				
Bauxite Company of Guyana Inc.	90%	1,358	1,566	(13%)
<b>Total production</b>		<b>11,418</b>	<b>12,365</b>	<b>(8%)</b>

### NEPHELINE PRODUCTION RESULTS

UC RUSAL's nepheline syenite production was 4,662 kt in 2013, as compared to 4,947 kt in 2012 a decrease of 6%.

The decrease in the production volume of nepheline mine took place mainly due to the reduced alumina production at Achinsk Alumina Refinery.

<i>Nepheline mines (Achinsk) (Kt Wet)</i>	Interest	Year ended 31 December		Change year-on- year (%)
		2013	2012	
Kiya Shaltyr Nepheline Syenite	100%	4,662	4,947	(6%)
<b>Total production</b>		<b>4,662</b>	<b>4,947</b>	<b>(6%)</b>

### FOIL AND PACKAGING PRODUCTION RESULTS

The aggregate aluminium foil and packaging material production from the Company's foil mills increased by 3% to 89 kt in 2013, primarily due to an increased production at Armenal and Ural Foil in Russia.

5 (Continue) notwithstanding that minority interests in each of these subsidiaries are held by third parties.



# Management Discussion and Analysis

The table below shows the contribution from each facility.

Foil Mills (kt)	Interest	Year ended 31 December		Change year-on-year (%)
		2013	2012	
<b>Russia</b>				
Sayanal	100%	40,264	40,666	(1%)
Ural Foil	100%	18,383	16,509	11%
Sayana Foil	100%	2,824	2,808	1%
<b>Armenia</b>				
Armenal	100%	27,719	26,263	6%
<b>Total production</b>		<b>89,190</b>	<b>86,246</b>	<b>3%</b>

## OTHER BUSINESS

The Company's aggregate output from its non-core business has shown multidirectional dynamics. Powder production has increased by 4% to 19,782 tonnes in 2013, while silicon have decreased by 7%, secondary alloys decreased by 16%, cathodes by 83%

(conservation), and fluorides by 59% (conservation) as compared to 2012. The decrease in the production was due to weaker demand for the products; and that cathodes and fluorides production facilities were mothballed as part of curtailment of inefficient production capacity.

(t) unless otherwise indicated	Year ended 31 December		Change year-on-year (%)
	2013	2012	
Secondary alloys	20,627	24,635	(16%)
Cathodes	1,903	11,177	(83%)
Silicon	55,373	59,348	(7%)
Powder	19,782	19,110	4%
Fluorides	28,606	69,514	(59%)
Coal (50%) (Kt)	20,852	22,012	(5%)
Transport (50%) (Kt of transportation)	8,543	7,793	10%

### Silicon production:

Silicon production volume at 000 'SUAL-Kremniy-Ural' and ZAO 'Kremniy' in 2013 was 55,373 tonnes which is 3,975 tonnes lower than in 2012. Reduction of silicon output was driven by slackening demand and price caused by offers of cheaper silicon from China. In January 2013 the Chinese 15% domestic duty was cancelled, and in October the EU 5% anti-dumping duty for Chinese silicon was cancelled.

### Powders:

Power metallurgy business in 2013 produced 672 tonnes more (+4 %) than in 2012.

The share in product groups increased as follows: coarse powder +760 tonnes (+8%), powders and paste +71 tonnes (+9%); in fine powders the share dropped by -135 tonnes (-16 %), special powders -25 tonnes (-14%) due to changes in customer orders.

In early 2013, the production upgrade project at 000 'SUAL PM' started and expected to be completed in 2014 allowing to commence production of high-quality products in the volume of up to 120 tonnes per month.

# Management Discussion and Analysis

## Fluorides:

Production of fluorides output dropped by 59% in 2013 as compared to 2012 due to mothballing of the Polevskoy cryolite plant (from 1 October 2013) in line with the programme of inefficient capacity curtailment. Due to shutdown of cryolite plants (Yuzhno-Uralsk Cryolite plant and Polevskoy Cryolite plant) in 10 October 2013 the Yaroslavl ore mining company was also shut down for subsequent mothballing.

## COAL PRODUCTION RESULTS

The aggregate coal production attributable to the Company's (and its subsidiaries') 50% share in LLP Bogatyr Komir decreased by 5% to 20,852 kt in 2013, as compared to 22,012 kt in 2012. The decrease in

volume in 2013 as compared to 2012 was due to lower sales of coal to Russian customers resulting from decreased regional demand and higher competition, which was partially offset by increased demand for coal in Kazakhstan.

## TRANSPORTATION RESULTS

The aggregate coal and iron ore transported by railway LLP Bogatyr Komir Trans attributable to the Company's 50% share increased by 10% to 8,543 kt in 2013, as compared to 7,793 thousand tonnes in 2012. The increase in volume in 2013 as compared to 2012 was due to a greater volume of coal delivered to Kazakhstan during the year, on the back of decrease in coal delivery in Russia.

## FINANCIAL OVERVIEW

### REVENUE

	Year ended 31 December 2013			Year ended 31 December 2012		
	<i>USD million</i>	<i>kt</i>	<i>Average sales price (USD/tonne)</i>	<i>USD million</i>	<i>kt</i>	<i>Average sales price (USD/tonne)</i>
Sales of primary aluminium and alloys	8,159	3,788	2,154	9,323	4,203	2,218
Sales of alumina	507	1,595	318	503	1,582	318
Sales of foil	313	86	3,640	302	80	3,775
Other revenue	781	–	–	763	–	–
<b>Total revenue</b>	<b>9,760</b>			<b>10,891</b>		

Total revenue decreased by USD1,131 million or by 10.4% to USD9,760 million in 2013 compared to USD10,891 million in 2012. The decrease in total revenue was primarily due to the decreased sales of primary aluminium and alloys, which accounted for 83.6% and 85.6% of UC RUSAL's revenue for the years 2013 and 2012, respectively.

## Management Discussion and Analysis

	Quarter ended 31 December		Change, quarter on quarter, % (4Q to 4Q) 2013	Quarter ended 30 September 2013 <i>unaudited</i>	Change, quarter on quarter, % (4Q to 3Q) 2012	Year ended 31 December		Change, year-on-year, %
	2013 <i>unaudited</i>	2012 <i>unaudited</i>				2013	2012	
Sales of primary aluminium and alloys								
<i>USD million</i>	<b>1,693</b>	2,246	<b>(24.6%)</b>	<b>2,014</b>	(15.9%)	<b>8,159</b>	9,323	(12.5%)
<i>kt</i>	<b>821</b>	1,011	<b>(18.8%)</b>	<b>969</b>	(15.3%)	<b>3,788</b>	4,203	(9.9%)
<i>Average sales price (USD/t)</i>	<b>2,062</b>	2,222	<b>(7.2%)</b>	<b>2,078</b>	(0.8%)	<b>2,154</b>	2,218	(2.9%)
Sales of alumina								
<i>USD million</i>	<b>130</b>	89	<b>46.1%</b>	<b>151</b>	(13.9%)	<b>507</b>	503	0.8%
<i>kt</i>	<b>419</b>	283	<b>48.1%</b>	<b>494</b>	(15.2%)	<b>1,595</b>	1,582	0.8%
<i>Average sales price (USD/t)</i>	<b>310</b>	314	<b>(1.3%)</b>	<b>306</b>	1.3%	<b>318</b>	318	0.0%
Sales of foil (USD million)	<b>81</b>	82	<b>(1.2%)</b>	<b>77</b>	5.2%	<b>313</b>	302	3.6%
Other revenue (USD million)	<b>221</b>	207	<b>6.8%</b>	<b>190</b>	16.3%	<b>781</b>	763	2.4%
<b>Total revenue (USD million)</b>	<b>2,125</b>	<b>2,624</b>	<b>(19.0%)</b>	<b>2,432</b>	<b>(12.6%)</b>	<b>9,760</b>	<b>10,891</b>	<b>(10.4%)</b>

Revenue from sales of primary aluminium and alloys decreased by USD1,164 million, or by 12.5%, to USD8,159 million in 2013, as compared to USD9,323 million in 2012, primarily due to a decrease in volumes of the primary aluminium and alloys sold. This decrease was a result of the Company's inefficient capacity curtailment programme. The decline in weighted-average realised aluminium price by 2.9% in 2013 as compared to 2012, due to the weak LME aluminium price performance also contributed to revenue decrease. The decrease in average LME aluminium price by 8.6% to USD1,845 per tonne in 2013 from USD2,018 per tonne in 2012 was partially offset by a 30.3% growth in premiums above the LME

price in the different geographical segments (to an average of USD271 per tonne from USD208 per tonne for the years 2013 and 2012, respectively).

Revenue from sales of alumina was flat during the reporting period as compared to the same period of 2012.

Revenue from sales of foil increased by 3.6% to USD313 million in 2013, as compared to USD302 million in 2012, primarily due to an increase in foil sales volume.

Revenue from other sales, including sales of other products, bauxite and energy services were almost flat during the reporting period as compared to the same period of 2012.

# Management Discussion and Analysis

## COST OF SALES

The following table shows the breakdown of UC RUSAL's cost of sales for the years ended 31 December 2013 and 2012, respectively:

<i>(USD million)</i>	Year ended 31 December		Change, year-on-year, %	Share of costs for the year ended 31 December 2013, %
	2013	2012		
Cost of alumina	1,004	1,352	(25.7%)	11.9%
Cost of bauxite	592	530	11.7%	7.0%
Cost of other raw materials and other costs	2,990	3,148	(5.0%)	35.5%
Energy costs	2,374	2,592	(8.4%)	28.2%
Depreciation and amortisation	493	515	(4.3%)	5.8%
Personnel expenses	844	914	(7.7%)	10.0%
Repairs and maintenance	94	147	(36.1%)	1.1%
Change in asset retirement obligations	–	(2)	(100.0%)	0.0%
Net change in provisions for inventories	38	36	5.6%	0.5%
<b>Total cost of sales</b>	<b>8,429</b>	<b>9,232</b>	<b>(8.7%)</b>	<b>100.0%</b>

Total cost of sales decreased by USD803 million, or by 8.7%, to USD8,429 million in 2013, as compared to USD9,232 million in 2012. The decrease was primarily driven by the 9.9% (or 415 thousand tonnes) reduction in the aggregate aluminium sales volumes following mothballing of production at the least efficient smelters in line with the ongoing capacity curtailment programme and continuing depreciation of the Russian Rouble against the US dollar.

Cost of alumina decreased in the reporting period (as compared to 2012) by 25.7%, primarily as a result of a decrease in both alumina purchase volumes and average alumina purchase price.

Cost of bauxite increased by 11.7% in 2013 as compared to 2012, due to 10.6% growth in purchased volume.

Cost of raw materials (other than alumina and bauxite) and other costs decreased by 5.0% following the aluminium sales volume dynamic that caused the decrease in purchased volumes partially compensated by the higher purchase prices for certain materials (such as coal tar pitch for 5.7%, caustic soda for 9.1%, ligature and legating materials for 15.3%) in 2013 as compared to 2012.

Energy cost decreased in 2013 by 8.4% to USD2,374 million compared to USD2,592 million in 2012 primarily due to the decrease in aggregate aluminium

sales volumes and depreciation of the Russian Rouble against the US dollar partially compensated with the insignificant increase in the weighted-average electricity tariffs.

## DISTRIBUTION, ADMINISTRATIVE AND OTHER EXPENSES

Distribution expenses decreased by 7.4% to USD488 million in 2013, compared to USD527 million in 2012, primarily due to the decrease in aggregate aluminium sales volumes supported by the depreciation of the Russian Rouble to the US Dollar exchange rate within the comparable periods.

Administrative expenses decreased by 10.2% to USD645 million in 2013, compared to USD718 million in 2012 primarily resulted from the cost optimization programme.

Impairment of non-current assets and restructuring expenses increased by USD1,615 million in 2013 to USD1,919 million. Due to a continued deterioration in forecast aluminum prices in the fourth quarter of 2013 and macroeconomic factors impacting the industry, the Company performed detailed impairment testing of its' non-current assets as at 31 December 2013. As a result impairment loss was recognized in respect of goodwill in the amount of USD382 million and property, plant and equipment of several Group

## Management Discussion and Analysis

companies in the amount of USD1,222 million. Restructuring expenses in the amount of USD315 million represent one-off expenses incurred by the Company on inefficient capacity curtailment. These expenses include inventories at closed plants in the amount of USD170 million, accounts receivables in the amount of USD56 million, various redundancy payments in the amount of USD47 million, electricity and power costs in the amount of USD18 million and

USD 12 million, respectively, and other expenses in the amount of USD12 million.

Other operating expenses increased by 59.5% to USD67 million in 2013, compared to USD42 million in 2012. The increase in other operating expenses in 2013 was primarily due to reassessment of certain tax claims with high probability of cash outflow.

### ADJUSTED EBITDA AND RESULTS FROM OPERATING ACTIVITIES

<i>(USD million)</i>	Year ended 31 December		Change year-on-year, %
	2013	2012	
<b>Reconciliation of Adjusted EBITDA</b>			
Results from operating activities	<b>(1,804)</b>	60	NA
Add:			
Amortisation and depreciation	<b>520</b>	543	(4.2%)
Impairment of non-current assets and restructuring expenses	<b>1,919</b>	304	531.3%
Loss on disposal of property, plant and equipment	<b>16</b>	8	100.0%
<b>Adjusted EBITDA</b>	<b>651</b>	<b>915</b>	<b>(28.9%)</b>

As a result of the factors discussed above the Company demonstrated a sharp decrease in the results from operating activities and Adjusted EBITDA for the year ended 31 December 2013 to negative USD1,804 million and positive USD651 million, respectively, as compared to the results from operating activities and Adjusted EBITDA of USD60 million and USD915 million, respectively, for the previous year.

# Management Discussion and Analysis

## FINANCE INCOME AND EXPENSES

<i>(USD million)</i>	Year ended 31 December		Change year-on-year, %
	2013	2012	
<b>Finance income</b>			
Interest income on loans and deposits	17	19	(10.5%)
Net foreign exchange gain	29	–	100.0%
Interest income on provisions	5	6	(16.7%)
	<b>51</b>	<b>25</b>	<b>104.0%</b>
<b>Finance expenses</b>			
Interest expense on bank loans wholly repayable within five years, bonds and other bank charges, including	(754)	(682)	10.6%
<i>Nominal interest expense</i>	<i>(652)</i>	<i>(590)</i>	<i>10.5%</i>
<i>Bank charges</i>	<i>(102)</i>	<i>(92)</i>	<i>10.9%</i>
Net foreign exchange loss	–	(66)	(100.0%)
Change in fair value of derivative financial instruments, including	(12)	(107)	(88.8%)
<i>Change in fair value of embedded derivatives</i>	<i>(17)</i>	<i>(113)</i>	<i>(85.0%)</i>
<i>Change in other derivatives instruments</i>	<i>5</i>	<i>6</i>	<i>(16.7%)</i>
Interest expense on provisions	(21)	(65)	(67.7%)
	<b>(787)</b>	<b>(920)</b>	<b>(14.5%)</b>

Finance income increased by USD26 million to USD51 million in 2013 as compared to USD25 million in 2012, due to the net foreign exchange gain for the 2013 as compared to the net foreign exchange loss for the previous year.

Finance expenses decreased by 14.5% to USD787 million in 2013 as compared to USD920 million in 2012 due to the net foreign exchange differences discussed above supported by the positive dynamic in the change in the fair value of derivative financial instruments.

Total interest expenses on bank loans increased by USD72 million to USD754 million for the reporting period as compared to the USD682 million for the previous year primarily due to the higher interest

rate margins and negative effect of interest rate swap.

Change in fair value of derivative financial instruments comprised a loss of USD12 million for 2013 as compared to the loss of USD107 million in the previous year due to the positive effect of the lower LME aluminium prices.

The foreign exchange result of USD29 million gain in 2013 and USD66 million loss in 2012 was driven by the changes in working capital items of several Group companies denominated in currencies other than their functional currency primarily due to fluctuations in the exchange rate between the Russian Rouble and the US dollar.

# Management Discussion and Analysis

## SHARE OF PROFITS OF ASSOCIATES AND JOINT VENTURES

(USD million)	Year ended 31 December		Change year-on-year, %
	2013	2012	
Share of profits of Norilsk Nickel, with <i>Effective shareholding of</i>	105	299	(64.9%)
	27.82%	30.27%	
Share of losses of other associates	(21)	(21)	0.0%
<b>Share of profits of associates</b>	<b>84</b>	<b>278</b>	<b>(69.8%)</b>
<b>Share of (losses)/profits of joint ventures</b>	<b>(551)</b>	<b>55</b>	<b>NA</b>

The Company's share in profits of associates for the years ended 31 December 2013 and 2012 comprised USD84 million and USD278 million, respectively. Share in results of associates in both periods resulted primarily from the profit from the Company's investment in Norilsk Nickel, which amounted to USD105 million and USD299 million for 2013 and 2012, respectively.

Share of losses of joint ventures was USD551 million for the years ended 31 December 2013 as compared to profit of USD55 million for the same period in 2012. 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 ("North United Aluminium").

The Company's share of losses in joint ventures for the year ended 31 December 2013 include impairment losses relating to property, plant and equipment of the BEMO project entities - the Boguchansky Aluminium Smelter ("BoAZ") and the Boguchansky Hydro Power Plant ("BoGES"). The Group recognised its share of impairment losses in BEMO project entities to the extent of its investment in the corresponding entity and made the necessary adjustments to the carrying values of each investment. The Group's share of losses related to BoGES and BoAZ were recognized in amount of USD352 million and USD248 million respectively. Loss related to BoAZ was recognised to the extent of Group's investment. At 31 December 2013, additional losses of USD309 million related to impairment charges have not been recognised because the Group's investment has been fully written down to nil.

### LOSS RECYCLED FROM OTHER COMPREHENSIVE INCOME

On 24 April 2013 the Group completed its disposal of 3,873,537 shares in Norilsk Nickel to Crispian Investments Limited for USD620 million which was settled in cash.

On the date of disposal the Group recycled USD230 million of accumulated foreign currency translation losses and USD4 million of other losses relating to shares sold from other comprehensive income recognized in equity to the statement of income. The accumulated foreign currency translation losses of USD230 million and USD4 million of other losses were accumulated while the shares were recognized as part of the Group's investment in an associate.

### LOSS BEFORE INCOME TAX

UC RUSAL incurred a loss before income tax of USD3,241 million for the year ended 31 December 2013, as compared to a loss before income tax USD502 million for the year ended 31 December 2012 for the reasons set out above.

### INCOME TAX

Income tax expense increased by USD55 million to USD81 million in 2013, as compared to an income tax expense of USD26 million in 2012.

Current tax expenses increased by USD50 million, or 38.2%, to USD181 million as at 31 December 2013, compared to USD131 million as at 31 December 2012 mainly due to the tax paid on cumulative intergroup transfer of Norilsk Nickel dividends.

The deferred tax benefit was almost flat during 2013 in comparison with the prior year.

### LOSS FOR THE PERIOD

As a result of the above, the Company recorded a loss of USD3,322 million in 2013, as compared to a loss of USD528 million in 2012.

# Management Discussion and Analysis

## ADJUSTED AND RECURRING LOSS

(USD million)	Year ended 31 December		Change, year-on-year, %
	2013	2012	
<b>Reconciliation of Adjusted Loss</b>			
Loss for the period	(3,322)	(528)	529.2%
Adjusted for:			
Share of profits and other gains and losses attributable to Norilsk Nickel, net of tax effect, with	166	(299)	NA
<i>Share of profits, net of tax</i>	(68)	(490)	(86.1%)
<i>Impairment of Norilsk Nickel shares classified as held-for-sale</i>	–	191	(100.0%)
Loss recycled from other reserves	234	–	100.0%
Impairment of joint ventures	600	–	100.0%
Change in fair value of embedded derivative financial instruments, net of tax (20.0%)	(25)	25	NA
Impairment of non-current assets and restructuring costs, net of tax	1,919	304	531.3%
<b>Adjusted Loss</b>	<b>(662)</b>	<b>(498)</b>	<b>32.9%</b>
<b>Add back:</b>			
Share of profits of Norilsk Nickel, net of tax	68	490	(86.1%)
<b>Recurring Loss</b>	<b>(594)</b>	<b>(8)</b>	<b>NA</b>

Adjusted Loss for any period is defined as the loss adjusted for the net effect of the Company's investment in Norilsk Nickel, the net effect of embedded derivative financial instruments, gains and losses recycled from other reserves and the net effect of non-current assets impairment and restructuring costs. Recurring Loss for any period is defined as Adjusted Loss plus the Company's net effective share in Norilsk Nickel results. Increase in Adjusted and Recurring Losses in 2013 in comparison with 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 decreased by USD4,730 million, or 18.8% to USD20,480 million as at 31 December 2013 as compared to USD25,210 million as at 31 December 2012. The decrease in total assets mainly resulted from the decrease in the carrying value of the investment in Norilsk Nickel as well as decrease of the Company's goodwill, property, plant and equipment and investment in BEMO project as a result of impairment testing.

Total liabilities decreased by USD548 million, or 3.8%, to USD13,930 million as at 31 December 2013 as compared to USD14,478 million as at 31 December 2012. 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 USD408 million for the year ended 31 December 2013 as compared to USD1,092 million for the previous year. Net increase in working capital and provisions comprised USD173 million for 2013 unlike the previous year when the net decrease in working capital and provisions contributed USD287 million to operating cash flow.

Net cash generated from the investing activities for 2013 was USD978 million as compared to net cash used in investing activities for 2012 in the amount of USD93 million primarily due to proceeds from the disposal of Norilsk Nickel shares to Crispian Investments Limited and the dividends received from Norilsk Nickel.

The above mentioned initiatives allowed the Company to assign USD465 million of the own cash flows for the debt repayment that together with the interest payments of USD631 million represent the main components of the cash used in the financing activities with the total amount of USD1,159 million for 2013.

### 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. These business

<sup>1</sup> Segment EBITDA for any period is defined as segment result adjusted for amortisation and depreciation for the segment.



# Management Discussion and Analysis

units are managed separately and results of their operations are reviewed by the CEO on a regular basis.

The core segments are Aluminium and Alumina.

(USD million)	Year ended 31 December			
	2013		2012	
	Aluminium	Alumina	Aluminium	Alumina
Segment revenue				
<i>kt</i>	3,869	6,049	4,299	6,122
<i>USD million</i>	8,314	2,035	9,515	2,043
Segment result	523	(270)	722	(190)
Segment EBITDA <sup>1</sup>	937	(174)	1,150	(86)
Segment EBITDA margin	11.3%	(8.6%)	12.1%	(4.2%)
<b>Total capital expenditure</b>	<b>332</b>	<b>197</b>	<b>327</b>	<b>155</b>

For the year ended 31 December 2013 and 2012 respectively, segment result margins (calculated as the percentage of segment result to total segment revenue) from continuing operations were 6.3% and 7.6% for the aluminium segment, and negative 13.3% and 9.3% 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 2013.

## CAPITAL EXPENDITURE

UC RUSAL recorded total capital expenditures of USD553 million for the year ended 31 December 2013. UC RUSAL's capital expenditure in 2012 was aimed at maintaining existing production facilities.

(USD million)	Year ended 31 December	
	2013	2012
<b>Growth project</b>		
Taishet smelter	19	76
	19	76
<b>Maintenance</b>		
Pot rebuilds costs	157	134
Re-equipment	377	291
<b>Total capital expenditure</b>	<b>553</b>	<b>501</b>

## LOANS AND BORROWINGS

The nominal value of the Group's loans and borrowings was USD10,018 million as at 31 December

2013, not including bonds which amounted to an additional USD900 million.

# Management Discussion and Analysis

Set out below is an overview of certain key terms of the Group's loan portfolio as at 31 December 2013:

Facility/Lender*	Principal amount outstanding as at 31 December 2013	Tenor/Repayment Schedule	Pricing
<b>Syndicated Facilities</b>			
USD4.75 billion pre-export facility	USD3.44 billion**	Tranche A (USD2.44 billion) – 5 years Tranche B (USD1 billion) – 7 years, until October 2016 and September 2018, respectively	Tranche A: 3 month LIBOR plus margin fluctuating depending on Total Net Debt to Covenant EBITDA ratio (as at 31 December 2013 constituting 4.25% p.a.)
		Tranche A: USD500 million prepayment no later than 4 October 2012, then equal quarterly repayments starting from January 2013	
		Tranche B: equal quarterly repayments starting from January 2017	Tranche B: 3 month LIBOR plus margin of 5.25% p.a.
USD400 million pre-export facility	USD100 million EUR168 million	Tranche A (USD100 million) and Tranche B (EUR168 million) – 5 years, until February 2018, equal quarterly repayments starting from November 2014	Tranche A: 3 month LIBOR plus margin fluctuating depending on Total Net Debt to Covenant EBITDA ratio (as at 31 December 2013 constituting 4.5% p.a.)
			Tranche B: 3 month EURIBOR plus margin fluctuating depending on Total Net Debt to Covenant EBITDA ratio (as at 31 December 2013 constituting 4.5% p.a.)
<b>Bilateral loans</b>			
Sberbank loans	USD4.4 billion	September 2016, bullet repayment at final maturity date	1 year LIBOR plus 4.5% p.a. (partially hedged)
Sberbank loan***	RUB18.3 billion	November 2016, bullet repayment at final maturity date	9.7% p.a. (hedged through cross currency swap)
VTB Capital plc loans	RUB10.1 billion	December 2018, equal quarterly repayments starting from December 2015	3 m Mosprime plus 4.0% p.a.
Gazprombank loans	USD0.5 billion	October 2016, equal quarterly repayments starting from June 2013	3 month LIBOR plus 6.5% p.a.
Gazprombank loans	USD150 million	December 2017, equal quarterly repayments starting from March 2016	3 month LIBOR plus 6.5% p.a.
VTB Capital (REPO transaction)	USD100 million	December 2015, bullet repayment at final maturity date	3 month LIBOR plus 4.15% p.a.
MKB	RUB6.0 billion	May 2014, bullet repayment at final maturity date	10.5% p.a.
RBI (trade finance line)	USD2 million EUR8.0 million	Revolving credit line, until May 2014	Cost of funds + 2.35%
<b>Bonds</b>			
Rouble bonds series 07	RUB15 billion	March 2018, bullet repayment at final redemption date, subject to a bondholders' put option exercisable in March 2014 following coupon reset	5.13%**** p.a. (after giving effect to hedging transactions)
Rouble bonds series 08	RUB15 billion	April 2021, bullet repayment at final redemption date, subject to a bondholders' put option exercisable in April 2015 following a coupon reset	5.09% p.a. (after giving effect to hedging transactions)

# Management Discussion and Analysis

The average maturity of the Group's debt as at 31 December 2013 was 2.3 years.

## SECURITY

As of the date of this Annual Report, the Group's debt (excluding MKB and the Rouble bonds) is secured by pledges over certain fixed assets (including assets owned by the Group's aluminium smelters), pledges of shares in certain operating and non-operating companies, the assignment of receivables under certain contracts, pledge of goods and security over relevant collection accounts. Such security includes a pledge over shares in Norilsk Nickel (representing 27.8% of Norilsk Nickel's issued share capital) in favour of Sberbank and VTB Capital Austria under REPO transactions.

## KEY EVENTS

During the year 2013, the Group made the following repayments:

- On 31 December 2013 the Group prepaid the scheduled amortizations of principal due for the third and fourth quarters of 2013 under the USD4.75 billion syndicated facility in the amount of USD406 million.
- On 25 April 2013 the Group repaid a part of the Sberbank loan in the amount of USD620 million using the funds from the sale of Norilsk Nickel shares to Crispian Investments Limited affiliated with Mr. Abramovich (in accordance with the mandatory prepayment provisions applying to the relevant financings of the Company).
- As at 31 December 2013 the Group made a principal repayment of RUB12 billion (USD376 million) against its VTB loans utilising its own funds.
- As at 31 December the quarterly repayments under Gazprombank loans were made in total amount of USD91 million and EUR28 million.

## 2013 AMENDMENTS

- In January 2013 the Group has entered into a 5-year amortizing multicurrency credit facility agreement of up to USD400 million with various international banks. The utilization under this financing was made in February 2013 with the proceeds in the amount equivalent to USD 328 million together with the Group's own funds in the amount of USD78 million used to prepay the scheduled amortizations of principal due for the third and fourth quarters of 2013 under the USD4.75 billion syndicated facility in the amount of USD406 million.
- In September 2013 the Group drew down funds in amount of USD150 million under Gazprombank credit facility up to USD300 million entered into

on 28 December 2012 with a maturity of 5 years and an interest rate of 3-months Libor plus 6.5% p.a.

- In November 2013 the Group entered into a new credit facility of RUR6 billion (USD183 million) with MKB with a maturity of 6 months and an interest rate 10.5% p.a.
- On 16 December 2013 the Group entered into a new credit facility up to RUB15 billion with VTB Capital Plc with a maturity of 5 years and an interest rate of 3-months Mosprime plus 4.0% p.a. and drew RUB 10 billion (USD309 million) on 17 December 2013.
- On 23 December 2013 the Company through its subsidiaries entered into the number of the REPO transactions backed by its ownership of 627,083 ordinary shares and 2,475,565 ADRs of GMK Norilsk Nickel. As result of the transactions the Company raised funding in the amount of USD100 million with a two year maturity at rate of 3-months LIBOR increased for 4.15% p.a.
- In 2013 the Group drew down funds under the RBI uncommitted revolving trade finance line. The outstanding amounts as of 31 December 2013 are USD2 million and EUR8 million. The funds were used for general operating activities of the Group. No dividends were declared and paid by the Company during the year ended 31 December 2013 due to existing restrictions imposed by the credit facility agreements. In particular, the credit facility agreements to which the Company is a party restrict the Company's ability to pay dividends in certain cases (including during the covenant holiday period and until the ratio of the Total Net Debt to Covenant EBITDA is no higher than 3.5). While these restrictions continue to apply, no dividends will be declared and paid by the Company.

## FUNDING AND TREASURY POLICIES

The Group's treasury operations are handled by the Company's treasury department, the functions of which include financing, treasury and cash management. The treasury management system is largely centralised, which allows liquidity risk to be minimised and cash to be allocated efficiently. Cash payments and receipts for the whole Group are controlled by the treasury department.

## LIQUIDITY AND CAPITAL RESOURCES

### LIQUIDITY

In 2013, the Group's principal source of liquidity was operating cashflow of USD408 million. The Group's principal uses of cash through 2013 are expected to be for operating expenses, debt repayment and capital expenditure. It expects to

\* As at the Latest Practicable Date all loans, except MKB and Rouble bonds, were secured. Please refer to the "Security" section below for a summary description of the security provided in respect of the Group's loans.  
 \*\* As at the Latest Practicable Date USD203 million has been prepaid.  
 \*\*\* As at the Latest Practicable Date the outstanding amount was RUB20.7 billion  
 \*\*\*\* As at the Latest Practicable Date the hedging transaction was expired and the interest rate was 12% p.a.

# Management Discussion and Analysis

fund its liquidity needs mainly through operating cash flow.

## EQUITY AND DEBT RAISINGS

There were no equity raisings and/or allotments and issues of equity during 2013.

## CASH FLOWS

In 2013, the Company used its USD408 million of net cash generated from operating activities, and USD866 million in dividends from associates and joint ventures, predominantly to make debt repayments (comprising net repayment of USD465 million), to pay interest (USD631 million) and on total capital expenditure (USD553 million).

The following table summarises the Company's cash flows for 2013 and 2012:

(USD million)	Year ended 31 December	
	2013	2012
Net cash generated from operating activities	408	1,092
Net cash generated from/(used in) investing activities	978	(93)
Net cash used in financing activities	(1,159)	(1,131)
Net increase/(decrease) in cash and cash equivalents	227	(132)
Cash and cash equivalents at beginning of period	490	613
Effect of exchange rate fluctuations on cash and cash equivalents	(16)	9
Cash and cash equivalents at end of period	701	490

The Company generated net cash from operating activities of USD408 million for the year ended 31 December 2013 as compared to USD1,092 million for the previous year. Net increase in working capital and provisions comprised USD173 million for 2013 unlike the previous year when the net decrease in working capital and provisions contributed USD287 million to operating cash flow.

Net cash generated from the investing activities for 2013 was USD978 million as compared to net cash used for 2012 in amount USD93 million primarily due to proceeds from disposal of Norilsk Nickel shares to Millhouse and dividends received from Norilsk Nickel.

The above mentioned initiatives allowed the Company to assign USD465 million of the own cash flows for the debt repayment that together with the interest payments of USD631 million represent the main components of the cash used in the financing activities with the total amount of USD1,159 million for 2013.

## CASH AND CASH EQUIVALENTS

Restricted cash of USD15 million for letters of credit pledged with the banks included in cash and cash equivalents both at 31 December 2013 and 31 December 2012. Note 24 to the consolidated financial

statements shows a comparison of the Company's cash and cash equivalents as at 31 December 2013 and 31 December 2012, respectively.

## FINANCIAL RATIOS

### GEARING

The Group's gearing ratio, which is the ratio of total debts (including both long-term and short-term borrowings and bonds outstanding) to the total assets, as at 31 December 2013 and 31 December 2012 was 52.9% and 45.0%, respectively.

### RETURN ON EQUITY

The Group's return on equity, which is the amount of net profit as a percentage of total equity, as at 31 December 2013 and 31 December 2012 was (50.7%) and (4.9%) %, respectively.

### INTEREST COVERAGE RATIO

The Group's interest coverage ratio, which is the ratio of earnings before interest and taxes to net interest, for the years ended 31 December 2013 and 31 December 2012 was (3.3) and 0.3, respectively.

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

# Management Discussion and Analysis

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Group is exposed in the ordinary course of its business to risks related to changes in interest rates and foreign exchange rates.

The Group's policy is to monitor and measure interest rate and foreign currency risk and to undertake steps to limit their influence on the Group's performance

### INTEREST RATE RISK

The Group is exposed to interest rate risk due to the fact that significant portion of long-term borrowings is LIBOR based floating-rate facilities. The key point of interest rate risk management is to reach the reasonable balance between floating rate and fixed rate facilities. One of the balancing instruments used by the Company is interest rate swap.

In order to hedge against interest rate fluctuations under the 1 year LIBOR based floating rate Sberbank facility for the total amount of USD4.58 billion the Group enters into interest rate swap. As result of the swap transaction 1 year Libor was converted into fixed rate of 2.4795%. The notional of the swap transaction is USD3.3 billion. The swap is effective from 30 September 2012 until the maturity of the underlying facility.

### FOREIGN CURRENCY RISK

The Group is exposed to foreign currency risks on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group. Foreign exchange risk management is aimed at protecting the projected profit and cash generated in the normal course of business from foreign exchange rate movements.

As of the end of 2013 the over 90% of the Group's credit portfolio is USD denominated. The credit portfolio structure matches the general structure of generated cash flows.

To minimize foreign currency exposure with respect to its rouble denominated borrowings,

the Group has entered into the number of cross-currency swap transactions:

In 2011 the Group enters into cross – currency swap transactions to convert two tranches of its rouble bonds with the total notional amount of RUB 30 billion into USD denominated liability of USD 1.06 billion

In February 2012 – May 2012 and in August 2013 the Group entered into a number of cross-currency swaps to convert 5 year rouble denominated credit in the amount of RUB18.3 billion into USD denominated liability of USD597 million.

A detailed description of the Group's interest rate and foreign exchange risks is set out in note 31(c) of the consolidated financial statement for the year ended 31 December 2013.

## ENVIRONMENTAL PERFORMANCE AND SAFETY

### SAFETY

In 2013, the LTIFR for the Group reached 0.22, which was improved as compared with that for 2012 and 2011.

In 2013, there were four fatal accidents involving employees and four involving contractors whilst there were six fatal accidents involving employees and one involving contractors in 2012.

### ENVIRONMENTAL PERFORMANCE

Russian environmental levies for air emissions and the discharge of liquids and other substances amounted to USD 18.7 million in 2010, USD20.6 million in 2011, USD 19.5 million in 2012 and USD 17.3 million in 2013. There has been no material environmental pollution incident at any of the Group's sites or facilities during the one year ended 31 December 2013.<sup>1</sup>

## EMPLOYEES

The following table sets forth the aggregate average number of people (full time equivalents) employed by each division of the Group during each of the two years ended 31 December 2013 and 2012, respectively.

# Management Discussion and Analysis

Division	Year ended 31 December 2013	Year ended 31 December 2012
Aluminium	24,647	20,877
Alumina	19,336	20,570
Engineering and Construction	17,573	18,836
Energy	34	36
Packaging	1,964	1,883
Managing Company	659	593
Commercial Directorate	–	4,857
Technology and Process Directorate	1,222	1,620
Others	1,875	2,000
<b>Total</b>	<b>67,310</b>	<b>71,272</b>

## REMUNERATION AND BENEFIT POLICIES

The remuneration paid by the Group to an employee is based on his or her qualifications and performance, as well as the complexity of his or her job. Wages for employees are generally reviewed annually and are revised in accordance with a performance assessment and local labour market conditions. Annual salary reviews covering main labour markets are unaudited for this purpose. Under the current collective employment agreement, the remuneration of employees of the Company's production sites is subject to the annual increase offsetting inflation on the basis of the official data published by the State Statistics Committee of the Russian Federation regarding the minimal living wage for people who have a job and the consolidated index of consumer prices.

UC RUSAL's Personnel Policy and corporate code of conduct govern the relationship between the Group and its staff. The Group's corporate code of conduct strictly prohibits discrimination based on gender, race and/or religion and forbids any form of child, forced or indentured labour.

During 2013, the voluntary medical insurance programme was covering all employees working at the Company's facilities in the Russian Federation, and was allowing employees to receive qualified medical care in a timely manner without any additional costs.

As part of the project to automate and standardise employees data and cost accounting processes, about 70% of the Company's production sites installed a single 1C Enterprise 8: Payroll and HR Management software solution and approved a standard method for accounting and calculating payroll using the new software system.

## BONUS AND SHARE INCENTIVES

On 11 May 2011, the Board adopted the LTIP, in which eligible participants (being employees of the Group) may be entitled to participate. From the pool of eligible participants, the Board may, in its discretion, select employees for participation in the LTIP. The number of shares to be awarded to a selected employee is determined by the Company on the 'Award Date' (as it is determined in the LTIP Rules). Unless otherwise determined by the Board, in its sole discretion, and with the exception of the vesting of the CEO's LTIP Award, the awarded shares and related compensation for the particular award period ('LTIP Award') that are transferable to a selected employee vest in that selected employee in installments (which each comprises 20% of the total LTIP Award), over a five year period (each a 'Tranche'), provided that:

- the selected employee remains an employee at all times following the Award Date and on each of the LTIP Award vesting dates; and
- the first Tranche of each LTIP Award will vest on the vesting date during the calendar year immediately following the award period for which such LTIP Award is awarded.

During 2013, the Board did not approve any LTIP Award for 2012 and, therefore, no Shares were granted under the 2012 LTIP Award.

Out of those shares conditionally granted under the 2010 LTIP Award, the third tranche of the Shares vested in November 2013 comprised 2,221,494 Shares. For the year ended 31 December 2013, Ogier Employee Benefit Trustee Limited, as trustee of the United Company RUSAL Plc Employee Benefit Trust and the LTIP ("Trustee") acquired a total of 1,493,231 Shares

# Management Discussion and Analysis

with a nominal value of USD0.01 per Share. The purchased Shares represent approximately 0.0099% of the Company's issued share capital as at 31 December 2013 and at the Latest Practicable Date.

In June 2013, implementation of the Production System Incentive Plan ('PSIP') was approved by the Board. The PSIP was designed to increase the employees' commitment to achievement of the Group's strategic goals in implementing of the Production System, to share the Group's success with the employees, to recognise contributions made by certain employees in implementing of the Production System and to enhance alignment of the interests of the employees with those of the Shareholders.

Under the PSIP rules the Executive Committee selected employees for participation in the PSIP and granted a conditional award of a specified number of Shares to the employees. The Trustee was also the trustee of the PSIP.

No new shares of the Company were issued for the purpose of the PSIP. The PSIP does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. The maximum number of Shares awarded under the PSIP did not exceed 0.05% of the total number of issued Shares as at the date of the award.

Awarded Shares that are transferable to an employee will be vested each year over three years. The first tranche of the Shares granted under the PSIP vested in July 2013 comprised 2,065,261 Shares. For the year ended 31 December 2013 the Trustee acquired a total of 6,258,373 Shares with a nominal value of USD0.01 per Share. The purchased Shares represent approximately 0.0412% of the Company's issued share capital as at 31 December 2013 and the Latest Practicable Date.

## LABOUR RELATIONS

About 60% of the Group's employees are unionised and 90% of the employees are covered by collective bargaining agreements. In addition, labour relations and benefits at Russian production facilities are regulated by an industrial tariff agreement for Russian mining and metallurgical complexes.

All collective agreements that expired in 2013 were renewed and entered into for terms of up to three years.

Under the current collective employment agreement the remuneration of employees of the Company's production site was increased in 2013 to offset inflation on the basis of the official data published by the State Statistics Committee of the Russian Federation regarding the minimal living wage for people who have a job and the consolidated index of consumer prices.

## CHANGES TO THE ORGANISATIONAL STRUCTURE OF THE COMPANY

In 2013, the Company's organisational structure was modified with the aim of increasing management efficiency, optimising the number of staff, and creating more distinct production facility specialisations, through maximising the concentration of specific tasks, while ensuring clear coordination of, and constant interaction between, the various elements of the Company's structure.

As part of the Company's financial function consolidation within the Financial Directorate two financial departments from Packaging Division and JSC 'United Company RUSAL Trading House' joined the Financial Directorate.

In order to reinforce the Company's security function in Siberian region the Security Department of the Aluminium Division East was formed.

Aiming to increase efficiency of the corporate finance function the Corporate Finance Department was transferred from the Finance Directorate to the Directorate of Strategy, Business Development and Financial Markets.

## TRAINING SCHEMES

In 2013, the Company's key focus areas in the field of personnel development and training were as follows:

- professional training of operators;
  - mandatory training programmes for senior management and engineers;
  - training programmes for the Company's external candidate pool, in cooperation with educational institutions, at all education levels.
- The following special programmes and projects for the development of staff at the production facilities of the Company have been implemented:
- the 'Successors Development Programme';
  - 'RUSAL's Professionals', a professional skills contest concerned with the development of leadership skills;
  - 'Improvement of the Year', the second contest is aimed at the personnel involvement in the production system development;
  - the 'RUSAL's Manager Standard' programme;
  - training on the Company's Production System including e-learning course on Fundamentals of this System;
  - training on the Quality Management System;
  - training of expert engineers in respect of the Company's facilities;
  - carrying out of the target programme for the group of students of the Siberian Federal University (SFU) by 'Non-Ferrous Metals' specialisation and start of the target programme for the new groups of students:

## Management Discussion and Analysis

- of the Siberian Federal University (SFU) by 'Non-Ferrous Metals' specialisation
- of the Ural Federal University named after the first President of Russia B.N. Yeltsin' by 'Non-Ferrous Metals' specialisation
- of the Ural State Mining University by 'Mining Engineer' specialisation
- Special training programmes, including lectures and practical trainings for technical and engineering personnel as well as for the participants of the Successors Development Programme, were implemented on the basis of higher education schools (Siberian Federal University, Irkutsk State Technical University, Ural Federal University) and the co-financing (50/50) of the Ministry of Education of the Russian Federation
- a training programme for qualified personnel in relation to the Company's foreign facilities (which so far has involved the training of 100 Guinean citizens at four Russian universities);
- the organisation of social events for employees, including implementation of a child corporate holiday programme – 'Expedition to Planet RUSAL' – for 720 employee children, which included various educational, development, fitness and recreational activities;
- the development of modular programmes of mandatory training for workers;
- the development of professional standards for key positions, including the launch of a project on development of the Competence Model for managers of production sites.

### CORPORATE CODE OF CONDUCT

The Corporate Code of Conduct, which is enforced through compliance procedures established by the Group, regulates the professional behavior and business communications of all the Group's employees. In December 2007, the Group established a 'hotline' for employees to report violations of the corporate code of conduct and to answer employees' questions about the corporate code of conduct and other corporate procedures. At the same time, the Group also heavily promoted awareness of the hotline amongst its employees. A team of code of conduct ombudsmen (CCO) and advisors was also established, which covers all of the Group's production facilities.

The functioning of the Corporate Code of Conduct was audited in 2013. A team of CCOs was trained and therefore has received additional theoretical knowledge in the field of business ethics and the nature of its regulation. In practical classes CCOs developed their skills of solving various complex ethical situations.

### DEVELOPMENT OF RUSAL MEDICAL CENTRE

In 2013 RUSAL Medical Centre continued working in the field of preventive care and early detection of occupational illnesses. During 2013 the number of registered cases of occupational illnesses decreased by 10% as compared to 2012. Successful cooperation in the field of occupational illness detection is being conducted with the help of the country's leading research institute – Occupational Medicine Research Institute.

The most frequent types of illnesses at the Company's plants are respiratory diseases and musculoskeletal diseases. Research is being conducted at three large smelters in Siberia with an aim of studying the causes of employees' bronchopulmonary disorders and their early prevention. As for the prevention of bronchopulmonary diseases among the employees falling into the risk group, in addition to vaccination against the flu the medical centre also conducted vaccination against the pneumococcus infection.

Manpower losses of the Company amounted to 8.57 days per employee in 2013, which is 4.13% lower in comparison with 2012.

The decrease of these indicators was achieved thanks to the quality of the medical aid provided by the supplementary health insurance and vaccination programme conducted by RUSAL Medical Centre and aimed at decreasing the disease incidence for the leading classes of diseases.

### BUSINESS RISKS

The Company has identified the following risks which affect its business:

- The Group operates in a cyclical industry that has recently experienced price and demand volatility, which have had and may continue to have a material adverse effect on the Group's performance and financial results.
- The Group's competitive position in the global aluminium industry is highly dependent on continued access to inexpensive and uninterrupted electricity supply, in particular, long-term contracts for such electricity. Increased electricity prices (particularly as a result of deregulation of electricity tariffs), as well as interruptions in the supply of electricity, could have a material adverse effect on the Group's business, financial condition and results of operations.
- The Group depends on the provision of uninterrupted transportation services and access to state-owned infrastructure for the



## Management Discussion and Analysis

transportation of its materials and end products across significant distances, and the prices for such services (particularly rail tariffs) could increase.

- The terms of the credit facility agreements impose certain limits on the Group's capital expenditure and payment of dividends. Failure by the Group to comply with the terms and conditions of these agreements may materially adversely affect the Group and its Shareholders.
- The Group benefits significantly from its low effective tax rate, and changes to the Group's tax position may increase the Group's tax liability and affect its cost structure.
- The Group is exposed to foreign currency fluctuations which may affect its financial results.
- En+ is able to influence the outcome of important decisions relating to the Group's business, which includes transactions with certain related parties.
- The Group depends on the services of key senior management personnel and the strategic guidance of Mr. Oleg Deripaska.
- Adverse media speculation, claims and other public statements could adversely affect the value of the Shares.
- The Group does not have operational or management control over Norilsk Nickel and other material joint ventures.
- The Group's business may be affected by labour disruptions, shortages of skilled labour and labour cost inflation.
- The Group relies on third-party suppliers for certain materials.
- Equipment failures or other difficulties may result in production curtailments or shutdowns.
- The Group is subject to certain requirements under Russian anti-monopoly laws.
- The Group operates in an industry that gives rise to health, safety and environmental risks.
- Ore Reserves and Mineral Resources data are estimates only and are inherently uncertain, and such Ore Reserves and Mineral Resources may be

depleted more rapidly than anticipated.

- The Group's licenses and concession rights to explore and mine Ore Reserves may be suspended, amended or terminated prior to the end of their terms or may not be renewed.
- The Group is exposed to risks relating to the multi-jurisdictional regulatory, social, legal, tax and political environment in which the Group operates.
- Risks in relation to failure in obtaining re-financing

### CONTINGENCIES

The Board has reviewed and considered the contingent liabilities of the Company and disclosed information concerning such contingent liabilities in note 33 to the consolidated financial statements. Accordingly, for detailed information about contingent liabilities, please refer to note 33 to the consolidated financial statements. Details of the amounts of provisions are also disclosed in note 28 to the consolidated financial statements.

### TAX CONTINGENCIES

New transfer pricing legislation was introduced in Russia from 1 January 2012 which applies to cross-border transactions between the Group companies in and out of Russia and to certain domestic related parties' transactions in Russia exceeding a certain annual threshold (RUB3 billion in 2012 to be reduced twofold in 2014). The new legislation brings local transfer pricing rules closer to the OECD guidelines, however creates additional immediate uncertainty in their application and interpretation. Since there is no practice of applying the new rules by the Russian tax authorities and the pre-existing practice and case-law is of little reliance, it is difficult to predict the effect, if any, of the new transfer pricing rules on the consolidated financial statements. The Company nevertheless believes it is compliant with the new rules as it has historically applied the OECD-based transfer pricing principles to the relevant transactions in Russia.

# Management Discussion and Analysis

## LEGAL CONTINGENCIES

The Group's business activities expose it to a variety of lawsuits and claims which are monitored, assessed and contested on an ongoing basis. Where management believes that a lawsuit or claim would result in the outflow of the economic benefits for the Group, a best estimate of such outflow is included in provisions in the consolidated financial statements (refer to note 28). As at 31 December 2013, the amount of claims, where management assess outflows as possible approximate USD175 million (31 December 2012: USD213 million).

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. Final hearing was scheduled for the first quarter of 2014, but before the hearing commenced the parties reached an amicable settlement according to which the Company was released from the case, all claims connected with the arbitrations were waived, and the Company made no payment.

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 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. In January 2014 the court granted the Company's motion to join the Federal Republic of Nigeria and Attorney General of Nigeria to the case as co-defendants, and ordered the plaintiff to file an amended complaint. An amended complaint was filed in March 2014, which does not substantially differ from the original complaint. The next hearing is currently scheduled for 30 April 2014. 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.

## INTERESTS IN ASSOCIATED AND JOINT VENTURES

As at the Latest Practicable Date, the Group owns an interest of 27.82% in the share capital of Norilsk

Nickel. In addition, the Group is a party to certain material joint venture agreements through which it owns the following:

- a 20% equity interest in QAL;
- a 50% equity interest in the companies comprising BEMO;
- a 50% equity interest in LLP Bogatyr Komir;
- a 50% equity interest in the transportation business;
- and
- a 33% equity interest in North United Aluminium

The Group's interest in joint ventures was USD585 million as at 31 December 2013, compared to USD1,156 million as at 31 December 2012. For additional information on the Group's interests in associates and joint ventures, please refer to notes 18 and 19 to the consolidated financial statements.



**bALanced approach**

# **Profiles of Directors and Senior Management**

# Profiles of Directors and Senior Management

## EXECUTIVE DIRECTORS

**OLEG DERIPASKA, AGED 46**  
/ CHIEF EXECUTIVE OFFICER,  
EXECUTIVE DIRECTOR /

Oleg Deripaska was appointed as the executive Director and Chief Executive Officer of the Company, and the chief executive officer and head of the Moscow Branch of RUSAL Global in January 2009.

From April to December 2010, Mr. Deripaska held the position of chief executive officer of En+ Management LLC. From 23 December 2010 till 8 July 2011, Mr. Deripaska held the position of chairman of the board of directors of En+. On 8 July 2011, he was appointed as the President of En+ and became the chief executive officer of En+ on 26 June 2013. Mr. Deripaska has been a member of the Company's Board since 26 March 2007. He is responsible for the development and implementation of the Company's strategy as both an energy and metals corporation that meets best international standards for production, product quality, environment, industrial safety and corporate governance. Mr. Deripaska is also focused on ensuring the sustainable development of the Company.

Having raised his initial capital by trading in metals, Mr. Deripaska acquired shares in the Sayanogorsk aluminium smelter and became its director general in 1994. In 1997, Mr. Deripaska initiated the creation of the Sibirsky Aluminium Group LLC, which was Russia's first vertically integrated industrial group. Between 2000 and 2003, Mr. Deripaska was the director general of RA, which was set up as a result of the combination of the aluminium smelters and alumina refineries of Sibirsky Aluminium and the Sibneft Oil Company. From October 2003 to February 2007 he held the position of chairman of the board in RA. Since October 2002, Mr. Deripaska has been a director of Basic Element. From December 2001 to December 2002 and since September 2003, he has held the

position of chairman of the supervisory board of Company Bazovy Element LLC, as well as from October 1998 to March 2001 and from March 2009 to July 2012 he had held the position of general director of that same company. Mr. Deripaska has been the chairman of the board of OJSC Russian Machines (formerly RusPromAvto LLC) from 10 November 2006 until 29 June 2010. Mr. Deripaska was a member of the OJSC Russian Machines board since 29 June 2010 until 11 February 2013. He was a director of Transstroy Engineering & Construction Company LLC from April 2008 to April 2009 and chairman of the board of directors of En+ since 23 December 2010. Mr. Deripaska has been a member of the board of directors of OJSC "AKME-Engineering" since 23 October 2009. From 31 July 2010 to 6 June 2013, Mr. Deripaska was a member of the board of directors of Norilsk Nickel.

Mr. Deripaska was born in the city of Dzerzhinsk in 1968. In 1993, he graduated with distinction from the Physics Department of Moscow State University, Lomonosov, and in 1996 he received a degree from Plekhanov Academy of Economics. Mr. Deripaska is vice president of the RSPP and chairman of the executive board of the Russian National Committee of the International Chamber of Commerce. He is also a member of the Competitiveness and Entrepreneurship Council, an agency of the Russian Government. In 2004, Russian President Vladimir Putin appointed Mr. Deripaska to represent the Russian Federation on the Asia-Pacific Economic Cooperation Business Advisory Council. In 2007, he was appointed chairman of the Russian section of the Council. He sits on the board of trustees of many institutions including the Bolshoi Theatre and the School of Economics at

Moscow State University, Lomonosov and is co-founder of the National Science Support Foundation and the National Medicine Fund. His charity foundation, Volnoe Delo, supports a wide range of projects including initiatives to help children, improve medical care and increase educational opportunities throughout Russia.

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

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

## Profiles of Directors and Senior Management

**VLADISLAV SOLOVIEV, AGED 40**  
/ FIRST DEPUTY CHIEF EXECUTIVE OFFICER,  
EXECUTIVE DIRECTOR /

Vladislav Soloviev was appointed as a non-executive Director on 18 October 2007 and First Deputy Chief Executive Officer and executive Director on 9 April 2010.

He is responsible for the operational management of the Company, focusing on increasing business efficiency, improving production and financial performance as well as increasing labour productivity and product quality.

From 2008 until April 2010, Mr. Soloviev was chief executive officer of En+ Management LLC. From 2007 to 2008, Mr. Soloviev was the head of the Company's Finance Directorate following the Company's formation. Before that, he was the director of the Company's accounting department. Prior to joining the Company, Mr. Soloviev was Deputy Director of the department of tax policy and worked as adviser to the Minister for taxes of the Russian Federation, where he was responsible for implementing amendments to tax laws. From 1994 to 1998, he held various top positions in UNICON/MC Consulting and was in charge of auditing oil and gas companies. Mr. Soloviev serves on the board of directors of En+ and of Norilsk Nickel.

Mr. Soloviev was born in 1973. In 1995, he graduated from the Higher School of the State Academy of Management with Honours, and in 1996, he graduated from the Stankin Moscow Technical University. In 2004, Mr. Soloviev graduated from the Finance Academy under the Government of the Russian Federation and was awarded an MBA degree by Antwerp University in Belgium.

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

**VERA KUROCHKINA, AGED 43**  
/ DIRECTOR OF PUBLIC RELATIONS,  
EXECUTIVE DIRECTOR /

Vera Kurochkina was appointed as a member of the Board on 11 November 2010.

Ms. Kurochkina has been the director of the Public Relations Directorate of the Moscow Branch of RUSAL Global since late March 2007. She is responsible for the development and the implementation of the external and internal communications strategy of the Company and for establishing co-operational ties with industrial and non-commercial associations. Ms. Kurochkina is also responsible for key media relations projects, event management, advertisements, charity and social programmes. Since 10 January 2012, she has also been the Deputy Chief Executive Officer, Public Relations of Basic Element. Ms. Kurochkina had also a member of the board of directors of Joint Stock Company Agency "Rospechat" since 22 June 2012 until 17 June 2013.

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

Ms. Kurochkina holds a Master's degree from the Peoples' Friendship University of Russia in Moscow, from which she graduated with Honours in 1993. She also holds a Master's degree from the Finance Academy of the Russian Government.

## Profiles of Directors and Senior Management

### MAXIM SOKOV, AGED 35 / EXECUTIVE DIRECTOR /

Save as disclosed in this Annual Report, Ms. Kurochkina was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

Maxim Sokov was appointed to the Board as an executive Director with effect from 16 March 2012. Mr. Sokov is employed by Rusal Global as an advisor on the management of strategic investments with effect from 1 July 2013. He became the First Deputy CEO of En+ on 5 July 2013. He ceased to be the director for management of strategic investments of the Company and the general director of Limited Liability Company "United Company RUSAL Investment Management" with effect from 1 July 2013. Mr. Sokov primarily focuses on any matters in connection with the Company's investment in Norilsk Nickel, with a primary goal to increase Norilsk Nickel's value for the benefit of all shareholders of Norilsk Nickel, including the Company. Mr. Sokov is also a member of the board of directors of each of Norilsk Nickel, EuroSibEnergO Plc (a subsidiary of En+) and En+.

From 2009 to 2011, Mr. Sokov has also served on the board of directors of OJSC OGGK-3. Prior to assuming his current role at the Company, Mr. Sokov was the director for corporate strategy of the Company from 2010 till 2012, during which period he focused on new opportunities for the Company to develop and diversify its businesses, and strengthen the Company's competitive advantages to increase its market value. Mr. Sokov has joined the Group in 2007 and prior to 2010 he held various leading managerial positions in strategy and corporate development at the Moscow Branch of RUSAL Global and the legal department of LLC RUSAL-Management Company, where he was responsible for mergers and acquisitions. Prior to joining the Group, Mr. Sokov worked at the Moscow office of Herbert Smith CIS Legal Services.

Mr. Sokov was born in 1979 and graduated with honors from the Russian State Tax Academy under the Russian

Ministry of Taxes, in 2000, majoring in law. Mr. Sokov also graduated from New York University School of Law with a Master's degree in 2002.

Save as disclosed in this Annual Report, Mr. Sokov was independent from and not related to any other Directors, members of senior management, substantial shareholder or controlling shareholder of the Company as at the end of the financial year.

## Profiles of Directors and Senior Management

### NON-EXECUTIVE DIRECTORS

**STALBEK MISHAKOV, AGED 43**  
/ EXECUTIVE DIRECTOR /

Stalbek Mishakov was appointed to the Board as an executive Director with effect from 16 August 2013. Mr. Mishakov has been an adviser to the CEO Office employed by RUSAL Global, a subsidiary of the Company, since October 2010. Since June 2012, Mr. Mishakov has been a member of the board of directors of OJSC MMC Norilsk Nickel and the Deputy CEO of En+ Management LLC, a subsidiary of En+, since July 2013.

Mr. Mishakov graduated from the Moscow State Institute for International Relations (international lawyer) in 1993 and obtained a Master of Arts degree in the University of Notre Dame in 1996 and a PhD in Economics in the Russian Foreign Ministry Diplomatic Academy in 2002.

Save as disclosed in this Annual Report, Mr. Mishakov was independent from and not related to any other Directors, members of senior management, substantial shareholder or controlling shareholder of the Company as at the end of the financial year.

**MAKSIM GOLDMAN, AGED 42**  
/ NON-EXECUTIVE DIRECTOR /

Maksim Goldman was appointed to the Board with effect from 16 March 2012. He is currently a director of strategic projects of Renova Management AG which he joined in July 2007 as a deputy chief legal officer and was promoted to his current position in April 2008. He has been a member of the board of directors, member of the strategy committee and the remuneration committee of OJSC "Volga" since September 2011, a member of the board of directors of FC "Ural" since July 2011 and a member of the board of directors and the remuneration committee of Independence Group since December 2007. Between June 2009 and June 2010, he was a member of the board of directors and the corporate governance, nominations and remuneration committee of OJSC "MMC Norilsk Nickel" and from December 2006 and June 2009, he was a member of the board of directors and the chairman of the remuneration and personnel committee of OJSC "Kirovsky Plant". He was a director of department of financing and securities of RUSAL Global between April and May 2007 and prior to that, between July 2005 and April 2007, he was the vice president and international legal counsel of OJSC "Sual Holding", which is currently a part of the UC RUSAL Group. Mr. Goldman worked as an associate in the corporate department of Chadbourne & Parke LLP between October 1999 and July 2005. Mr. Goldman was born in 1971. He graduated from the UCLA School of Law in 1999 and received a bachelor of history degree (magna cum laude) from the University of California, Los Angeles, in 1996.

Save as disclosed in this Annual Report, Mr. Goldman was independent

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

## Profiles of Directors and Senior Management

### DMITRY AFANASIEV, AGED 44 / NON-EXECUTIVE DIRECTOR./

Dmitry Afanasiev was appointed as a member of the Board on 26 March 2007. He is the chairman of Egorov, Puginsky, Afanasiev and Partners, a Russian law firm that provides legal services to the Company. Prior to co-founding the firm in 1994, he worked at Schnader Harrison Segal & Lewis LLP and Wolf Block Schorr and Solis-Cohen LLP. He specialises in corporate transactions, dispute resolution and public policy. He has represented the interests of the Russian Federation on numerous occasions in various legal matters and participated in the drafting of some of Russia's federal laws, including antitrust legislation. Since June 2011, Mr. Afanasiev has been a board member of CTC Media Inc, a U.S. public company, and a member of the Russian Council for International Affairs.

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

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

### LEN BLAVATNIK, AGED 56 / NON-EXECUTIVE DIRECTOR /

Len Blavatnik was appointed as a member of the Board at its creation on 26 March 2007. Mr. Blavatnik has been a director and a vice president of SUAL Partners from October 2006 until September 2012 and was a director of SUAL from October 2001 to September 2006. Mr. Blavatnik is the founder and Chairman of Access Industries, a privately-held industrial group with holdings in natural resources and chemicals, media and telecommunications, and real estate. Incorporated in 1986, Access Industries is currently an international industrial concern with strategic investments in the U.S., Europe, Russia and South America. Mr. Blavatnik was raised in Russia and became a U.S. citizen in 1984. He received his Master's degree in Computer Science from Columbia University in 1981 and his MBA from Harvard Business School in 1989.

Mr. Blavatnik serves on the board of numerous companies in the Access Industries portfolio, including Warner Music Group Corp. (one of the world's leading music companies), and maintains a significant stake in LyondellBasell Industries (the world's third largest independent chemical company). Mr. Blavatnik remains engaged in educational pursuits and, in addition to corporate directorships, sits on boards at the Blavatnik School of Government at Oxford University, Cambridge University, Harvard University and Tel Aviv University. He is also a member of the Board of Governors of the New York Academy of Sciences and a Trustee of the State Hermitage Museum in St. Petersburg, Russia.

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



## Profiles of Directors and Senior Management

### IVAN GLASENBERG, AGED 57 / NON-EXECUTIVE DIRECTOR/

Ivan Glasenberg was appointed as a member of the Board on 26 March 2007. He is a member of the board of directors of Glencore and Xstrata plc. Mr. Glasenberg joined Glencore in April 1984 and has been the Chief Executive Officer since January 2002. Mr Glasenberg initially spent three years working in the coal/coke commodity department in South Africa as a marketer, before spending two years in Australia as head of the Asian coal/coke commodity division.

Between 1988 and 1989, he was based in Hong Kong as manager and head of Glencore's Hong Kong and Beijing offices, as well as head of coal marketing in Asia, where his responsibilities included overseeing the Asian coal marketing business of Glencore and managing the administrative functions of the Hong Kong and Beijing offices.

In January 1990, he was made responsible for the worldwide coal business of Glencore for both marketing and industrial assets, and remained in this role until he became Chief Executive Officer in January 2002. Mr. Glasenberg is a Chartered Accountant of South Africa and holds a Bachelor of Accountancy from the University of Witwatersrand. Mr. Glasenberg also holds an M.B.A from the University of Southern California. Before joining Glencore, Mr. Glasenberg worked for five years at Levitt Kirson Chartered Accountants in South Africa.

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

### GULZHAN MOLDAZHANOVA, AGED 47 / NON-EXECUTIVE DIRECTOR /

Gulzhan Moldazhanova was appointed as a member of the Board on 15 June 2012. Ms. Moldazhanova has been the chief executive officer of "Company Bazovy Element" LLC since July 2012. She is a member of the board of Basic Element Limited, a company which is ultimately beneficially owned by Mr. Oleg Deripaska. She has also been a member of the board of En+ since June 2012. Between 2009 and 2011, Ms. Moldazhanova was the chief executive officer of ESN Corporation. Between 2004 and 2009, Ms. Moldazhanova was managing director, deputy chief executive officer and then chief executive officer of "Company Bazovy Element" LLC. Prior to that, Ms. Moldazhanova worked as the deputy general director for strategy at Rusal Management Company between 2002 and 2004 and deputy general director for sales and marketing at Open joint-stock company «Russian Aluminium Management» from 2000 and until 2002. Between 1995 and 1999, Ms. Moldazhanova held various positions in Siberian Aluminium including accountant, financial manager and commercial director. Ms. Moldazhanova graduated from the Kazakh State University with an honors degree in physics in 1989, received a doctorate in 1994 from Moscow State University and subsequently graduated from the Russian State Finance Academy. She also holds an EMBA from the Academy of National Economy and the University of Antwerp (Belgium).

Save as disclosed in this Annual Report, Ms. Moldazhanova was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

### CHRISTOPHE CHARLIER, AGED 41 / NON-EXECUTIVE DIRECTOR /

Christophe Charlier was appointed as a member of the Board on 9 November 2012. Mr. Charlier joined Onexim Group LLC, a privately-held investment fund founded by Mr. Mikhail Prokhorov (the ultimate beneficial owner of Onexim Holdings Limited, a substantial shareholder of the Company), as Deputy CEO in September 2008. In this capacity, he currently serves on the supervisory board of Rusal Global Management BV and on the Board of Directors of Renaissance Financial Holdings Limited (Renaissance Capital), Renaissance Capital Investments Limited, UC Rusal, OJSC RBC, OJSC Quadra – Power Generation, Ukrainian Agrarian Investments S.A. and is Chairman of the Board of Directors of Commercial "Renaissance Credit" LLC. In addition, Mr. Charlier was appointed as an alternate to Mr. Dmitry Razumov for attending several board meetings of the Company from time to time prior to his appointment as a non-executive Director of the Company, and he has also served as an alternate director to Mr. Razumov in Polyus Gold International Limited from 2011 to March 2013.

Mr. Charlier is also the chairman of the Board of Directors of Brooklyn Basketball Holdings LLC (Brooklyn Nets, an NBA basketball team whose principal owner is Mr. Mikhail Prokhorov) and also serves as a member of the Board of Directors of Brooklyn Arena LLC (which owns the Barclays Center in Brooklyn, New York, of which Mr. Mikhail Prokhorov is a substantial owner).

In his personal capacity, Mr. Charlier is the Chairman of the Board of Directors of Pure Grass Films Ltd and Le Castle Sports and Entertainment LLC.

## Profiles of Directors and Senior Management

### EKATERINA NIKITINA, AGED 40 / NON-EXECUTIVE DIRECTOR /

Prior to joining Onexim Group, Mr. Charlier was the Director of Strategic Development and M&A at OJSC MMC Norilsk Nickel from 2002 to 2004. From 2002 to 2004, he was also a member of the Board of Directors of OJSC MegaFon, the first trans-Russian GSM mobile operator. From 1998 to 2002, Mr. Charlier was a Vice President of LV Finance Ltd, a corporate finance and venture capital boutique in Moscow, and thereafter up to 2003 as a managing director of the same entity. Prior to that, Mr. Charlier worked in the Investment Banking Group of Renaissance Capital in Moscow and in the M&A Group of JP Morgan in New York. In 1994, Mr. Charlier graduated cum laude with a Bachelor of Science in Economics with a concentration in Finance from the Wharton School of Business and with a Bachelor of Arts in International Relations from the College of Arts & Sciences of the University of Pennsylvania.

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

Ekaterina Nikitina was appointed as a member of the Board with effect from 14 June 2013. Ms. Nikitina has been the Human Resources Director of En+ Management LLC, a wholly owned subsidiary of En+, since March 2013. Prior to joining En+ Management LLC, Ekaterina Nikitina served as the Human Resources Director of the Company since April 2011. From 2009 to 2011, she was the Human Resources Director of Basis Element Company LLC, being a diversified investment company, which is controlled by Mr. Oleg Deripaska (an executive Director and the Chief Executive Officer of the Company) as to more than 50% of the issued share capital. From 2006 to 2008, she was the Deputy Human Resources Director of Basic Element Company LLC. Ms. Nikitina has also been a director of EuroSibEnergO Plc. and SMR (both being subsidiaries of En+) from 15 March 2013 and 19 March 2013 respectively.

Ms. Nikitina graduated from the Frunze Simferopol State University (Romano-Germanic Philology) in 1996 and also took a course at the Management Consulting School at the Academy of National Economy under the Government of the Russian Federation in 1999.

Save as disclosed in this Annual Report, Ms. Nikitina was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

### OLGA MASHKOVSKAYA, AGED 39 / NON-EXECUTIVE DIRECTOR /

Olga Mashkovskaya was appointed as a member of the Board with effect from 30 September 2013. Ms. Mashkovskaya has been the Deputy Chief Executive Officer for Finance at Basic Element Limited (a company of which Mr. Oleg Deripaska, an executive Director, is the ultimate beneficial owner) since July 2012. Ms. Mashkovskaya is responsible for the management and implementation of Basic Element Limited's financial operations. Ms. Mashkovskaya is also a board member of the following legal entities in which Mr. Oleg Deripaska has an interest: En+, Rainco Holdings Ltd, JSC "SLAVIA GROUP", OOO "Voенно-promyshlennaya kompaniya", OOO "Glavstroy-SPb" and OAO "1 MPZ im.V.A. Kazakova". From 1997 to 2009, she held various positions at Basic Element Limited, from an accountant to a director of finance for the company's energy assets. Before joining Basic Element Limited, Ms. Mashkovskaya spent three years as the Chief Financial Officer of ESN Group.

Ms. Mashkovskaya graduated from the Finance Academy under the Government of the Russian Federation with a degree in International Economic Relations. She also received an Executive MBA from Kingston University (England) and a degree in National Economy and Public Administration from the Russian Academy of National Economy and Public Administration under the President of the Russian Federation.

Save as disclosed in this Annual Report, Ms. Mashkovskaya was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

## Profiles of Directors and Senior Management

### PETER NIGEL KENNY, AGED 65 / INDEPENDENT NON-EXECUTIVE DIRECTOR /

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

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

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

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

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

### PHILIP LADER, AGED 68 / INDEPENDENT NON-EXECUTIVE DIRECTOR /

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

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

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

### ELSIE LEUNG OI-SIE, AGED 74 / INDEPENDENT NON-EXECUTIVE DIRECTOR /

Elsie Leung was appointed as a member of the Board on 30 November 2009. From 1997 to 2005 Ms. Leung was the Secretary for Justice of the Hong Kong Special Administrative Region, as well as a member of the Executive Council of Hong Kong. Ms. Leung was admitted as a solicitor of the Supreme Court of Hong Kong in 1968. She was a partner of P. H Sin & Co., a Hong Kong law firm, which amalgamated with the law firm Iu, Lai & Li Solicitors & Notaries in 1993. Ms. Leung was a senior partner with Iu, Lai & Li Solicitors & Notaries from 1993 to 1997. In 2006, she resumed practice at Iu, Lai & Li Solicitors & Notaries. Ms. Leung has served on several government boards and committees, including the Independent Police Complaints Council, Equal Opportunities Commission, Social Welfare Advisory Committee and Inland Revenue Board of Review. Ms. Leung was appointed as a Delegate of the People's Congress of Guangdong Province in 1989. In 1993, she was appointed as a Delegate of the 8th National People's Congress as well as a Hong Kong Affairs Adviser. Since 2006 she has been the deputy director of the Hong Kong Basic Law Committee of the Standing Committee of the National People's Congress of the People's Republic of China. Ms. Leung was born in 1939. Ms. Leung is a qualified Solicitor in England and Wales and obtained a Master of Law degree from the University of Hong Kong in 1988. Ms. Leung was appointed as an independent non-executive director of China Resources Power Holdings Company Limited, a company listed on the Hong Kong Stock Exchange, with effect from 22 April 2010. Ms. Leung became an independent non-executive director of Beijing Tong Ren Tang Chinese Medicine Company Limited,

## Profiles of Directors and Senior Management

**MATTHIAS WARNIG, AGED 58**  
/ CHAIRMAN, INDEPENDENT NON-EXECUTIVE DIRECTOR /

a company listed on the Hong Kong Stock Exchange, with effect from 7 May 2013.

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

Matthias Warnig was appointed as a member of the Board with effect from 15 June 2012 and was appointed as the Chairman of the Board with effect from 1 October 2012. Mr. Warnig, since 2006, has been the Managing Director of Nord Stream AG (Switzerland). Mr. Warnig has been an independent member of the supervisory council of JSC VTB Bank since 2007. He has also been the Chairman of the Board of Directors of JSC Transneft since June 2011. Since September 2011, Mr. Warnig has been an independent director of OJSC Rosneft. From 1997 to 2005 he was the Member of the Executive Board of Dresdner Bank. From early 1990s to 2006, he held other different positions at Dresdner Bank, including president, chairman of the board and chief coordinator. In 1981, Mr. Warnig graduated from the Higher School of Economics (Berlin) majoring in national economy.

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

**MARK GARBER, AGED 56**  
/ INDEPENDENT NON-EXECUTIVE DIRECTOR /

Mark Garber was appointed as a member of the Board with effect from 14 June 2013. Mr. Garber has been the Senior Partner and the Chairman of the Board of Garber Hannam & Partners Group and the Director of GHP Asset Management Limited Liability Company since 2012. GHP Group is a financial group focusing on wealth management, real estate investment, direct investments, merger and acquisitions and financial advisory. From 2000 to 2012, Mr. Garber was the Senior Partner and a Board Member of Fleming Family & Partners. From 1998 to 2000, he was the Chairman of the Board of Directors of Fleming UCB. He was the co-founder of UCB Financial Group and of Sintez Cooperative and was the Chairman of the Board of Directors of UCB Financial Group from 1995 to 1998 and the Partner of Sintez Cooperative from 1987 to 1995.

Mr. Garber graduated from the 2nd Moscow State Medical Institute named after N.I.Pirogov in 1981 and obtained a PhD in Medical Sciences in Moscow Research Institute of Psychiatry in 1985.

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

## Profiles of Directors and Senior Management

The table below provides membership information of the committees on which each Board member serves.

Board committees Directors	Audit Committee	Corporate Governance & Nomination Committee	Remuneration Committee	Health, Safety and Environmental Committee*	Standing Committee	Marketing Committee*	Norilsk Nickel Investment Supervisory Committee
Maksim Goldman			X		X		X
Dmitry Afanasiev							X
Len Blavatnik							
Ivan Glasenberg		X			X		X
Christophe Charlier	X				X		X
Matthias Warnig					C		C
Peter Nigel Kenny	C	X	X	X			
Philip Lader	X	C	X	X			
Elsie Leung Oi-sie	X		C				
Oleg Deripaska							X
Vera Kurochkina							
Gulzhan Moldazhanova						C	
Maxim Sokov							X
Vladislav Soloviev				X			X
Mark Garber		X	X	X			X
Olga Mashkovskaya	X						
Ekaterina Nikitina		X	X				
Stalbek Mishakov					X		

Notes:-

C – Chairman

X – member

\* – These committees also consist of other non-Board members.

# Profiles of Directors and Senior Management

## SENIOR MANAGEMENT

### ALEXANDRA BOURIKO, AGED 36 / CHIEF FINANCIAL OFFICER /

Alexandra Bouriko has been RUSAL's CFO since October 2013. She is responsible for the financial planning, auditing and preparation of financial reports and the execution of the company's investment programs.

From June to October 2013, Alexandra Bouriko had been serving on the board of UC RUSAL.

From November 2012 to October 2013, Alexandra Bouriko had been the Deputy CEO of En+. She was responsible for En+ Group operational management, enhancement of business effectiveness and improvement of the Group's financial performance.

Prior to joining En+ Group, Alexandra Bouriko spent 16 years with KPMG in Russia and Canada; since 2005 she held the position of Partner at KPMG.

At KPMG, Alexandra Bouriko worked with major Russian and international companies with focus on metals, mining, oil and gas industries. Alexandra played key roles in audits of IFRS, US GAAP and Russian GAAP financial statements of major Russian groups. Alexandra was in charge of IPO planning and preparation of major Russian metals and mining companies on London Stock Exchange and Hong Kong Stock Exchange.

Alexandra graduated from the economic faculty of Lomonosov Moscow State University. She is a member of the Canadian Institute of Chartered Accountants and the American Institute of Certified Public Accountants.

Save as disclosed in this Annual Report, Ms. Bouriko was independent from and not related to any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Company as at the end of the financial year.

### ALEXEY ARNAUTOV, AGED 39 / DIRECTOR OF ALUMINIUM DIVISION WEST /

Alexey Arnautov was appointed Director of the Aluminium Division West in July 2010. The Aluminium Division West, which encompasses the Volgograd, Volkhov, Kandalaksha and Nadavoitsy aluminium smelters, Zaporozhye Aluminium Complex (Ukraine) and KUBAL (Sweden), as well as the aluminium production facilities of the Urals and Bogoslovsk aluminium smelters, concentrates its efforts on the production of value added products. The western smelters, situated near European customers, focus on supplying end consumers and working together with clients to create new value added products. This task requires the implementation of modernisation projects and advanced training of the staff.

Mr. Arnautov assumed the role of acting director of the Aluminium Division of the Moscow Branch of RUSAL Global in March 2009. He was responsible for raising efficiency as well as achieving steadily high-performance results from the division's assets. He was also in charge of developing a new production management system, which aimed to match the world's best practices. Prior to this appointment, Mr. Arnautov was financial director of the Aluminium Division from April 2006. From November 2004 until April 2006, he was the director of the financial department of the ECD. From 1998 to 2000, he held several positions in the financial services in Sibneft Oil Company. He began his professional career in Noyabrskneftegaz in the Far North of Russia in 1996.

Born in 1974, Mr. Arnautov graduated from Donbass State Academy of Construction and Architecture with a degree in engineering and construction in 1996. He received a degree with

honours from the International Academy of Entrepreneurship in 1998 and an MBA in Economics from the Institute of Business and Economics at California State University in 2004.

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

## Profiles of Directors and Senior Management

**EVGENY NIKITIN, AGED 47**  
/ HEAD OF ALUMINIUM DIVISION EAST /

Evgeny Nikitin was appointed RUSAL's Head of Aluminium Division East in October 2013. He oversees the development of the company's core smelting capacities, based in Siberia, and is responsible for increasing management and production efficiency at the ADE smelters, meeting consumers' demands, including through expanding the range and quality of products and improving the plant's environmental performance.

In 2010, Evgeny Nikitin was appointed Managing Director of KrAZ, one of the world's largest aluminium production facilities. From 2008 to 2010, he was managing director of the Sayanogorsk Aluminium Smelter (SAZ) after beginning his career with RUSAL as a pot operator back in 1993.

Evgeny Nikitin was born on 11 March 1966. He graduated from the Moscow State Technical University of Civil Aviation (MSTUCA) in 1989 and from Lomonosov Moscow State University with a degree in Business management – production systems in 1995.

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

**SERGEY BELSKY, AGED 46**  
/ DIRECTOR FOR RUSSIA AND CIS SALES /

Sergey Belsky was appointed Head of the Directorate for Russia and CIS Sales in June 2010. His responsibilities include increasing the share of the Company's domestic aluminium sales, which is viewed as a strategic priority of UC RUSAL, as well as to build cooperation with customers in order to develop new applications for aluminium and to encourage joint programmes with equipment manufacturers to devise high-technology products containing aluminium.

Previously, since November 2008, Mr. Belsky was appointed the director of the Marketing and Sales Directorate of the Company. Since the founding of Russian Aluminium in 2000, Mr. Belsky has worked as the head of the Sales Departments of Russia and the CIS, including as the sales director of the Company's Moscow office from 2007 to 2008. Between 1999 and 2000 he was the head of the export sales department in Sibirsky Aluminium. Mr. Belsky started his career as a trader in Raznoimport before working his way up to head a division at Trans World Group in 1996.

Mr. Belsky was born in Moscow in 1967. In 1991, Mr. Belsky graduated from the Moscow Institute of Steel and Alloys where he majored in metal engineering. A year later, he graduated from the Moscow Institute of International Business of the Ministry of Economic Relations and Trade. In 2003, he received a degree from the London Business School.

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

**DMITRY BONDARENKO, AGED 35**  
/ DIRECTOR FOR PRODUCTION DEVELOPMENT /

Dmitry Bondarenko has been RUSAL's Director for Production Development since 2010. He oversees the development and introduction of RUSAL production system. He is also responsible for organisation of production and logistics as well as for the quality management system.

Between 2009 and 2010 Dmitry Bondarenko was Head of Production Department of RUSAL's Aluminium division. From 2001 through 2009, Mr. Bondarenko was the lead expert at GAZ Group Managing Company LLC, where he was in charge of introducing the Toyota Production System.

Dmitry Bondarenko graduated with honours from the Nizhny Novgorod State Technical University, majoring in Design of Technical and Technological Complexes.

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

## Profiles of Directors and Senior Management

### SERGEY CHESTNOY, AGED 51 / DIRECTOR FOR INTERNATIONAL AND SPECIAL PROJECTS /

Sergey Chestnoy was appointed Director for International and Special Projects in January 2013. He is responsible for Company's relations with regions and countries of strategic importance, providing the public support for overseas initiatives. He coordinates RUSAL's action with executive bodies of Russian Federation regarding the international relations, with foreign governmental bodies.

From 2001 to 2012, Sergey Chestnoy was the Director of the UC RUSAL International Department.

Between 2000 and 2001, he was the Advisor to the Chairman of the Board of Directors of OJSC BANK Rossiysky Credit.

From 1984 through 2000, Sergey Chestnoy served as a diplomat of the Soviet, and then Russian Ministry of Foreign Affairs, specialising in multilateral economic diplomacy, assistance to developing countries, including the debt problems, trade, economic and scientific cooperation with the United States, as well as Russia's role in the G8.

Sergey Chestnoy was Deputy Director of the Department of Economic Cooperation of the Russian Ministry of Foreign Affairs, Senior Advisor, head of the Economics Department at the Russian Embassy in the United States, Deputy Director of the North America Department at the Russian Ministry of Foreign Affairs, Russian Ministry of Foreign Affairs adviser to the Russian President's Envoy (Sherpa) at G8. In various periods he was a member of Russian and Soviet official delegations at negotiations with the IMF, the World Bank, the Paris Club, GATT/WTO, at the G7+1 and G8 summits. As a member of the Soviet delegation, he took part in the establishment of the European Bank of

Reconstruction and Development and as a member of the Russian delegation he also took part in the establishment of the Black Sea Trade and Development Bank. Sergey Chestnoy's diplomatic rank is Counsellor, Grade 1.

In 1984 he graduated magna cum laude from the Moscow State University of International Relations of the USSR Ministry of Foreign Affairs (Faculty of International Economic Relations). In 1988 he completed his post-graduate studies at the same university. He also holds a PhD in Economics.

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

### VALERY FREIS, AGED 59 / DIRECTOR FOR SECURITY /

Valery Freis has been the head of the UC RUSAL Directorate of Security since February 2008. He is responsible for the creation and effective management of the security system and the development of a policy and strategy in the field of resource protection from causing harm to the Company's economic interests, business standing, business processes, and personnel.

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

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

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



## Profiles of Directors and Senior Management

**VICTOR MANN, AGED 55**  
/ TECHNICAL DIRECTOR /

Victor Mann has been Technical Director of UC RUSAL since 2005, being in charge of research and development, engineering, design, process management, technical development and modernization of production facilities, and start-up and commissioning of green-field and upgraded capacities.

In 2002 - 2005 Victor Mann was Head of RUSAL's Engineering and Technology Centre.

In 1998 - 2002 he was Deputy Technical Director of the Krasnoyarsk smelter.

In 1991 - 1998 Victor Mann was promoted from Design Engineer to Head of Automation with the Krasnoyarsk smelter.

Victor Mann was awarded the Order of Merit for the Fatherland and is on the list of Honourable Metallurgists of Russia.

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

**STEVE HODGSON, AGED 47**  
/ DIRECTOR FOR SALES AND MARKETING /

Steve Hodgson was appointed Director for International Sales in June 2010, and Director for Sales and Marketing in September 2012. He is responsible for developing RUSAL's positions in the key aluminium markets, building and strengthening the Company's global customer relations.

Before taking up his current role, from 2007 until 2010 Mr Hodgson was CEO and President of the Bauxite and Alumina Division of Rio Tinto Alcan. During this period he also held the post of President of the Australian Aluminium Council. Prior to this, he was the Managing Director of Rio Tinto's Diamond Division.

From 2004 to 2006, he was Managing Director of RUSAL's Alumina Division following a successful two years with RUSAL as its Head of Sales, based in Moscow.

From 1997 to 2002, Mr Hodgson was head of the International Sales and Marketing arm of Comalco (later renamed Rio Tinto Aluminium). Mr Hodgson started his career with Comalco in New Zealand as a process engineer and rose to become the manager of the Metal Products Division and, later, the head of the Metal Products Division of Anglesey Aluminium Metal Ltd. in North Wales.

Steve Hodgson holds an honours degree from the School of Engineering, Auckland University, New Zealand.

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

**EGOR IVANOV, AGED 36**  
/ DIRECTOR FOR CONTROL, INTERNAL AUDIT AND BUSINESS COORDINATION /

Egor Ivanov has been UC RUSAL's Director for Control, Internal Audit and Business Coordination since 2012. He is responsible for the internal control system and raising the efficiency of business processes within the Company. He ensures the independent analysis of critical issues of the Company's operations for reporting to CEO and top management. He is also responsible for compliance with the requirements of the regulators and international lenders.

Mr. Ivanov joined CJSC "Armenal" in 2000 as a financial director. From 2000 to 2007 he held different financial positions at "RUSAL Managing Company" LLC and Trading House "Russian Aluminium Rolling". Since October 2010 he has headed a department in the Control, Internal Audit and Business Coordination Directorate. Between 2005 and 2010, he was Head of the Budget and Planning Department at Moscow Branch of RUSAL Global. Until 2001, he worked in ITERA International Group of Companies, one of the largest independent producers and traders of natural gas operating in the CIS and the Baltic states.

Mr. Ivanov was born in 1977 and graduated from the Finance Academy under the Government of the Russian Federation majoring in accounting and audit.

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

## Profiles of Directors and Senior Management

### YAKOV ITSKOV, AGED 47 / DIRECTOR OF PROCUREMENT AND LOGISTICS /

Yakov Itskov was appointed RUSAL's Director of Procurement and Logistics in January 2013.

Prior to that, Yakov Itskov worked as a Head of RUSAL's International Alumina Division from February 2010. The International Alumina Division includes the western bauxite mining and alumina production facilities: the Guinea-based Friguia Alumina Refinery and Compagnie des Bauxites de Kindia, the Bauxite Company of Guyana, Aughinish Alumina in Ireland, Eurallumina in Italy, Alpart and Windalco in Jamaica and Queensland Alumina in Australia. The key objective of the International Alumina Division is the mining of bauxite and production of high quality alumina for the Company's smelters and sales in the global market. This requires considerable flexibility and an ability to meet each customer's specific demands.

Yakov Itskov became the first Vice President of RussNeft in 2009 and held that position until 2010. From 2008 to 2009, he was General Director of BazelDorStroy LLC and between 2007 and 2008 he was the General Director of Project and Construction Company Transstroy LLC. He was also the Managing Director of Basic Element LLC from 2006 until 2007 and, prior to this, he was the General Director of Soyuzmetallresurs CJSC from 2001 to 2006.

From 2000 to 2001, Mr Itskov was the Deputy Commercial Director of OAO Russian Aluminium.

Yakov Itskov holds a degree in Mining Machines and Complexes from Moscow State Mining University. He also holds a PhD in Economics.

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

### VALERY MATVIENKO, AGED 58 / DIRECTOR OF ALUMINA DIVISION /

Valery Matvienko was appointed Director of Alumina Division in October 2012.

Prior to that, Valery Matvienko worked as a Head of Alumina Division East from July 2010. In 2008 Mr. Matvienko became the first deputy CEO of Norilsk Nickel OJSC and was also a member of the executive committee of Norilsk Nickel OJSC. From 2007 through 2008, he was the director for the Engineering and Construction business at UC RUSAL. From 2005 through 2007 he was the general director of Russian Engineering Company LLC. In 2005 he was deputy director for the Engineering and Construction business at RUSAL Management Company. From 2003 through 2005 he held the positions of the Director of the Production Directorate, Deputy CEO for Production, Deputy CEO for the Aluminium Business at RUSAL Management Company. From 2002 through 2003 he was the production director of Russian Aluminium Management OJSC. From 1998 through 2002 he held management positions at the Krasnoyarsk, Bratsk and Novokuznetsk aluminium smelters.

Mr. Matvienko was born in 1955. In 1977, he graduated from Ordzhonikidze Siberian Metallurgy Institute with a degree in engineering (ferrous metallurgy).

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

## Profiles of Directors and Senior Management

### PETR MAXIMOV, AGED 41

/ GENERAL COUNSEL /

Petr Maximov has been heading the Legal Directorate of UC RUSAL since July 2012. Before he joined the Company, Mr. Maximov was the Deputy CEO for Legal and Corporate Matters in Novorossiysk Sea Trade Port. From 2005 to 2009, he was a Corporate Assets Director in charge of a Legal Department in EastOne (Interpipe) Investment Group. Mr. Maximov was a member of the Board of Directors of TNK-BP Ukraine and EastOne Group UK.

From 2004 to 2005, he headed a Legal Department of COACLO AG Investment Company and was a member of the Board of Directors of OAO Mikhailovsky GOK. From 1995 to 2004, Mr. Maximov worked in a number of global leading law firms, namely: Milbank, Tweed, Hadley & McCloy; Coudert Brothers; Debevoise & Plimpton; and Squire, Sanders & Dempsey.

In 2001 Mr. Maximov graduated with an LL.M degree from Columbia University School of Law, New York, USA. In 1999 he graduated from the Moscow State University with a Diploma in Law (magna cum laude). In 1994 he graduated from the Moscow Technical College with a Diploma in engineering (magna cum laude).

Mr. Maximov is an expert in M&A deals, international investments and corporate governance. He managed purchases and disposals of some of the largest assets in Russia and abroad. His corporate law studies have been published by a number of international legal newsletters and magazines.

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

### OLEG MUKHAMEDSHIN, AGED 40

/ DIRECTOR FOR STRATEGY,  
BUSINESS DEVELOPMENT AND FINANCIAL  
MARKETS/

Oleg Mukhamedshin was appointed Deputy CEO, Director for Strategy, Business Development and Financial Markets in 2012. Prior to his current position, Mr Mukhamedshin worked as RUSAL's Head of Equity and Corporate Development, UC RUSAL's Director for Financial Markets, and Director for Capital Markets from 2007 to 2011.

Oleg Mukhamedshin is responsible for developing and implementing the Company's strategy covering M&A and growth projects, debt and equity capital markets, as well as maintaining investor relations.

In 2009–2011, he led the restructuring of UC RUSAL's USD 16.6 billion debt in and its USD 2.2 billion IPO on the Hong Kong Stock Exchange and Euronext Paris in 2010. Under his leadership, UC RUSAL was the first company to launch a Russian Depository Receipts programme.

From 2006 to 2008, Oleg Mukhamedshin was involved in the preparation and implementation of the Company's major M&A transactions, including the acquisition of a 25% stake in MMC Norilsk Nickel, its merger with SUAL and Glencore's bauxite and alumina assets.

From August 2004 through to March 2007, Mr Mukhamedshin was UC RUSAL's Deputy CFO, overseeing corporate finance.

From 2000 to August 2004, Oleg Mukhamedshin was Director of UC RUSAL's Department for Corporate Finance.

Prior to joining UC RUSAL, Oleg Mukhamedshin worked in various executive roles in the corporate finance departments of leading Russian natural

resources companies including TNK (now TNK-BP). Between 1999 and 2000, he was an advisor to the principal shareholder of the Industrial Investors Group. From 1994 to 1995, he worked with the investment bank PaineWebber to help establish the Russia Partners Fund, one of the first international direct investment funds in Russia.

Oleg Mukhamedshin was born in 1973. Oleg Mukhamedshin graduated from Moscow State University, Economics Department, with Honours.

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

## Profiles of Directors and Senior Management

### ALEXEY BARANTSEV, AGED 54 / HEAD OF ENGINEERING AND CONSTRUCTION BUSINESS /

Alexey Barantsev has been in charge of RUSAL's Engineering and Construction Business since the end of May 2012. He is responsible for repair and maintenance activities across the Company's plants, management of construction, modernisation and new technology implementation projects.

From 2008 to 2011 Alexey Barantsev held positions of General Manager with Glavstroy-Management CJSC and TRANSSTROY Engineering & Construction Company Ltd.

In 2008, he was First Deputy CEO in Production with Russian Machines OJSC.

In July 2007, Alexey was Head of Operational Development and First Deputy Chairman of the Management Board GAZ Management Company LLC.

In January 2007, he was appointed Head of Auto-components Division and Production and Restructuring Director with GAZ Group, First Deputy Chairman of the Management Board GAZ Group Management Company LLC.

In mid-2006, he was transferred to the position of First Deputy Chairman of the Management Board - Head of the Nizhny Novgorod unit of RusPromAvto Management Company LLC, which was subsequently renamed to GAZ Management company LLC.

Starting since October 2005 he worked as Deputy CEO/Executive Director with RusPromAvto Management Company LLC.

In July 2002, he was appointed Deputy CEO GAZ OJSC, and a month later became CEO of the plant.

In February 2002, he was appointed Deputy CEO for new construction projects with Russian Aluminium Management OJSC.

In July 2000, he was appointed Managing Director of the Bratsk aluminium smelter.

In August 1998 he was appointed Executive Director of the Krasnoyarsk aluminium smelter. One month later he became General Manager of the smelter.

In February 1992, Alexey started his career at the Bratsk aluminium smelter as Deputy Head of Procurement Unit. Later he became Deputy Head of Procurement for Operations, Bratsk smelter. In 1994 he was transferred to the position of Head of Reduction Shop No. 2. In February 1996 he was appointed Technical Director of the smelter.

In 1985, Alexey Barantsev graduated from the Irkutsk technical university.

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

### SERGEY GORYACHEV, AGED 40 / HEAD OF PACKAGING DIVISION /

Sergey Goryachev has been managing assets of UC RUSAL's Packaging Division since 2013. In 2010 he was appointed Chief Operating Officer of the Packaging Division and in 2011 he performed duties of a Director of Packaging Division.

Prior to that, Sergey Goryachev worked as the first Deputy CEO of GROSS – Group of Alcohol-producing companies (originally ROSSPIRTPROM) and beforehand at other positions for 8 years.

Sergey Goryachev holds a degree in Geology from Moscow State Mining University and a financial degree from Financial University under the Russian Government. He also holds a PhD in Economics.

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

## Profiles of Directors and Senior Management

### ALEXANDER OSIPOV, AGED 47 / DIRECTOR FOR HUMAN RESOURCES /

Alexander Osipov was appointed RUSAL's HR Director in February 2013. He is responsible for the Company's human resource management and personnel development as well as for implementation of social and incentive programmes for employees.

Prior to joining RUSAL, Alexander Osipov was the Head of HR at Severstal-Russian Steel Division. From 2005 to 2011 he was HR Director at OJSC Severstal.

From 2004 to 2005, Alexander was a manager responsible for organizational development of Alcoa in Russia. From 2001 through 2004 he was HR Director of Saransk Brewing Company and the Klin production plant owned by SUN Interbrew.

From 1996 through 2001, Alexander was a recruitment manager and Head of the Saint Petersburg branch of a leading international recruitment company Manpower.

From 1983 to 1992, Alexander was in the military service, following his graduation from the Leningrad political and military college.

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

### OLEG VAYTMAN, AGED 44 / DIRECTOR FOR GOVERNMENT RELATIONS /

Oleg Vaytman was appointed as a director for Government Relations of the Moscow Branch of RUSAL Global in February 2012. He is responsible for the Company's relationships with federal and regional authorities, the Russian Parliament, the government, and public organisations.

Prior to joining UC RUSAL, Mr. Vaytman was Director of Moscow Representative Office of JSC "KazMunayGas" from 2009 till February 2012. In 2007-2008 Mr. Vaytman was Vice-president of RBI-Holdings. Between 2003 and 2007, Mr. Vaytman worked at TNK-BP and held the positions of Vice-President (Regional and Social Policy), Vice-President (Head of the New Projects Division). In 2002-2003, he was Vice-President (Relations with public authorities) of JSC "Sidanco". From 2000 to 2002 Mr. Vaytman was Head of the regional office of the Social Insurance Fund of the Russian Khanty-Mansiysk. Between 1998 and 2000, he held the position of Deputy Director General for Economic Affairs of the territorial fund of obligatory medical insurance of the Khanty-Mansi Autonomous District.

Mr. Vaytman was born in 1969 and graduated from Magnitogorsk Mining and Metallurgical Institute majoring in economics. Moreover, Mr. Vaytman graduated from the Tax Academy of the Russian Federation Ministry and has a diploma of Thunderbird University

(Phoenix, USA). He also graduated from the Academy of National Economy under the RF Government.

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

## Profiles of Directors and Senior Management

### WONG PO YING, ABY, AGED 48 (HONG KONG COMPANY SECRETARY)

Wong Po Ying Aby was appointed Hong Kong Company Secretary on 29 November 2009. Ms. Wong has over 10 years of experience in corporate secretarial practice working with various law firms and corporate services companies as company secretary and company secretarial manager. Ms. Wong is an associate member of the Hong Kong Institute of Company Secretaries and an associate of The Institute of Chartered Secretaries and Administrators. Ms. Wong was born in 1965. Ms. Wong holds a bachelor degree with First Class Honors in the Bachelor of Arts (Hons) in Business Administration of University of Greenwich which she received in 2011.

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



bALanced approach

# Directors' Report

# Directors' Report

The Directors are pleased to present the 2013 Annual Report and the audited consolidated financial statements of the UC RUSAL Group for the year ended 31 December 2013.

## 1 PRINCIPAL ACTIVITIES

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

## 2 FINANCIAL SUMMARY

The results of the Group for the year ended 31 December 2013 are set out in the consolidated financial statements on pages 139 to 231.

## 3 DIVIDENDS

No dividends were declared and paid by the Company during the year ended 31 December 2013 due to restrictions imposed by the credit facility agreements to which the Company is party as borrower. These restrictions limit the ability of the Company to pay dividends during the covenant holiday period (which applied for the duration of the financial year 2013) and recovery period (as such terms are defined in the relevant credit agreements). Once these restrictions cease to apply to the Company, it will be permitted to pay dividends up to agreed thresholds on the terms outlined in the applicable credit agreements.

## 4 RESERVES

The Directors propose to transfer the amount of USD2,629 million from reserves within the meaning of Schedule 4 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The amount of the reserves available for distribution to shareholders as at 31 December 2013 was USD3,431 million.

## 5 FIXED ASSETS

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

## 6 SHARE CAPITAL

### SHARE REPURCHASES

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of their securities during the financial year ended 31 December 2013.

### SHARE ISSUES

No Shares were issued/allotted by the Company during the financial year ended 31 December 2013.

## 7 GENERAL MANDATES GRANTED TO THE DIRECTORS IN RESPECT OF THE ISSUANCE AND REPURCHASE OF SHARES

There were certain mandates granted to the Directors to issue and repurchase Shares in effect during the financial year.

The details of these general mandates are as follows:



# Directors' Report

Type of mandate	Term	Maximum amount	Utilisation during the financial year
<b>Issue of Shares</b>			
A general unconditional mandate was given to the Company and to the Directors on behalf of the Company on 14 June 2013, the date of the 2013 annual general meeting of the Company, to allot, issue and deal with Shares (and other securities) and such mandate came into effect on that date	From the date of the passing of the resolution granting the mandate to the earlier of the Company's next annual general meeting of shareholders, the expiration of the period within which the Company's next annual general meeting of shareholders is required to be held and the variation or revocation of the mandate by the shareholders in a general meeting	Save in certain specified circumstances, not more than the sum of 20% of the aggregate nominal value of the share capital at the date of the resolution granting the mandate and the aggregate nominal value of share capital repurchased by the Company (if any)	NIL
<b>Repurchase of Shares</b>			
Subject to compliance with the Jersey Companies Law, a general unconditional mandate was given to the Company, directly or through any intermediary or trustee, and to the Directors on behalf of the Company on 14 June 2013, the date of the 2013 annual general meeting of the Company, to repurchase Shares and such mandate came into effect on that date	From the date of the passing of the resolution granting the mandate to the earlier of the conclusion of the Company's next annual general meeting of shareholders, the expiration of the period within which the Company's next annual general meeting of shareholders is required to be held and the variation or revocation of the mandate by the shareholders in a general meeting	Not more than 10% of the aggregate nominal value of the Company's share capital in issue at the date of the resolution granting the mandate (The maximum price for each Share repurchased is 105% of the average closing market price as derived from the Stock Exchange for the five business days immediately preceding the date of purchase and the minimum price for each Share repurchased is its nominal value)	NIL

## 8 SHAREHOLDERS' AGREEMENTS

### (A) SHAREHOLDERS' AGREEMENT WITH THE COMPANY

The principal terms of this agreement are described in Appendix A.

### (B) SHAREHOLDERS' AGREEMENT BETWEEN MAJOR SHAREHOLDERS ONLY

The Shareholders' Agreement between Major Shareholders only, which has not been amended since the Listing Date, only sets out certain agreed matters between the Major Shareholders in relation to Board appointments, Board committees, voting, transfers of Shares and certain other matters. The principal terms of the Shareholders' Agreement between Major Shareholders only are described in Appendix B.

## 9 MANAGEMENT CONTRACTS

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

## 10 CONNECTED TRANSACTIONS

The transactions and arrangements summarised below were entered into by members of the Group with its connected persons (including their respective associates) prior to and during the financial year ended 31 December 2013, and are required to be disclosed by the Company in compliance with Rule 14A.45 of the Listing Rules and, where applicable, were disclosed by the Company in accordance with the requirements of Chapter 14A of the Listing Rules.

Continuing connected transactions disclosed in the Director's report section of the annual report differ from the related party transaction disclosures included in note 34 of the consolidation financial statements. Differences arise as the definition of continuing connected transactions does not include operations with Glencore or operations with associates of the Group, while these transactions are treated as related party transactions in the consolidated financial statements of the Group. Additionally, transactions that are considered immaterial and meet the definition of de minimis are not included in the disclosure of continuing connected transactions.

## Directors' Report

The independent non-executive Directors consider that each of the transactions below have been entered into and are conducted:

- (a) in the ordinary and usual course of business of the Group;
  - (b) on normal commercial terms; and
  - (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable in the interests of the Company and its shareholders as a whole.
- (I) The Company's auditors were engaged to report on the Group's continuing connected transactions for the year ended 31 December 2013 in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions as disclosed by the Group in the annual report in accordance with Rule 14A.38 of the Listing Rules.

### A ELECTRICITY AND CAPACITY SUPPLY CONTRACTS

En+ is the Controlling Shareholder of the Company. Accordingly, the electricity and capacity supply and transmission contracts between members of the Group and companies controlled by En+ referred to below constituted continuing connected transactions for the Company under the Listing Rules.

Mr. Victor Vekselberg ("Mr. Vekselberg") was the chairman of the Board until his resignation on 12 March 2012 and a non-executive Director of the Company until his resignation with effect from 16 March 2012. Accordingly, the electricity and capacity supply contracts and the provision of power contracts between members of the Group and companies controlled by Mr. Vekselberg referred to below constitute continuing connected transactions of the Company until 15 March 2013 under the Listing Rules.

#### Long-term electricity and capacity supply contracts

The Group has entered into the following long-term electricity and capacity supply contracts:

- (a) on 1 December 2009, BrAZ, a subsidiary of the Company, and Irkutsk Joint Stock Company of Energetics and Electrification ("**Irkutskenergo**"), a power generating company controlled by En+ as to more than 30% of its

- issued share capital, entered into a long-term electricity and capacity supply contract pursuant to which BrAZ agreed to purchase electricity and capacity from Irkutskenergo for a period of nine years from 2010 to 2018. The consideration is satisfied in cash via wire transfer. The actual monetary value of electricity and capacity purchased for the year ended 31 December 2013 under this contract was USD 107.7 million;
- (b) on 15 November 2009, OJSC SUAL, a subsidiary of the Company, and Irkutskenergo entered into a long-term electricity and capacity supply contract pursuant to which OJSC SUAL agreed to purchase electricity and capacity for Irkutsk aluminium smelter, a branch of OJSC SUAL, from Irkutskenergo for a period of nine years from 2010 to 2018. The consideration is satisfied in cash via wire transfer. The actual monetary value of electricity and capacity purchased for the year ended 31 December 2013 under this contract was USD 104 million; and
- (c) on 4 December 2009, KrAZ, a subsidiary of the Company, and JSC Krasnoyarsk Hydro-Power Plant ("**Krasnoyarskaya HPP**"), a hydroelectric power station controlled by En+ as to more than 30% of its issued share capital, entered into a long-term electricity and capacity supply contract pursuant to which KrAZ has agreed to purchase electricity from Krasnoyarskaya HPP for a period of eleven years from 2010 to 2020. The consideration is satisfied in cash via wire transfer. The actual monetary value of electricity and capacity purchased for the year ended 31 December 2013 under this contract was USD 52.8 million.

The prices for long-term electricity and capacity contracts are not regulated strictly by the Non-Commercial Partnership Market Council ("**Market Council**"), a non-profit partnership that organises efficient system of trading on the wholesale and retail electricity and capacity market in Russia, and may be agreed between the parties (subject to the Rules of the Wholesale Electricity and Capacity Market which have indirect influence on the calculation of the total cost of a user's consumed electricity and capacity in connection with the contracts concluded by such a person, and the amount of capacity supplied thereunder). The costs of electricity supplied by Irkutskenergo and Krasnoyarskaya HPP are based on a fixed formula which is tied to the market prices of electricity and the prices of aluminium quoted on the LME to link electricity costs to the Group's revenue. For details of the formula, please refer to the Company's circular dated 13 December 2013.

# Directors' Report

## Short-term electricity and capacity supply contracts

The Company also entered into short-term electricity and capacity supply contracts on 1 January 2013 with power generating plants which are controlled either through equity ownership or management arrangements, by CJSC Integrated Energy Systems, a corporation of which more than 30% of the issued share capital is controlled by Mr. Vekselberg. All such contracts were entered into at government prescribed prices, on terms determined by the Market Council and JSC "TSA", an entity controlled by the Market Council with no possible negotiation on the price paid by the Group. The consideration was satisfied in cash via wire transfer.

Further, members of the Group, including BrAZ, KrAZ, SAZ, NkAZ, and OJSC SUAL entered into, from time to time in the financial year ended 31 December 2013 as part of their ordinary course of business, short-term electricity and capacity supply contracts with duration not exceeding one year with the companies controlled by En+, including Irkutskenergo, LLC "Avtozavodskaya CHP" and Krasnoyarskaya HPP. The consideration was satisfied in cash via wire transfer.

The electricity and capacity supplied under these short-term electricity and capacity supply contracts are derived from the plants operated by Irkutskenergo and Krasnoyarskaya HPP and also derived from LLC "Avtozavodskaya CHP".

The whole volume of electricity (excluding electricity supplied to residential users) is supplied at open (non-regulated) prices. There are exceptions (which include provision of power contracts and contracts for renewable energy) which require the electricity to be sold at prices or tariffs approved by the government.

In addition, members of the Group, including OJSC "Sevuralboxitroda", "SUAL-Silicon-Ural" LLC, OJSC RUSAL SAYANAL, OJSC "Ural Foil", UC RUSAL Energoset LLC and OJSC "South Ural Cryolite Plant" enter into, from time to time as part of their ordinary course of business, short-term electricity and capacity supply contracts not exceeding three years with CJSC MAREM+, a company controlled by En+, for the supply of electricity and capacity purchased at the wholesale energy and capacity market.

The purchase of electricity and capacity at the wholesale market is effected at a price which is determined daily (for electricity) and monthly (for capacity), based on the trading results at the wholesale market, and subject to unpredictable external fluctuations (including, without limitation, weather factors, river stream flow rates, hydro-power plant output storage, transborder cross-flow

planning, provision for reserves by power generation facilities, scheduled equipment repairs, fuel price fluctuations, details of fuel regime for "endpoint" power generation facilities, economic efficiency of bids submitted by producers, technological processes of power generation facilities' equipment, and effect of state regulation on the market model). The price under these contracts is derived from the wholesale market price regulated under the regulations of the Russian Government. The consideration was satisfied in cash via wire transfer.

During 2013, members of the Group has from time to time entered into short-term electricity and capacity supply contracts with LLC "Irkutskaya Energosbytovaya Company" ("Irkutskenergosbyt LLC"), a company controlled by En+ as to more than 30%, for the supply of electricity and capacity purchased at the wholesale electricity market and supplied to the consumers in the retail market on normal commercial terms (including the pricing terms) regulated under the regulations of the Russian Government. The consideration was satisfied in cash via wire transfer.

The actual monetary value of the electricity and capacity purchased during the period from 1 January 2013 to 15 March 2013 under the contracts with companies controlled by CJSC Integrated Energy Systems was USD 1 million. The actual monetary value of electricity and capacity purchased for the year ended 31 December 2013 under the contracts with Irkutskenergo, LLC "Avtozavodskaya CHP" and Krasnoyarskaya HPP was USD 114.2 million; under the contracts with CJSC MAREM+ was USD 61.6 million; and under the contracts with Irkutskenergosbyt LLC was nil.

## Miscellaneous electricity and capacity transmission contracts

The Group has also entered into miscellaneous electricity and capacity transmission contracts with "Irkutsk Electronetwork Company" OJSC ("IENC") and energy supply contracts with Irkutskenergosbyt LLC for the transmission of the electricity supply mentioned above, each being a company controlled by En+ as to more than 30% of its issued share capital, from time to time during the year ended 31 December 2013.

The consideration under such miscellaneous electricity and capacity transmission contracts shall follow the tariffs stipulated by the Tariff Service of the Irkutsk region (an executive authority of the Irkutsk region in the sphere of government regulation of tariffs including electricity and capacity transmission tariffs), and on terms which are uniform for all consumers (tariffs are

## Directors' Report

differentiated depending on voltage levels). The consideration under these contracts is satisfied in cash via wire transfer.

The actual monetary value of electricity and capacity transmission purchased and sold for the year ended 31 December 2013 under these contracts with companies controlled by En+ was USD 194.9 million.

### Provision of Power Contracts

On 31 December 2010, OJSC SUAL (a wholly-owned subsidiary of the Company) entered into four standard form provision of power contracts with TGK-5, TGK-6, TGK-7 and TGK-9 (each being controlled by Mr. Vekselberg as to more than 30% of the issued share capital and thus an associate of Mr. Vekselberg) pursuant to which:

- (a) OJSC SUAL agreed to purchase and TGK-5 agreed to sell up to 694 MWh of electricity and capacity for the total contract sum of up to approximately USD22 million from 1 January 2014 to 31 December 2024;
- (b) OJSC SUAL agreed to purchase and TGK-6 agreed to sell up to 667 MWh of electricity and capacity for the total contract sum of up to approximately USD17 million from 1 January 2011 to 31 December 2024;
- (c) OJSC SUAL agreed to purchase and TGK-7 agreed to sell up to 571 MWh of electricity and capacity for the total contract sum of up to approximately USD16 million from 1 January 2011 to 31 December 2022; and
- (d) OJSC SUAL agreed to purchase and TGK-9 agreed to sell up to 1379 MWh of electricity and capacity for the total contract sum of up to approximately USD36 million from 1 October 2011 to 31 December 2025.

The aggregate consideration payable under these contracts is subject to applicable cross-currency exchange rate adjustments.

The contracts were entered into in accordance with the relevant Russian regulations requiring all participants in the power wholesale market to purchase electricity and capacity by entering into standard form provision of power contracts, the terms of which (including the mechanics of price determination and the supply volumes) are determined by the Supervisory Board of the Market Council, an independent industry body which is responsible for the rules and regulations of the electricity market.

As a participant in the power wholesale market, if OJSC SUAL did not enter into the contracts, the terms of which were not negotiable, it would be considered to be in breach of the relevant Russian

regulations and would be prohibited from purchasing electricity and capacity on the wholesale market and would be required to purchase electricity and capacity from the retail market at a higher price, substantially increasing the costs of power supply for the Group. The consideration under the provision of power contracts was satisfied in cash via wire transfer.

The actual monetary value of electricity and capacity purchased under these provision of power contracts during the period from 1 January 2013 to 15 March 2013 was USD 0.2 million.

The aggregate consideration for the long-term and short-term electricity and capacity supply contracts together with the miscellaneous electricity and capacity transmission contracts between the Group and the associates of En+ for the year ended 31 December 2013 was USD 635.2 million, which is within the annual cap of USD1,385 million (net of VAT and using the exchange rate at USD 1 = RUB28.5 subject to possible change due to the fluctuations of the RUB/USD exchange rate) as approved by the independent shareholders of the Company for such type of continuing connected transactions for the year ended 31 December 2013.

The aggregate consideration for the short-term electricity and capacity supply contracts and the provision of power contracts between the Group and the associates of Mr. Vekselberg during the period from 1 January 2013 to 15 March 2013 was USD 1.2 million, which is within the annual cap of USD282 million (net of VAT and using the exchange rate at USD 1 = RUB28.5 subject to possible change due to the fluctuations of the RUB/USD exchange rate) for such type of continuing connected transactions for the year ended 31 December 2013.

### B ALUMINIUM SALE CONTRACTS

Members of the Group have from time to time entered into aluminium sales contracts with associates of Mr. Vekselberg/SUAL Partners and with associates of Mr. Oleg Deripaska ("Mr. Deripaska").

#### Aluminium Sales Contracts with Mr. Vekselberg's/SUAL Partners' Associates

##### (a) OJSC KUMZ

OJSC KUMZ is a company controlled by certain shareholders of SUAL Partners as to more than 30%. OJSC KUMZ is considered as an associate of SUAL Partners. Accordingly, transactions between companies of the Group and OJSC KUMZ, discussed below, constitute continuing connected transactions of the Company under the Listing Rules.

On 4 October 2007, the Group through Open Joint Stock Company "United Company RUSAL - Trading House" ("UC RUSAL TH"), being a wholly-owned

## Directors' Report

subsidiary of the Company, entered into a long-term contract to supply aluminium to OJSC KUMZ, for a period until December 2021. The price is set on arm's length terms, which is linked to the price of aluminium on the LME, namely the price on the LME plus premium which will be based on the quality (grade) of the metal and determined based on normal commercial terms. All consideration is satisfied in cash via wire transfer.

As disclosed in the Company's announcement dated 18 March 2011, during 2009 and 2010, the Group through UC RUSAL TH, entered into a series of contracts with OJSC KUMZ, supplemental to the long-term aluminium sales contract with OJSC KUMZ, under which UC RUSAL TH agreed to supply aluminium produced by the Group's smelters to OJSC KUMZ, the exact products and price of which have been determined on arm's length terms on a monthly basis. Similar contracts between members of the Group and OJSC KUMZ have been concluded from time to time during 2013 and are expected to be concluded in subsequent years.

The total consideration for the aluminium supplied under these contracts to OJSC KUMZ during the year ended 31 December 2013 amounted to USD 139.5 million.

### (b) OJSC Khimprom

Khimprom Joint Stock Company ("**OJSC Khimprom**") is more than 30% controlled by Mr. Vekselberg and thus an associate of Mr. Vekselberg and was a connected person of the Company under the Listing Rules until 15 March 2013. As disclosed in the Company's announcement dated 27 September 2011, short-term aluminium sale contracts between members of the Group and OJSC Khimprom were expected to be concluded in 2013. During 2013, no such contracts were entered into and there have been no supply of aluminium from the Group to OJSC Khimprom.

### (c) OJSC KUZOTSM

OJSC KUZOTSM is indirectly owned by Mr. Vekselberg as to more than 30% and thus is an associate of Mr. Vekselberg and was a connected person of the Company under the Listing Rules until 15 March 2013. Accordingly, the transactions between members of the Group and OJSC KUZOTSM, discussed below, constituted continuing connected transactions of the Company until 15 March 2013 under the Listing Rules.

On 18 May 2012, the Group, through UC RUSAL TH entered into a contract with OJSC KUZOTSM pursuant to which UC RUSAL TH agreed to sell and OJSC KUZOTSM agreed to purchase aluminium products. The consideration was to be pre-paid. The scheduled termination date for the contract is on 31 December 2014. During the period from 1 January 2013 to 15

March 2013, the Group, through UC RUSAL TH, entered into addendums to this aluminium sale contract with OJSC KUZOTSM from time to time.

The consideration for the aluminium products supplied under this contract and the addendums to OJSC KUZOTSM during the period from 1 January 2013 to 15 March 2013 amounted to USD 0.5 million. The consideration was satisfied in cash via wire transfer.

### (d) OJSC IRKUTSKKABEL

OJSC Irkutskkabel is indirectly owned by Mr. Vekselberg as to more than 30% and thus is an associate of Mr. Vekselberg and was a connected person of the Company under the Listing Rules until 15 March 2013. Accordingly, the transactions between members of the Group and OJSC Irkutskkabel, discussed below, constituted continuing connected transactions of the Company until 15 March 2013 under the Listing Rules.

On 20 April 2012, RUSAL Foil Limited Liability Company ("**Rusal Foil LLC**"), being a subsidiary of the Company, entered into a contract with OJSC Irkutskkabel, pursuant to which Rusal Foil LLC agreed to sell and OJSC Irkutskkabel agreed to purchase aluminium products. 50% of the consideration was to be paid within 5 days from the date of the seller's notice that the aluminium products were ready for production, while the balance was to be paid within 5 days from the date of the seller's notice that the aluminium products were ready for shipment. The scheduled termination date for the contract is on 31 March 2013.

The consideration was satisfied in cash via wire transfer. The consideration for the aluminium products supplied under this contract to OJSC Irkutskkabel during the period from 1 January 2013 to 15 March 2013 amounted to USD 0 million.

### (e) OJSC KIRSKABEL

OJSC Kirskabel is indirectly owned by Mr. Vekselberg as to more than 30% and thus is an associate of Mr. Vekselberg and was a connected person of the Company under the Listing Rules until 15 March 2013. Accordingly, the transactions between members of the Group and OJSC Kirskabel, discussed below, constituted continuing connected transactions of the Company until 15 March 2013 under the Listing Rules.

On 11 September 2012, Rusal Foil LLC, being a subsidiary of the Company, entered into a contract with OJSC Kirskabel, pursuant to which Rusal Foil LLC agreed to sell and OJSC Kirskabel agreed to purchase aluminium foil. 50% of the consideration was to be paid within 5 days from the date of the seller's notice that the aluminium foil was ready for production, while the balance was to be paid within 5 days from the date of the seller's notice that the

## Directors' Report

aluminium foil was ready for shipment. The scheduled termination date for the contract is on 31 May 2013.

The consideration was satisfied in cash via wire transfer. The consideration for the aluminium foil supplied under this contract to OJSC Kirskabel during the period from 1 January 2013 to 15 March 2013 amounted to USD0 million.

The aggregate consideration received for the aluminium supplied under the aluminium sale contracts to the associates of Mr. Vekselberg (during the period from 1 January 2013 to 15 March 2013) and the associates of SUAL Partners for the year ended 31 December 2013 amounted to USD 140 million, which was within the annual cap of USD367.09 million for 2013 as disclosed in the Company's announcement dated 12 September 2012.

### Aluminium Sales Contracts with Mr. Deripaska's Associates

Mr. Deripaska, the chief executive officer and an executive Director of the Company, indirectly controls more than 30% of each of (i) LLC Tradecom, (ii) LLC KraMZ, (iii) DOZAKL, (iv) members of the group of Open Joint Stock Company "GAZ" (the "**GAZ Group**") including LLC GAZ, "GAZ Group Autocomponents" LLC, OJSC "UMZ", JSC AVTODIZEL, JSC "URAL Motor Vehicles Plant"; (v) OJSC "Plant MOSMEK" (formerly known as Glavstroy-MOSMEK), and (vi) Barnaultransmash. Each of these companies is therefore an associate of Mr. Deripaska. As such, the transactions between members of the Group and LLC Tradecom, LLC KraMZ, DOZAKL, members of the GAZ Group including LLC GAZ, "GAZ Group Autocomponents" LLC, OJSC "UMZ", JSC AVTODIZEL and JSC "URAL Motor Vehicles Plant", OJSC "Plant MOSMEK" and Barnaultransmash, discussed below, constitute continuing connected transactions of the Company under the Listing Rules.

#### (a) LLC Tradecom and LLC KraMZ

On 14 December 2006, the Group through UC RUSAL TH, entered into a long-term contract to supply aluminium to LLC Tradecom for a period until December 2021. Pursuant to the contract, the Group would supply aluminium to LLC Tradecom at arm's length prices tied to the price of aluminium on the LME. The consideration under the contract must be prepaid. For further details of this long-term contract, please refer to the circular dated 13 December 2013 issued by the Company.

As disclosed in the Company's announcement dated 18 March 2011, the substitution agreement was signed by UC RUSAL TH, LLC Tradecom and LLC KraMZ on 17 March 2011 pursuant to which LLC KraMZ substituted LLC Tradecom as the buyer to the above long-term supply contract.

The consideration for the aluminium supplied under this contract (as supplemented) to LLC KraMZ during the year ended 31 December 2013 amounted to USD 225.5 million. The consideration was satisfied in cash via wire transfer.

#### (b) Members of GAZ Group

On 28 February 2009, the Group through UC RUSAL TH, entered into a framework agreement with LLC GAZ pursuant to which the Group agreed to supply aluminium at arm's length prices on a monthly basis until 31 December 2010. The agreement was to be automatically extended for another calendar year unless the parties declared their intention to terminate it. The agreement was not extended as at 31 December 2012. Similar contracts were entered into between members of the Group and members of the GAZ Group for the year ended 31 December 2013 (including the agreements each dated 1 January 2013 with each of "GAZ Group Autocomponents" LLC, OJSC "UMZ", JSC AVTODIZEL and JSC "URAL Motor Vehicles Plant").

The total consideration for the aluminium supplied under these contracts to the members of GAZ Group during the year ended 31 December 2013 amounted to USD 14.3 million. The consideration was satisfied in cash via wire transfer.

On 27 September 2010, RUSAL RESAL, a wholly-owned subsidiary of the Company, entered into a short-term agreement to supply secondary aluminium to LLC GAZ for a period until 31 December 2010 at arm's length prices determined on a monthly basis. On 15 February 2012, RUSAL RESAL entered into a short-term agreement to supply secondary aluminium to "GAZ Group Autocomponents" LLC for a period until 31 December 2012 at arm's length prices determined on a monthly basis. Both of these agreements were to be automatically extended for another calendar year unless the parties declared their intention to terminate it.

Both of the agreements dated 27 September 2010 and 15 February 2012 were not extended as at 31 December 2012. Similar contracts were entered into between RUSAL RESAL and members of GAZ Group for the year ended 31 December 2013 (including the agreements each dated 1 January 2013 with each of "GAZ Group Autocomponents" LLC, OJSC "UMZ", JSC AVTODIZEL and JSC "URAL Motor Vehicles Plant") and the total consideration for the aluminium supplied under these contracts to the members of GAZ Group for the year ended 31 December 2013 amounted to USD 2.1 million. The consideration was satisfied in cash via wire transfer.

On 30 December 2011, the Group through UC RUSAL TH, entered into the contract with "GAZ Group Autocomponents" LLC pursuant to which the Group

## Directors' Report

agreed to supply aluminium at arm's length prices on a monthly basis until 31 December 2014. During 2013, the Group, through UC RUSAL TH, entered into addendums to this aluminium sale contract with "GAZ Group Autocomponents" LLC from time to time.

The consideration was to be satisfied in cash via wire transfer. The total consideration for the aluminium supplied under this contract to "GAZ Group Autocomponents" LLC during the year ended 31 December 2013 amounted to nil.

### (c) DOZAKL

On 14 December 2006, the Group through UC RUSAL TH, entered into a long-term contract to supply aluminium to DOZAKL for a period until 31 December 2021 at arm's length prices tied to the price of aluminium on the LME. The consideration was to be paid within 30 days from delivery. Since March 2010, there have been no supplies under this contract. The consideration was to be satisfied in cash via wire transfer. The consideration for the aluminium supplied under this contract to DOZAKL during the year ended 31 December 2013 amounted to nil.

On 1 January 2013, RusAl Foil LLC, a wholly-owned subsidiary of the Company, entered into a contract to supply aluminium tape to DOZAKL at arm's length prices tied to the price of aluminium on the LME until 31 December 2013.

The consideration for the aluminium tape supplied under this contract to DOZAKL during the year ended 31 December 2013 amounted to USD7.3 million. The consideration was satisfied in cash via wire transfer.

### (d) OJSC "Plant-MOSMEK"

On 30 December 2011, the Group through UC RUSAL TH, entered into an agreement to supply aluminium products to OJSC "Plant MOSMEK" for a period until 31 December 2014.

Under this contract, UC RUSAL TH supplies aluminium at arm's length prices determined on a monthly basis. During 2013, the Group, through UC RUSAL TH, entered into addendums to this aluminium sale contract with OJSC "Plant MOSMEK" from time to time. The consideration was to be satisfied in cash via wire transfer. The consideration for the aluminium supplied under this contract to OJSC "Plant MOSMEK" during the year ended 31 December 2013 amounted to nil.

### (e) Barnaultransmash

On 1 January 2013, the Group through UC RUSAL TH, entered into a contract to supply aluminium to Barnaultransmash for a period until 31 December 2015. Under this contract, UC RUSAL TH supplied aluminium at arm's length prices determined on a monthly basis. The consideration for the aluminium supplied under this contract to Barnaultransmash during the year ended 31 December 2013 amounted

to USD 1.1 million. The consideration was satisfied in cash via wire transfer.

The aggregate consideration for the aluminium supplied to each of the companies referred to above, which are associates of Mr. Deripaska, for the year ended 31 December 2013 was approximately USD 248.1 million, which was within the annual cap of USD690 million for 2013.

### C PURCHASE OF RAW MATERIALS FROM THE ASSOCIATES OF MR. VEKSELBERG AND MR. BLAVATNIK FOR PRODUCTION

Mr. Vekselberg (who was a non-executive Director until his resignation with effect from 16 March 2012) and Mr. Len Blavatnik (who is a non-executive Director) ("**Mr. Blavatnik**"), being the ultimate beneficial owners of SUAL Partners, a substantial shareholder of the Company, each indirectly hold more than 30% of the share capital in each of Energoprom Management, Doncarb Graphite Limited Liability Company ("**Doncarb Graphite**"), Public Joint Stock Company "ENERGOPROM – Chelyabinsk Electrode Plant" ("**PJSC "EPM-ChEP"**"), Public Joint Stock Company "ENERGOPROM – Novocherkassk Electrode Plant" ("**PJSC "EPM-NEP"**") and Close Joint Stock Company "ENERGOPROM – Novosibirsk Electrode Plant" ("**CJSC "EPM – NovEP"**").

Each of Energoprom Management, Doncarb Graphite, PJSC "EPM-ChEP", PJSC "EPM-NEP" and CJSC "EPM – NovEP" is therefore an associate of each of Mr. Vekselberg and Mr. Blavatnik and thus a connected person of the Company under the Listing Rules.

Accordingly, the transactions between members of the Group on one part and Energoprom Management, Doncarb Graphite, PJSC "EPM-ChEP", PJSC "EPM-NEP" or CJSC "EPM – NovEP" on the other, discussed below, constitute continuing connected transactions for the Company under the Listing Rules. Pursuant to Rule 14A.25 of the Listing Rules, the transactions disclosed below were aggregated as they are entered into by the Group with the associates of the same connected persons who are associated with one another and the subject matters of each of the agreements relate to the purchase of raw materials by members of the Group for production.

Certain members of the Group have entered into a number of contracts with Energoprom Management, Doncarb Graphite, PJSC "EPM-ChEP", PJSC "EPM-NEP" and CJSC "EPM – NovEP" to purchase various raw materials for production purposes. The prices for the purchase of raw materials under each of the contracts are determined on an arm's length basis. The consideration for each of these contracts was satisfied in cash via wire transfer.

## Directors' Report

Details of these transactions are set out in the table below:

Buyer (member of the Group)	Seller	Date of contract	Term of contract	Type of raw materials	Payment terms	Actual consideration for the year ended 31 December 2013 USD million (excluding VAT)
UC RUSAL TH	Energoprom Management (changed to CJSC "EPM-NovEP" starting from 01.03.2013)	25.12.2012 (addendum) 26.02.2013 (change of parties)	Up to 31.12.2013	Calcined petroleum coke	Within 3 business days upon receipt of pro forma invoice	12
UC RUSAL TH	Doncarb Graphite	28.01.2013	Up to 31.12.2013	Cathode blocks	Upon delivery	0.3
UC RUSAL TH	PJSC "EPM-ChEP"	19.02.2013	Up to 31.12.2013	Anode blocks	Upon delivery	1.3
UC RUSAL TH	PJSC "EPM-NEP"	20.02.2013	Up to 31.12.2013	Graphitized electrodes	Upon delivery	2.3
UC RUSAL TH	CJSC "EPM – NovEP"	18.06.2013	Up to 31.12.2013	Graphitized electrodes	Upon delivery	2.1
UC RUSAL TH	PJSC "EPM-NEP"	18.06.2013	Up to 31.12.2013	Graphitized electrodes	Upon delivery	0
OJSC RUSAL Boxitogorsk	PJSC "EPM-NEP"	18.06.2013	Up to 30.09.2013	Graphitized electrodes	Within 30 days after shipment date	0.2
UC RUSAL TH	PJSC "EPM-ChEP"	26.08.2013	Up to 31.12.2013	Graphitized electrodes	Upon delivery	0
<b>Total:</b>						<b>18.2</b>

The aggregate consideration for the raw materials supplied for production under these contracts by the associates of Mr. Vekselberg and Mr. Blavatnik during the year ended 31 December 2013 amounted to USD 18.2 million which was within the maximum aggregate consideration of USD30.125 million for 2013 as disclosed in the announcement dated 27 August 2013.

#### D PURCHASE OF RAW MATERIALS FROM THE ASSOCIATES OF MR. VEKSELBERG AND MR. BLAVATNIK FOR REPAIRING

As discussed above, each of Energoprom Management and CJSC "EPM-NovEP" is the associate

of Mr. Vekselberg and Mr. Blavatnik. Accordingly, the purchase of raw materials contracts, discussed below, between members of the Group as buyers and Energoprom Management or CJSC "EPM-NovEP" as seller, for the purposes of the Group's repair programme, constitute continuing connected transactions for the Company under the Listing Rules. The prices for the purchase of raw materials under each of the contracts are determined on an arm's length basis. The consideration for each of the contracts was satisfied in cash via wire transfer.

The details of these raw materials purchase contracts are set out below:



## Directors' Report

Buyer (member of the Group)	Seller	Date of contract	Type of raw materials	Term of contract	Payment terms	Actual consideration for the year ended 31 December 2013 USD million (excluding VAT)
RUS-Engineering LLC	Energoprom Management	27.12.2012	Cathode blocks	Up to 31.12.2013	Within 20 days after the date of supply	33.4
RUS-Engineering LLC	CJSC "EPM- NovEP"	14.02.2013	Carbon paste	Up to 31.12.2013	Within 20 days after the date of supply	4.5
<b>Total</b>						<b>37.9</b>

The aggregate consideration for the raw materials supplied under these contracts by the associates of Mr. Vekselberg and Mr. Blavatnik during the year ended 31 December 2013 amounted to USD37.9 million, which was within the maximum aggregate consideration of USD46.045 million for 2013 as disclosed in the announcement dated 15 February 2013.

#### E PURCHASE OF RAW MATERIALS FROM BCP

CJSC BaseCement-Pikalevo ("**BCP**"), of which more than 30% of the issued share capital is indirectly held by En+, is an indirect subsidiary of En+, a

Controlling Shareholder of the Company. BCP is therefore an associate of En+ and a connected person of the Company under the Listing Rules.

Accordingly, the transactions entered into between members of the Group as buyers and BCP as seller constitute continuing connected transactions of the Company under the Listing Rules. The prices for the purchase of raw materials under each of these contracts are determined on an arm's length basis. The consideration for each of these contracts was satisfied in cash via wire transfer.

Details of these transactions are set out in the table below:

Buyer	Date of contract	Term of contract	Type of raw materials	Payment terms	Actual consideration for the year ended 31 December 2013 USD million (excluding VAT)
UC RUSAL TH	23.12.2011	Up to 31.12.2014	Alumina products	Preliminary payment for the supply in the current month to be made during the month of supply in the amount of the monthly volume as stated in the contract, with final settlement based on actual supplied volumes of alumina products and actual price to be paid in the following month	63.3
RUSAL Boksitogorsk	19.03.2008 25.03.2011 (addendum)	Up to 31.12.2018	Limestone	100% prepayment	0
<b>Total:</b>					<b>63.3</b>

## Directors' Report

The aggregate consideration for the raw materials supplied under these contracts by BCP during the year ended 31 December 2013 amounted to USD63.3 million which was within the maximum aggregate consideration of USD104 million for 2013 as disclosed in the announcement dated 15 December 2011.

### F SALE OF RAW MATERIALS TO THE ASSOCIATES OF MR. DERIPASKA AND EN+

Mr. Deripaska indirectly controls more than 30% of each of Limited Liability Company Stroysservice ("**Stroysservice**"), LLC "Autocomponent – Group GAZ", LLC "Eniseyskiy CBK", OJSC "Khakass bentonite", Glavstroy Ust Labinsk Ltd, BCP and Achinsk Cement LLC, and therefore, each of them is an associate of Mr. Deripaska and thus a connected person of the Company according to the Listing Rules. Each of Closed Joint Stock Company "Irkutskenergoremont" ("**Irkutskenergoremont**"), "KraMZ-Auto" Limited Liability Company ("**KraMZ-Auto**"), LLC "KraMZ", CJSC MC Soyuzmetallresource and JSC Irkutskenergo

is held by En+ as to more than 30% of the issued share capital. En+ is in turn held by Mr. Deripaska as to more than 50% of the issued share capital. Each of "Irkutskenergoremont", KraMZ-Auto, LLC "KraMZ", CJSC MC Soyuzmetallresource and JSC Irkutskenergo is therefore an associate of En+ and of Mr. Deripaska. Accordingly, the contracts discussed below constitute continuing connected transactions for the Company under the Listing Rules. Pursuant to Rule 14A.25 of the Listing Rules, the transactions disclosed below were aggregated as they are entered into by the Group with the associates of the same connected persons who are associated with one another and the subject matters of each of the agreements relate to the sale of raw materials by members of the Group. The prices for the sale of raw materials under each of the contracts are determined on an arm's length basis. The consideration for each of these contracts was satisfied in cash via wire transfer.

The details of these contracts are set out below:

## Directors' Report

Buyer (associate of Mr. Deripaska)	Seller (member of the Group)	Date of contract	Type of raw materials	Term of contract	Payment term	Actual consideration for the year ended 31 December 2013 USD million (excluding VAT)
"Irkutskenergoremont"	OJSC Rusal Bratsk	01.01.2013	Commodities and materials (gasoline, diesel fuel oil, engine oil, lubricants)	Up to 31.01.2013. No extension.	Upon delivery within 10 business days	0
KraMZ-Auto	OJSC Rusal Bratsk	01.01.2013	Commodities and materials (gasoline, diesel fuel oil, engine oil, lubricants)	Up to 31.01.2013. No extension.	Upon delivery within 10 business days	0.1
KraMZ-Auto	OJSC Rusal Sayanogorsk	01.01.2013	Fuels and lubricants	Up to 31.01.2013. No extension.	Upon delivery within 10 business days from the date of invoice	0.4
Stroyservice	OJSC Rusal Sayanogorsk	01.01.2013	Lumber, construction materials, fuels, and lubricants	Up to 31.01.2013. No extension.	Upon delivery within 10 business days from the date of invoice	3
KraMZ-Auto	OJSC Rusal Krasnoyarsk	01.01.2013	Fuels and lubricants	Up to 31.01.2013. No extension.	Invoices to be issued monthly and payments are to be made before the 10th day of the following month	0.2
LLC "KraMZ"	UC RUSAL TH	26.12.2012	Silicon	Up to 31.01.2013. The contract will be extended by an addendum but either party can choose not to renew the contract without prior consent of the other party 20 days before the end of contract	100% pre- payment	0.6
LLC "Autocomponent – Group GAZ"	UC RUSAL TH	26.12.2012	Silicon	Up to 31.01.2013. The contract will be extended by an addendum but either party can choose not to renew the contract without prior consent of the other party 20 days before the end of contract	100% pre- payment	0

# Directors' Report

Buyer (associate of Mr. Deripaska)	Seller (member of the Group)	Date of contract	Type of raw materials	Term of contract	Payment term	Actual consideration for the year ended 31 December 2013 USD million (excluding VAT)
LLC "Eniseyskiy CBK"	RUSAL Achinsk	15.01.2013	Soda ash	Up to 31.12.2013, can be extended upon additional agreement between parties	100% pre- payment	3
OJSC "Khakass bentonite"	RUSAL Achinsk	24.01.2013	Soda ash	Up to 31.12.2013, can be extended upon additional agreement between parties	100% pre- payment	0.5
Glavstroy Ust Labinsk Ltd	UC RUSAL TH	25.01.2013	Aluminium paste APG	Up to 31.12.2013	100% pre- payment	0.1
CJSC MC SoyuzmetAllresource	UC RUSAL TH	25.01.2013	Aluminium powder grade APG	Up to 31.12.2013	100% payment within 30 days from date of shipment	0.5
BCP	UC RUSAL TH	07.02.2013	Aluminium granules	Up to 31.12.2013	100% pre- payment	0
LLC "Eniseyskiy CBK"	RUSAL Achinsk	02.07.2013 (addendum)	Soda ash	Up to 31.12.2013, can be extended upon further agreement between parties	Within 10 days upon delivery	0
Irkutskenergo	JSC Kremniy	16.09.2013	Coal sweepings	Up to 31.12.2013, may be extended automatically for one year if neither party declares its intention to terminate the contract in writing	Within 10 days after shipment	0
Achinsk Cement LLC	RUSAL Achinsk	25.12.2012	Nepheline mud overburden	Up to 31.12.2013, renewable upon agreement of both parties	100% pre- payment	2.5
Achinsk Cement LLC	RUSAL Achinsk	25.12.2012 15.11.2013 (additional agreement)	Crushed limestone	Up to 31.12.2013, renewable upon agreement of both parties	100% pre- payment	4.3
Achinsk Cement LLC	RUSAL Achinsk	25.12.2012	Clay from overburden	Up to 31.12.2013, renewable upon agreement of both parties	100% pre- payment	0.1
Achinsk Cement LLC	RUSAL Achinsk	25.12.2012	Pulverized coal fuel	Up to 31.12.2013, renewable upon agreement of both parties	100% pre- payment	0.1
KraMZ-Auto	RUSAL Achinsk	14.11.2012	Diesel fuel	Up to 31.12.2013, renewable upon agreement of both parties	100% pre- payment	0.1

## Directors' Report

Buyer (associate of Mr. Deripaska)	Seller (member of the Group)	Date of contract	Type of raw materials	Term of contract	Payment term	Actual consideration for the year ended 31 December 2013 USD million (excluding VAT)
Achinsk Cement LLC	RUSAL Achinsk	14.11.2012	Diesel fuel	Up to 31.12.2013, renewable upon agreement of both parties	100% pre- payment	0
Achinsk Cement LLC	RUSAL Achinsk	14.11.2012	Fuel oil	Up to 31.12.2013, renewable upon agreement of both parties	100% pre- payment	0.9
Achinsk Cement LLC	RUSAL Achinsk	14.11.2012	Black coal	Up to 31.12.2013, renewable upon agreement of both parties	100% pre- payment	6.9
<b>Total</b>						<b>23.3</b>

The aggregate consideration for the raw materials supplied under these contracts to the associates of Mr. Deripaska/En+ during the year ended 31 December 2013 amounted to USD23.3 million, which was within the maximum aggregate consideration of USD48.06 million for 2013 as disclosed in the announcement dated 18 November 2013.

#### G SALE OF RAW MATERIALS TO THE ASSOCIATES OF SUAL PARTNERS, MR. VEKSELBERG AND MR. BLAVATNIK

As discussed above, (i) each of Energoprom Management, Doncarb Graphite and CJSC "EPM – NovEP" is an associate of each of Mr. Vekselberg and Mr. Blavatnik; and (ii) OJSC KUMZ is considered as an associate of SUAL Partners, and thus each of these entities is a connected person of the Company under the Listing Rules. As discussed above, OJSC Khimprom is an associate of Mr. Vekselberg and was a connected person of the Company under the Listing Rules until 15 March 2013. Accordingly, the

transactions between members of the Group on one part and Energoprom Management, Doncarb Graphite, CJSC "EPM – NovEP", OJSC KUMZ or OJSC Khimprom (until 15 March 2013) on the other, discussed below, constitute continuing connected transactions for the Company under the Listing Rules. Pursuant to Rule 14A.25 of the Listing Rules, the transactions disclosed below were aggregated as they are entered into by the Group with the associates of the same connected persons who are associated with one another and the subject matters of each of the agreements relate to the sale of raw materials by members of the Group.

The prices for the sale of raw materials under each of the contracts are determined on an arm's length basis. The consideration for each of these contracts was satisfied in cash via wire transfer. The details of these contracts are set out below:

## Directors' Report

Buyer (associate of SUAL Partners, Mr. Vekselberg and/or Mr. Blavatnik)	Seller (member of the Group)	Date of contract	Type of raw materials	Term of contract	Payment term	Actual consideration for the year ended 31 December 2013 USD million (excluding VAT)
OJSC KUMZ	UC RUSAL TH	26.12.2012	Silicon	Up to 31.12.2013, to be extended by an addendum for one year unless any of the parties declares its intention to terminate it	100% pre- payment	0.7
Energoprom Management (changed to CJSC "EPM- NovEP" starting from 01.03.2013)	UC RUSAL TH	25.12.2012 (addendum) 26.02.2013 (change of parties)	Green petroleum coke	Up to 31.12.2013	Within 25 days upon receipt of pro forma invoice	8.5
OJSC Khimprom	UC RUSAL TH	25.01.2013	Silicon	Up to 31.12.2013, subject to automatic renewal clause for one year, while both parties can choose not to renew without prior consent of the other party 20 days before the scheduled termination date	100% pre- payment	0.2 (from 01.01.2013 to 15.03.2013)
Doncarb Graphite	SUAL- Kremniy- Ural	05.02.2013 (additional agreement)	Silicon	Up to 31.12.2013, subject to automatic renewal clause for one year, while both parties can choose not to review without prior consent of the other party 20 days before the scheduled termination date	100% pre- payment	0.1
OJSC Khimprom	UC RUSAL TH	11.02.2013	Aluminium powder	Up to 31.12.2013	100% pre- payment	0
<b>Total</b>						<b>9.5</b>

The aggregate consideration for the raw materials supplied under these contracts by the Group during the year ended 31 December 2013 amounted to USD9.5 million, which was within the maximum aggregate consideration of USD20.99 million for 2013 as disclosed in the announcement dated 28 February 2013.

#### H TRANSPORTATION CONTRACTS

As discussed above, KraMZ-Auto is an associate of En+ and of Mr. Deripaska, and Stroyservice is an associate of Mr. Deripaska. En+, being held by Mr. Deripaska as to more than 50% of the issued share capital, holds more than 30% of the issued share capital of OJSC Otdeleniye Vremennoy Eksploatatsii ("OVE") and thus OVE is also an associate of En+ and of Mr. Deripaska. Each of KraMZ-Auto, Stroyservice

and OVE is therefore an associate of En+ and/or Mr. Deripaska and a connected person of the Company under the Listing Rules. Accordingly, the contracts between members of the Group on one part and KraMZ-Auto, Stroyservice or OVE on the other, as discussed below, constitute continuing connected transactions for the Company under the Listing Rules. Pursuant to these contracts, KraMZ-Auto, Stroyservice and OVE were to provide various transportation services to members of the Group. All these transportation contracts are on arms-length commercial terms. The consideration for each of these contracts was satisfied in cash via wire transfer.

Details of these contracts are set out in the table below:

## Directors' Report

Service provider (associate of En+ and/or Mr. Deripaska)	Customer (member of the Group)	Date of contract	Term of contract	Payment terms	Actual consideration for the year ended 31 December 2013 USD million (excluding VAT)
KraMZ-Auto	RUSAL Achinsk OJSC	24.06.2011	Up to 31.12.2013	Within 10 business days after receipt of invoice	Nil
KraMZ-Auto	See Note 1	From 25.12.2012 to 01.01.2013	Up to 31.12.2013	50% be paid before the 15th day of the month following the reporting month, and remaining 50% be paid before the 30th day of the month following the reporting month, or to be settled within a specified period (ranges from 10 business days to 60 calendar days) after receipt of invoice	12.3
OVE	See Note 2	01.01.2013 10.01.2013	Up to 31.12.2013	Within 10 days after receipt of invoice	1.9
Stroyservice	Teplouresurs Limited Liability Company	01.01.2013	Up to 31.12.2013	Within 60 days upon receipt of invoice	0
KraMZ-Auto	RUSAL Taishet Aluminium Smelter	01.03.2013	Up to 31.12.2013	On monthly basis within 60 days from receipt of tax invoice	0.3
Stroyservice	RUSAL Taishet Aluminium Smelter	01.03.2013	Up to 31.12.2013	On monthly basis within 60 days from receipt of tax invoice	0.1
KraMZ-Auto	RUS-Engineering LLC	30.09.2013 (additional contract)	Up to 31.12.2013	50% be paid before the 15th day of the month following the reporting month, and remaining 50% be paid before the 30th day of the month following the reporting month	0
KraMZ-Auto	RUSAL Bratsk Aluminium Smelter	23.12.2013	Up to 31.12.2013	Within 10 business days upon receipt of invoice	0.1
OVE	RUSAL Sayanogorsk	23.12.2013	Up to 31.12.2013	Within 10 business days upon receipt of invoice	0
<b>Total:</b>					<b>14.7</b>

### Notes:

- From 25 December 2012 to 1 January 2013, a series of transportation contracts were entered into between members of the Group (namely RUSAL Medical Centre, RUSAL SAYANAL OJSC, RUS-Engineering LLC, LLC "IT-Service", RUSAL Bratsk OJSC, RUSAL Krasnoyarsk OJSC, RUSAL Sayanogorsk OJSC, Sayanogorsky Vagonoremontniy Zavod Limited Liability Company, Teplouresurs Limited Liability Company and CJSC "Boguchany Aluminium Smelter Construction Organizer") and KraMZ-Auto.
- On 1 January 2013, RUSAL Sayanogorsk OJSC (a member of the Group) entered into a transportation contract with OVE. On 10 January 2013, RUSAL SAYANAL OJSC, (a member of the Group), entered into a transportation contract with OVE.

The aggregate consideration for the transportation services provided by the associates of En+ and/or Mr. Deripaska during the year ended 31 December 2013 amounted to USD 14.7 million, which was within the maximum aggregate consideration of USD18.36 million for 2013 as disclosed in the announcement dated 24 December 2013.

### I HEAT SUPPLY CONTRACTS WITH MR. VEKSELBERG'S ASSOCIATES

Mr. Vekselberg indirectly holds more than 30% of the issued share capital of TGK-9 OJSC. Therefore TGK-9 OJSC is an associate of Mr. Vekselberg and was a connected person of the Company under the Listing Rules until 15 March 2013. Accordingly, the contracts below constituted continuing connected transactions of the Company until 15 March 2013. Pursuant to these contracts, TGK-9 OJSC was to

## Directors' Report

supply heat (including heat energy and heat power in the form of steam and hot water) to members of the Group. All of these heat supply contracts are on

arms-length commercial terms. The consideration for each of these contracts was satisfied in cash via wire transfer.

Supplier (associate of Mr. Vekselberg)	Customer (member of the Group)	Date of contract	Term of contract	Payment terms	Actual consideration for the period from 1 January 2013 to 15 March 2013 USD million (excluding VAT)
TGK-9 OJSC	SUAL OJSC (UAZ-SUAL branch)	01.05.2012 (with retrospective effect from 01.01.2012)	Up to 31.12.2014	85% of the purchase price to be paid during the month of supply, with the remaining 15% in the month following the month of supply	9
TGK-9 OJSC	SUAL OJSC (UAZ-SUAL branch)	01.05.2012 (with retrospective effect from 01.01.2012)	Up to 31.12.2014	85% of the purchase price to be paid during the month of supply, with the remaining 15% in the month following the month of supply	0.2
TGK-9 OJSC	SUAL OJSC (BAZ-SUAL branch)	01.01.2012	Up to 31.12.2014	85% of the purchase price to be paid during the month of supply, with the remaining 15% in the month following the month of supply	11.5
TGK-9 OJSC	SUAL OJSC (BAZ-SUAL branch)	01.01.2012	Up to 31.12.2014	85% of the purchase price to be paid during the month of supply, with the remaining 15% in the month following the month of supply	0.3
TGK-9 OJSC	Timan Bauxite OJSC	20.12.2011	Up to 31.12.2014	Preliminary payment for heat supply in current month to be made during the month of supply in the amount of the monthly volume as stated in the contract with the final settlement based on actual supplied volumes of heat and actual price to be paid in the following month	0
TGK-9 OJSC	CJSC Komi Aluminium	01.01.2013 (additional agreement)	Up to 31.12.2013	Monthly basis with final settlement to be made no later than the 10th day of the following month	0
<b>Total:</b>					<b>21</b>



## Directors' Report

The aggregate consideration for the heat supply provided by TGK-9 OJSC during the period from 1 January 2013 to 15 March 2013 amounted to USD21 million, which was within the maximum aggregate consideration of USD206.08 million for 2013 as disclosed in the announcement dated 11 January 2013.

### J HEAT SUPPLY CONTRACTS WITH THE ASSOCIATES OF EN+

Each of Irkutskenergo, Baikalenergo Closed Joint Stock Company and Khakass Utility Systems Limited Liability Company is held by En+ (being a substantial shareholder of the Company) as to more than 30% of the issued share capital, and is therefore

an associate of En+. Each of Irkutskenergo, Baikalenergo Closed Joint Stock Company and Khakass Utility Systems Limited Liability Company is thus a connected person of the Company under the Listing Rules. Accordingly, the contracts below constitute continuing connected transactions of the Company. Pursuant to these contracts, the associates of En+ were to supply heat (including heat energy and heat power in the form of steam and hot water) to members of the Group. All of these heat supply contracts are on arms-length commercial terms. The consideration for each of these contracts was satisfied in cash via wire transfer.

Supplier (associate of En+)	Customer (member of the Group)	Date of contract	Term of contract	Payment terms	Actual consideration for the year ended 31 December 2013 USD million (excluding VAT)
Baikalenergo Closed Joint Stock Company	RUSAL Taishet Aluminium Smelter Limited Liability Company	01.01.2012	Up to 31.12.2014	Not less than 85% to be paid till the end of the current month, with the final settlement for actually consumed hot water to be made no later than the 10th day of the following month	0
Irkutskenergo	RUSAL Bratsk Open Joint Stock Company	01.01.2013	Up to 31.12.2013	Advance payment of 35% of the total price on the 18th day of each month, and 50% on the 30th day of each month with the remainder (15%) being paid up by the 10th day of the next month	0
Irkutskenergo	IrkAZ-SUAL branch of SUAL Open Joint Stock Company	01.01.2013	Up to 31.12.2013	Advance payment of 35% of the total price on the 18th day of each month, and 50% on the 30th day of each month with the remainder (15%) being paid up by the 10th day of the next month	2.2
Irkutskenergo	IrkAZ-SUAL branch of SUAL Open Joint Stock Company	01.01.2013	Up to 31.12.2013	Advance payment of 35% of the total price on the 18th day of each month, and 50% on the 30th day of each month with the remainder (15%) being paid up by the 10th day of the next month	1.8
Baikalenergo Closed Joint Stock Company	RUSAL Sayanogorks Open Joint Stock Company	01.01.2013	Up to 31.12.2013	Monthly payments within 20 days of the end of each month in which hot water and steam was supplied	0
Baikalenergo Closed Joint Stock Company	RUSAL Sayanogorks Open Joint Stock Company	01.01.2013	Up to 31.12.2013	Monthly payments within 20 days of the end of each month in which hot water and steam was supplied	0
Khakass Utility Systems Limited Liability Company	RUSAL Sayanogorks Open Joint Stock Company	20.03.2013	Up to 31.12.2013	Monthly payments within 15 days of the end of each month in which hot water and steam was supplied	5
<b>Total:</b>					<b>9</b>

## Directors' Report

The aggregate consideration for the heat supply provided by the associates of En+ during the year ended 31 December 2013 amounted to USD9 million, which was within the maximum aggregate consideration of USD12.404 million for 2013 as disclosed in the announcement dated 17 April 2013.

### K NON-LIFE INSURANCE CONTRACTS

The Company was informed in March 2014 that since 31 October 2013, Mr. Deripaska ceased to have 30% or more beneficial interest in each of Ingosstrakh Insurance Company ("Ingosstrakh"), Private Joint-Stock Insurance Company «INGO Ukraine» ("INGO Ukraine") and Insurance Closed Joint-Stock Company «INGO Armenia» ("INGO Armenia"). Accordingly, these entities ceased to be a connected person of the Company.

The Company clarifies that the Insurance Contracts as defined and disclosed in the

announcement of the Company dated 13 November 2013 do not constitute continuing connected transactions of the Company for the reason that each of Ingosstrakh, INGO Ukraine and INGO Armenia ceased to be a connected person of the Company since 31 October 2013. However, prior to 31 October 2013, each of Ingosstrakh, INGO Ukraine and INGO Armenia was a connected person of the Company under the Listing Rules. Accordingly, the insurance contracts prior to 31 October 2013 between members of the Group on one part and Ingosstrakh, INGO Ukraine or INGO Armenia on the other, discussed below, constitute continuing connected transactions for the Company under the Listing Rules.

The premium under each of the insurance contracts are determined on an arm's length basis. The premium was payable in cash via wire transfer. The details of these contracts up to 30 October 2013 are set out below:

Type of Insurance	Date of Contract	Counterparty	Duration of contract	Payment terms	Actual transaction amount from 1 January 2013 to 30 October 2013 (USD million)
Non-life insurance: compulsory liability insurance connected with operating the hazardous objects, compulsory professional liability insurance and general liability insurance program	April to May 2012 (Note 1)	Ingosstrakh, INGO Ukraine and INGO Armenia	One year	Under compulsory insurance – quarterly, before the beginning of the relevant quarter; under other insurance (general liability insurance) – within 30-40 days from the date of inception	0
Non-life insurance: property and business interruption insurance program	01.06.2012	Ingosstrakh, INGO Ukraine and INGO Armenia	One year	Two equal instalments, the first payment to be made within 2 months from the date of inception, the second payment to be made within 9 months from date of inception.	2.5
Non-life insurance: cargo insurance program	09.11. 2012	Ingosstrakh	One year	Four equal instalments, adjustable on the actual sales turnover	0.9
Non-life insurance: directors and officers liability insurance program	09.11. 2012	Ingosstrakh	One year	Within 2 months from the date of inception	0
Non-life insurance: third party motor liability and motor hull insurance	January to October 2013 (Note 1)	Ingosstrakh and INGO Armenia	One year	Before the inception	0.2

## Directors' Report

Type of Insurance	Date of Contract	Counterparty	Duration of contract	Payment terms	Actual transaction amount from 1 January 2013 to 30 October 2013 (USD million)
Non-life insurance: property in storage insurance	01.12. 2012	Ingosstrakh	One year	Quarterly payments, within 15 days from the beginning of the relevant quarter	0.1
Non-life insurance: compulsory liability insurance connected with operating the hazardous objects and the nuclear energy sources, general liability insurance program	April to December 2013 (Note 1)	Ingosstrakh, INGO Ukraine and INGO Armenia	One year	Under compulsory insurance – quarterly, before the beginning of the relevant quarter; under other insurance (general liability insurance) – within 30 days from the date of inception	0.7
Non-life insurance: compulsory professional liability insurance	January to May 2013 (Note 1)	Ingosstrakh	One year	Within 15 days from the date of inception	0
Non-life insurance: vessel hull insurance	12.04.2013	Ingosstrakh	Up to 30.06.2013	Within 30 days from the date of inception	0
Non-life insurance: property and business interruption insurance program	01.06.2013	Ingosstrakh, INGO Ukraine and INGO Armenia	One year	Two equal instalments, the first payment to be made within 2 months from the date of inception, the second payment to be made within 9 months from date of inception.	3
<b>Total amount:</b>					<b>7.4</b>

Note 1: A series of insurance contracts were entered into during the period.

The aggregate transaction amount for the insurance services provided by the insurance companies mentioned above to the Group during the period from 1 January 2013 to 30 October 2013 amounted to USD7.4 million, which was within the maximum aggregate transaction amount of USD9.63 million for 2013 as disclosed in the announcement dated 4 June 2013.

#### L VOLUNTARY HEALTH INSURANCE CONTRACTS

As discussed above, prior to 31 October 2013, Ingosstrakh was a connected person of the Company

under the Listing Rules. Accordingly, the voluntary health insurance contracts prior to 31 October 2013 between members of the Group on one part and Ingosstrakh on the other, discussed below, constitute continuing connected transactions for the Company under the Listing Rules.

The premium under each of the insurance contracts are determined on an arm's length basis. The premium was payable in cash via wire transfer. The details of these contracts up to 30 October 2013 are set out below:

## Directors' Report

Type of Insurance	Date of Contract	Counterparty	Duration of contract	Payment terms	Actual transaction amount from 1 January 2013 to 30 October 2013 (USD million)
Life and health insurance: voluntary health insurance program for employees working in the regions of Russia	01.07.2012	Ingosstrakh	Up to 30.06.2013	Quarterly payments, the first payment to be made within 15 days from the date of inception, the remaining three to be made not later than 5 working days prior to the end of the paid period.	1.2
Life and health insurance: voluntary health insurance program for employees of management companies working in Moscow, St. Petersburg and Krasnoyarsk	01.08.2012	Ingosstrakh	Up to 31.07.2013	Quarterly payments, the first payment to be made within 15 days from the date of inception, the remaining three to be made not later than 5 working days prior to the end of the paid period.	0.3
Life and health insurance: voluntary health insurance program for employees working in the regions of Russia	July–September 2013 (Note 1)	Ingosstrakh	Up to 31.07.2014	Quarterly payments, the first payment to be made within 45 days from the date of inception, the remaining three to be made not later than 5 working days prior to the end of the paid period.	1.9
Life and health insurance: voluntary health insurance program for employees of management companies working in Moscow, St. Petersburg and Krasnoyarsk	August–September 2013 (Note 1)	Ingosstrakh	Up to 31.07.2014	Quarterly payments, the first payment to be made within 45 days from the date of inception, the remaining three to be made not later than 5 working days prior to the end of the paid period.	0.3
<b>Total amount:</b>					<b>3.7</b>

Note 1: A series of insurance contracts were entered into during the period.

The aggregate transaction amount for the above insurance services provided by Ingosstrakh to the Group during the period from 1 January 2013 to 30 October 2013 amounted to USD3.7 million, which was within the maximum aggregate transaction amount of USD5.54 million for 2013 as disclosed in the announcement dated 18 September 2013.

#### M PURCHASE OF VEHICLES FROM THE ASSOCIATES OF MR. DERIPASKA

Each of OJSC Ruzhimmash and "GAZ Group Commercial Vehicles" LLC is indirectly held by Mr. Deripaska as to more than 30% of the issued share capital, and therefore is an associate of Mr.

Deripaska and a connected person of the Company under the Listing Rules.

Accordingly, the transactions entered into between members of the Group as buyers and OJSC Ruzhimmash or "GAZ Group Commercial Vehicles" LLC as seller constitute continuing connected transactions of the Company under the Listing Rules. The prices for the purchase of vehicles under each of these contracts are determined on an arm's length basis. The consideration for each of these contracts was satisfied in cash via wire transfer.

Details of these transactions are set out in the table below:

## Directors' Report

Buyer (member of the Group)	Seller (associate of Mr. Deripaska)	Date of contract	Subject matter of the purchase	Term of contract	Payment terms	Actual consideration for the year ended 31 December 2013 USD million (excluding VAT)
RUSAL Trans	OJSC Ruzhimash	27.12.2012	Railcars	Up to 31.12.2014, can be extended for one year	See Note 1	0.1
JSC "Ural foil"	"GAZ Group Commercial Vehicles" LLC	18.07.2013	Vehicle	Up to 31.12.2013	Pre-payment	0
<b>Total:</b>						<b>0.1</b>

### Note 1:

Under the railcars supply agreement, the payment terms are as follows:

Payment for development and manufacturing:

40% To be paid within 15 banking days after effective date of agreement

45% To be paid at least 10 days prior to the commencement of preliminary and certification testing of the trial railcar; and

Balance To be paid within 10 working days after three months of operation of the railcar under a normal load from the railcar delivery date. If there are deficiencies that would require elimination or additional improvements are identified during that period, the final payment date will be postponed proportionately to the time spent of eliminating deficiencies identified during the operation of the railcar

Payment for supply of railcars:

– 70% (prepayment) of the agreed cost of monthly railcar batch will be effected 15 days prior to the beginning of the month of the approved batch delivery; and

– the final settlement will be made against the invoice within 7 banking days from the date of signing the railcar acceptance.

The aggregate consideration for the vehicles supplied under these contracts by the associates of Mr. Deripaska during the year ended 31 December 2013 amounted to USD0.1 million which was within the maximum aggregate consideration of USD12.72 million for 2013 as disclosed in the announcement dated 2 August 2013.

### N REPAIR SERVICES CONTRACTS WITH THE ASSOCIATES OF EN+

Each of Bratskenergoremont Closed Joint Stock Company, Khakas Utility Systems Limited Liability Company, Rudoremontny Zavod Limited Liability Company, Irkutskenergoremont, 'Irkutsk Electronetwork Company' OJSC and LLC KraMZ is directly or indirectly held by En+ as to more than 30% of the issued share capital, each of them is therefore an associate of En+ and thus is a

connected person of the Company under the Listing Rules.

Accordingly, the transactions entered into between members of the Group as customers and Bratskenergoremont Closed Joint Stock Company, Khakas Utility Systems Limited Liability Company, Rudoremontny Zavod Limited Liability Company, Irkutskenergoremont, 'Irkutsk Electronetwork Company' OJSC or LLC KraMZ as contractors constitute continuing connected transactions of the Company under the Listing Rules. The consideration for the repair services under each of these contracts are determined on an arm's length basis. The consideration for each of these contracts was satisfied in cash via wire transfer.

Details of these transactions are set out in the table below:

## Directors' Report

Date of contract	Customer (member of the Group)	Contractor (associate of En+)	Term of contract	Repair services	Payment terms	Actual consideration for the year ended 31 December 2013 USD million (excluding VAT)
28.08.2013	RUS-Engineering LLC	Bratskenergoremont Closed Joint Stock Company	Up to 31.12.2014	Operations on overhaul maintenance of boiler	Payment is to be made within 60 days after signing the work acceptance certificate of the relevant stage by the parties.	0.2
28.08.2013	RUSAL Bratsk Aluminium Smelter Open Joint Stock Company	Irkutskenergoremont	Up to 31.12.2013	Equipment maintenance and repair operations	Prepayment of up to 30% by the customer with the final settlement to be made within 30 calendar days after receipt of invoices.	0
01.04.2013	RUSAL Sayanogorsk Aluminium Smelter Open Joint Stock Company	Khakas Utility Systems Limited Liability Company	Up to 31.12.2013	Operations on service maintenance of equipment of fuel oil pumping station	Payment is to be made within 30 days after receipt of original invoices.	0
01.04.2013	RUSAL Sayanogorsk Aluminium Smelter Open Joint Stock Company	Khakas Utility Systems Limited Liability Company	Up to 31.12.2013	Operations on service maintenance of equipment of external heat supply networks and industrial utilities and cables	Payment is to be made within 30 days after receipt of original invoices.	0
11.02.2013	RUS-Engineering LLC	Irkutskenergoremont	Up to 31.03.2013	Vacuum treatment of 220kV in-feed and preparation of transformer oil of regulating transformer	Payment is to be made within 60 days after receipt of original invoice.	0.5
29.01.2013	RUS-Engineering LLC	Rudoremontny Zavod Limited Liability Company	Up to 31.05.2013	Operations on repair of electric motors	Prepayment of 40% of the contract value with the final settlement to be made within 30 days after receipt and acceptance of invoices by the customer.	0
18.01.2013	RUSAL Bratsk Aluminium Smelter Open Joint Stock Company	Irkutskenergoremont	Up to 31.12.2013	Equipment maintenance and repair operations	Prepayment of up to 30% of the cost of the scope of work scheduled for the current month with the final settlement to be made within 30 calendar days after receipt of invoices by the customer.	1.9

## Directors' Report

Date of contract	Customer (member of the Group)	Contractor (associate of En+)	Term of contract	Repair services	Payment terms	Actual consideration for the year ended 31 December 2013 USD million (excluding VAT)
11.01.2013	RUSAL Bratsk Aluminium Smelter Open Joint Stock Company	Bratskenergoremont Closed Joint Stock Company	Up to 31.12.2013	Operations on replacement of expansion sleeves on the compressed air piping	Payment is to be made within 60 days after the customer signs the certificate presented by the contractor indicating the scope of work and the value.	0
01.01.2013	RUS-Engineering LLC	Irkutskenergoremont	Up to 31.12.2013	Equipment maintenance and repair operations	Prepayment of up to 30% of the cost of the scope of work scheduled for the current month with the final settlement to be made within 30 days after receipt of invoices by the customer.	1.6
01.01.2013	Branch office IrkAZ-SUAL of SUAL OJSC	'Irkutsk Electronetwork Company' OJSC	Up to 31.12.2013	Operation and maintenance of substation	Payment on a monthly basis in the amount of 1/12 part of the contract value within 5 days after signature of the services acceptance certificate based on the original invoice.	0.1
01.0.1.2013	Branch office IrkAZ-SUAL of SUAL OJSC	'Irkutsk Electronetwork Company' OJSC	Up to 31.12.2013	Operation and maintenance of substation	Payment on a monthly basis in the amount of 1/12 part of the contract value within 5 days after signature of the services acceptance certificate based on the original invoice.	0
31.12.2012	RUS-Engineering LLC	Irkutskenergoremont	Up to 31.12.2013	Overhaul	Prepayment will be made as to 100% of the estimated cost of the materials. Final payment for the performed work is to be made by within 60 days after signing of the relevant stage work acceptance certificate by the parties.	0.3

## Directors' Report

Date of contract	Customer (member of the Group)	Contractor (associate of En+)	Term of contract	Repair services	Payment terms	Actual consideration for the year ended 31 December 2013 USD million (excluding VAT)
18.12.2012	RUS-Engineering LLC	Irkutskenergoremont	Up to 31.01.2013	Vacuum treatment of 220kV in-feed and preparation of transformer oil of regulating transformer	Payment is to be made within 60 days after receipt of original invoice.	0
01.12.2012	RUS-Engineering LLC	Irkutskenergoremont	Up to 31.12.2013	Overhaul	Payment for the work performed and the materials and equipment for the repair services will be made by the customer by payment orders within 60 days after signing the work acceptance certificate by the parties.	0
16.10.2013	RUS-Engineering LLC	Bratskenergoremont Closed Joint Stock Company	Up to 31.12.2013	Maintenance work on the equipment of the combined heat and power plant	Within 60 days from the signing of the certificate of completed work for the corresponding stage.	1.5
27.12.2013	RUS-Engineering LLC	LLC KraMZ	Up to 31.12.2013	Repair services on the components of an induction furnace	70% to be paid in advance, and the remaining 30% to be paid within 5 business days after the date of acceptance certificate and the receipt of invoice.	0
<b>Total:</b>						<b>6.1</b>

The aggregate consideration for the repair services provided under these contracts by the associates of En+ during the year ended 31 December 2013 amounted to USD6.1 million which was within the maximum aggregate consideration of USD8.645 million for 2013 as disclosed in the announcement dated 30 December 2013.

#### 0 PURCHASE OF MATERIALS FROM THE ASSOCIATES OF MR. DERIPASKA/EN+

As discussed above, Stroyservice is an associate of Mr. Deripaska and LLC KraMZ is an associate of En+ and of Mr. Deripaska, therefore each of Stroyservice and LLC KraMZ is a connected person of the Company under the Listing Rules.

Accordingly, the transactions entered into between members of the Group as buyers and Stroyservice or LLC KraMZ as seller constitute continuing connected transactions of the Company under the Listing Rules. The prices for the purchase of materials under each of these contracts are determined on an arm's length basis. The consideration for each of these contracts was satisfied in cash via wire transfer.

Details of these transactions are set out in the table below:



## Directors' Report

Buyer (member of the Group)	Seller (associate of Mr. Deripaska /En+)	Date of contract	Subject matter of the purchase	Term of contract	Payment terms	Actual consideration for the year ended 31 December 2013 USD million (excluding VAT)
Open Joint Stock Company RUSAL Sayanogorsk	Stroyservice	01.01.2013	Railroad accessories	Up to 31.12.2013	Within 20 days after date of delivery	4.4
RUS-Engineering LLC	LLC KraMZ	14.12.2012 January to August 2013 (a series of addendums) 16.09.2013 (addendum)	Aluminium products used for cathode busbar	Up to 31.12.2013	Within 30 days from date of delivery	0
<b>Total:</b>						<b>4.4</b>

The aggregate consideration for the materials supplied under these contracts by the associates of Mr. Deripaska/En+ during the year ended 31 December 2013 amounted to USD4.4 million which was within the maximum aggregate consideration of USD7.479 million for 2013 as disclosed in the announcement dated 18 September 2013.

(II) The transactions and arrangements summarised below were entered into by members of the Group on or prior to 31 December 2013 and are in relation to transactions for the year ending 31 December 2014 and subsequent years (and not for the year ended 31 December 2013):

#### A PURCHASE OF RAW MATERIALS FROM THE ASSOCIATES OF MR. BLAVATNIK FOR PRODUCTION

As discussed above, each of PJSC "EPM-ChEP", CJSC "EPM – NovEP" and PJSC "EPM–NEP" is an associate of Mr. Blavatnik and thus is a connected person of the Company under the Listing Rules. Accordingly, the transactions entered into between members of the Group as buyers and PJSC "EPM-ChEP", CJSC "EPM

– NovEP" or PJSC "EPM–NEP" as seller constitute continuing connected transactions of the Company under the Listing Rules.

On 19 December 2013, UC RUSAL TH, as buyer, entered into an addendum to the calcined petroleum coke supply agreement dated 26 February 2013 with CJSC "EPM–NovEP" as seller, pursuant to which UC RUSAL TH agreed to purchase and CJSC "EPM–NovEP" agreed to supply calcined petroleum coke in the estimated amount of 116,400 tons for the year ending 31 December 2014, for an estimated total consideration of approximately USD29.505 million. The term of the contract is up to 31 December 2014. Under this addendum, the consideration is to be paid within 3 calendar days upon receipt of invoice for shipped products and is to be satisfied in cash via wire transfer.

On 20 December 2013, UC RUSAL TH, as buyer, entered into the following additional agreements for the purchase of graphitized and carbon electrodes with details set out below (the "Additional Purchase of Graphitized and Carbon Electrodes Agreements"):

## Directors' Report

Seller (associate of Mr. Blavatnik)	Estimated delivery volume of graphitized and carbon electrodes for the year ending 31 December 2014	Estimated consideration payable for the year ending 31 December 2014 (USD)
PJSC "EPM - ChEP"	22 tons	46,332
CJSC "EPM-NovEP"	1,089 tons	1,851,300
PJSC "EPM - NEP"	495 tons	1,167,111

For each of the Additional Purchase of Graphitized and Carbon Electrodes Agreements, the scheduled termination date is 31 December 2014, and the payment of the consideration is to be made upon delivery and is to be satisfied in cash via wire transfer.

#### B SALE OF RAW MATERIALS TO THE ASSOCIATES OF MR. DERIPASKA AND EN+

Open Joint Stock Company "Hakasskiy bentonit" is indirectly held by Mr. Deripaska as to more than 30% of the issued share capital, and is thus an associate of Mr. Deripaska and is a connected person of the Company under the Listing Rules. As discussed above,

each of Achinsk Cement LLC, LLC "Eniseyskiy CBK", LLC "Autocomponent – Group GAZ" is an associate of Mr. Deripaska and thus a connected person of the Company according to the Listing Rules. As discussed above, each of KraMZ-Auto and LLC KraMZ is an associate of En+ and of Mr. Deripaska and is a connected person of the Company under the Listing Rules. Accordingly, the contracts discussed below constitute continuing connected transactions for the Company under the Listing Rules.

During November and December 2013, members of the Group, as sellers, entered into the following raw materials supply contracts with particulars set out below:

## Directors' Report

Date of contract	Seller (member of the Group)	Buyer (an associate of Mr. Deripaska/ En+)	Raw materials to be supplied	Estimated delivery volume for the year ending 31 December 2014	Estimated consideration payable for the year ending 31 December 2014 excluding VAT (USD)	Payment terms
15.11.2013	RUSAL Achinsk	KraMZ-Auto	Diesel fuel	120 tons	142,036	100% prepayment
15.11.2013	RUSAL Achinsk	Achinsk Cement LLC	Diesel fuel	7.2 tons	7,845	100% prepayment by instalments
15.11.2013	RUSAL Achinsk	Achinsk Cement LLC	Fuel oil	6,000 tons	2,394,778	100% prepayment by instalments
15.11.2013	RUSAL Achinsk	Achinsk Cement LLC	Coal	210,632 tons	12,646,537	100% prepayment by instalments
15.11.2013	RUSAL Achinsk	Achinsk Cement LLC	Pulverized coal fuel	36,000 tons	2,693,695	100% prepayment by instalments
25.12.2013 (Note 1)	RUSAL Achinsk	Achinsk Cement LLC	Nepheline mud	559,598 tons	3,244,821	100% prepayment
25.12.2013 (Note 1)	RUSAL Achinsk	Achinsk Cement LLC	Crushed limestone	740,890 tons	4,661,545	100% prepayment
25.12.2013 (Note 1)	RUSAL Achinsk	Achinsk Cement LLC	Clay from open pit overburden	86,718 tons	119,066	100% prepayment
27.12.2013 (Note 1)	RUSAL Achinsk	Open Joint Stock Company «Hakasskiy bentonit»	Soda ash	2,700 tons	879,091	Payment within 15 days from delivery
27.12.2013 (Note 1)	RUSAL Achinsk	LLC «Eniseyskiy CBK»	Soda ash	14,500 tons	4,116,485	Payment within 10 days from delivery
26.12.2013 (Note 2)	UC RUSAL TH	LLC KraMZ	Silicon	300 tons	714,000	100% prepayment
26.12.2013 (Note 2)	UC RUSAL TH	LLC "Autocomponent - Group GAZ"	Silicon	70 tons	166,600	100% prepayment

**Notes:**

1. The contract is renewable upon agreement of both parties.
2. The contract will be renewed for one year automatically but either party can choose not to renew the contract without prior consent of the other party one month before the expiry of the contract.

For each of the contracts set out in the table above, the consideration is to be satisfied in cash via wire transfer. The scheduled termination date of each of these contracts is on 31 December 2014, unless specified otherwise.

#### C SALE OF RAW MATERIALS TO THE ASSOCIATES OF MR. BLAVATNIK

As discussed above, each of CJSC "EPM – NovEP" and Doncarb Graphite is an associate of Mr. Blavatnik and thus is a connected person of the Company. Accordingly, the transactions entered into between members of the Group on one part, and CJSC "EPM – NovEP" or Doncarb Graphite on the other, constitute

continuing connected transactions of the Company under the Listing Rules.

On 19 December 2013, UC RUSAL TH, as seller, entered into an addendum to the green petroleum coke sale agreement dated 26 February 2013 with CJSC "EPM-NovEP", as buyer, pursuant to which UC RUSAL TH agreed to supply and CJSC "EPM-NovEP" agreed to purchase green petroleum coke of approximately 156,000 tons during the year ending 31 December 2014, at a total consideration of approximately USD21.352 million. The term of the contract is up to 31 December 2014. Under this addendum, the consideration is to be paid within 25 calendar days upon receipt of invoice for shipped

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products and is to be satisfied in cash via wire transfer.

On 20 December 2013, UC RUSAL TH, as seller, entered into a sale of silicon agreement with Doncarb Graphite, as buyer, pursuant to which UC RUSAL TH agreed to supply and Doncarb Graphite agreed to purchase silicon of approximately 48 tons during the year ending 31 December 2014, at a total consideration of approximately USD0.129 million. The term of the contract is up to 31 December 2014, and will be extended for one year unless any of the parties declares its intention to terminate it. Under this agreement, the consideration is to be 100% pre-paid and satisfied in cash via wire transfer.

### D TRANSPORTATION CONTRACTS

As discussed above, each of KraMZ-Auto and OVE is an associate of En+ and of Mr. Deripaska, and therefore is a connected person of the Company. Accordingly, the transactions entered into between members of the Group on one part, and KraMZ-Auto or OVE on the other, constitute continuing connected transactions of the Company under the Listing Rules.

During December 2013, members of the Group, as customers, entered into the following transportation contracts with particulars set out below:

Date of contract	Customer (member of the Group)	Transportation service provider (an associate of En+/Mr. Deripaska)	Estimated consideration payable for the year ending 31 December 2014 excluding VAT (USD)	Payment terms	Scheduled termination date
25. 12.2013	RUSAL SAYANAL OJSC	OVE	69,609	Payment to be made within 10 days after the receipt of the VAT invoice, in cash via wire transfer	31.12.2014. The contract will be renewed automatically but either party can choose not to renew the contract without prior consent of the other party one month before the expiry of the contract.
27. 12.2013	LLC "IT-Service"	KraMZ-Auto	100,817	Payment to be made within 60 calendar days of receipt of the invoice, in cash via wire transfer	31.12.2014

### E HEAT SUPPLY CONTRACTS WITH THE ASSOCIATES OF EN+

As discussed above, each of Irkutskenergo Open Joint Stock Company, Baikalenergo Closed Joint Stock Company and Khakass Utility Systems Limited Liability Company is an associate of En+, and is thus a connected person of the Company under the Listing Rules.

Accordingly, the transactions entered into between members of the Group on one part

and Irkutskenergo Open Joint Stock Company, Baikalenergo Closed Joint Stock Company or Khakass Utility Systems Limited Liability Company on the other, as discussed below, constitute continuing connected transactions of the Company under the Listing Rules.

During December 2013, members of the Group, as purchasers, entered into the following heat supply contracts with particulars set out below:

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Date of contract	Purchaser (members of the Group)	Supplier (associates of En+)	Form of heat	Estimate amount of heat to be supplied for the year ending 31 December 2014	Estimate consideration for the year ending 31 December 2014, excluding VAT (USD)	Payment terms
31. 12.2013	RUSAL Sayanogorsk OJSC	Baikalenergo Closed Joint-Stock Company	Hot water	575 Gcal	24,778	Payment to be made by the 20th day of the month following the accounting month against the invoice received
31. 12.2013	RUSAL Sayanogorsk OJSC	Baikalenergo Closed Joint-Stock Company	Hot water	1,115 Gcal, 54,124 cubic metres	211,484	Payment to be made by the 20th day of the month following the accounting month against the invoice received
31. 12.2013	RUSAL Bratsk Aluminium Smelter Open Joint Stock Company	OJSC Irkutskenergo	Hot water	426 Gcal	8,956	Advance payment of 35% of the total price on the 18th day of each month, and 50% by the end of each month with the remainder (15%) being paid up by the 10th day of the next month
31. 12.2013	SUAL OJSC	OJSC Irkutskenergo	Hot water	139,379 Gcal	2,694,094	Advance payment of 35% of the total price on the 18th day of each month, and 50% by the end of each month with the remainder being settled by the 10th day of the next month based on actual consumption
31. 12.2013 (Note 1)	SUAL OJSC	OJSC Irkutskenergo	Steam	68,874 Gcal	1,804,671	Advance payment of 35% of the total price on the 18th day of each month, and 50% by the end of each month with the remainder being settled by the 10th day of the next month based on actual consumption
27. 12.2013 (Note 1)	Joint Stock Company RUSAL SAYANAL	Khakass Utility Systems Limited Liability Company	Heat and chemically purified water	38,500 Gcal, 73,000 cubic metres	726,817	Payment to be made no later than the 28th day of the month following the accounting month
26. 12.2013 (Note 2)	OJSC "SibVAMI"	OJSC Irkutskenergo	Hot water	1,700 Gcal, 1,980 tonnes	36,061	Advance payment of 35% of the total price on the 18th day of each month, and 50% by the end of each month with the remainder (15%) being paid up by the 10th day of the next month

## Notes:

- The contract will be renewed for one year automatically but either party can choose not to renew the contract without prior consent of the other party one month before the expiry of the contract.
- The term of this contract is up to 31 December 2016. The estimate consideration for the years ending 31 December 2015 and 31 December 2016 under this contract is USD41,469.70 and USD47,690.15 respectively.

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Under these agreements, the consideration is to be satisfied in cash via wire transfer.

### F REPAIR SERVICES CONTRACTS

As discussed above, IENC is an associate of En+ and therefore is a connected person of the Company. Accordingly, the transactions entered into between members of the Group on one part, and IENC on the

other, constitute continuing connected transactions of the Company under the Listing Rules.

On 31 December 2013, OJSC SUAL, a member of the Group, as customer, entered into the following repair services contracts with particulars set out below, pursuant to which IENC agreed to provide repair services to members of the Group:

Customer (member of the Group)	Service provider (an associate of En+)	Term of contract	Repair services	Estimated consideration payable for the year ending 31 December 2014 (USD, net of VAT)	Payment terms
OJSC SUAL	IENC	Up to 31.12.2014. If, neither party declares its intention to terminate the contract by 30 days prior to expiry of the contract, this contract will be renewed for the next calendar year on the same terms and conditions.	Rendering of maintenance and operating services	5,923	Payment on a monthly basis in the amount of 1/12 part of the contract value within 5 days after signature of the services acceptance certificate based on the original invoice, and is to be satisfied in cash via wire transfer.
OJSC SUAL	IENC	Up to 31.12.2014. If, neither party declares its intention to terminate the contract by 30 days prior to expiry of the contract, this contract will be renewed for the next calendar year on the same terms and conditions.	Maintenance of a plant	66,253	Payment on a monthly basis in the amount of 1/12 part of the contract value within 5 days after signature of the services acceptance certificate based on the original invoice, and is to be satisfied in cash via wire transfer.

### G TRANSPORT LOGISTICS SERVICES CONTRACTS

Each of LLC "RTC", Global Commodity Transport Limited and LLC "EN+ LOGISTICA" is an indirect subsidiary of En+, and is therefore an associate of En+. Accordingly, Each of LLC "RTC", Global Commodity Transport Limited and LLC "EN+ LOGISTICA" is a connected person of the Company under the Listing Rules. Accordingly, the transactions entered into between members of the Group on one part, and LLC

"RTC", Global Commodity Transport Limited or LLC "EN+ LOGISTICA" on the other, constitute continuing connected transactions of the Company under the Listing Rules.

During December 2013, members of the Group, as customers, entered into the following transport logistics services contracts with particulars set out below:

## Directors' Report

Date of contract	Customer (member of the Group)	Service provider (an associate of En+)	Estimated consideration payable for the year ending 31 December 2014, excluding VAT (USD)	Payment terms	Scheduled termination date and extension clause, if any
31. 12.2013	OJSC Boksit Timana	LLC "RTC"	256,500	Payment is to be made not later than 10 calendar days of the following month, in cash via wire transfer.	Up to 31.12.2014, will be automatically renewed if neither party declares its intention to terminate the contract in writing.
31. 12.2013	OJSC SUAL	LLC "RTC"	50,000	100% prepayment, in cash via wire transfer.	Up to 31.12.2014. If neither party declares its intention to terminate or modify the contract by 15 days prior to the expiration of the contract, the contract shall be deemed extended for each subsequent calendar year.
31. 12.2013	OJSC SUAL	LLC "RTC"	50,000	100% prepayment, in cash via wire transfer.	Up to 31.12.2014. If neither party declares its intention to terminate or modify the contract by 30 days prior to the expiration of the contract, the contract shall be deemed extended for each subsequent calendar year.
31. 12.2013	Open Joint Stock Company "RUSAL Achinsk Alumina Refinery"	LLC "RTC"	150,000	Payment to be made monthly based on certificates of work performed and invoices, within 3 business days from the date of issuing of documents, in cash via wire transfer.	Up to 31.12.2014, renewable by bilateral agreement.
31. 12.2013	OJSC Severalboksitruda (SUBR)	LLC "RTC"	10,000	Payment to be made in 30 days after receipt of invoice.	Up to 31.12.2014, will be automatically renewed if neither party declares its intention to terminate the contract in writing.
30. 12.2013	Open Joint Stock Company "United Company RUSAL -Trading House"	LLC "RTC"	3,024,000	Prepayment to be made in 5 days after the prepayment invoice is issued based on the requested services. The consideration based on the actual services is to be settled by the 30th day from the date of signing of act of fulfilled work. Payment is in cash via wire transfer.	Up to 31.12.2014, will be renewed for one year if neither party declares its intention to terminate the contract in writing.
30. 12.2013	RTI Limited	Global Commodity Transport Limited	375,000	100% prepayment, in cash via wire transfer.	Up to 31.12.2014, renewable by mutual consent.

## Directors' Report

Date of contract	Customer (member of the Group)	Service provider (an associate of En+)	Estimated consideration payable for the year ending 31 December 2014, excluding VAT (USD)	Payment terms	Scheduled termination date and extension clause, if any
30. 12.2013	Open Joint Stock Company "United Company RUSAL -Trading House"	Global Commodity Transport Limited	52,500	100% prepayment, in cash via wire transfer.	Up to 31.12.2014, renewable by mutual consent.
30. 12.2013	Open Joint Stock Company "United Company RUSAL -Trading House"	LLC "EN+ LOGISTICA"	1,690,000	Payment to be made on the 15th day of the month following the month of rendering services, in cash via wire transfer.	Up to 31.12.2014. If neither party declares its intention to terminate the contract by 30 days prior to the expiration of the contract, the contract shall be automatically extended for each subsequent calendar year.
30. 12.2013	RTI Limited	LLC "RTC"	105,000	RTI Limited pays LLC "RTC" for forwarding in accordance with additional agreements. Within five days on receipt of a copy of the balance invoice the RTI Limited remits to the accounts of the LLC "RTC" the difference in the amount of prepayment and the amount corresponding to the actual dispatch. The payment to LLC "RTC" should be made in Russian rubles (RUR) by the bank transfer to LLC "RTC"'s bank account.	Up to 31.12.2014. If neither party declares its intention to terminate the contract, the contract shall be automatically extended for each subsequent calendar year.
30. 12.2013	LLC RUSALTRANS	LLC "RTC"	1,575,000	Payment to be made on the 15th day of the month following the month of rendering services, in cash via wire transfer.	Up to 31.12.2014. If neither party declares its intention to terminate the contract by 20 days prior to the expiration of the contract, the contract shall be automatically extended for each subsequent calendar year.



## Directors' Report

### 11 AGREEMENTS SUBJECT TO CHANGE OF CONTROL PROVISIONS

The following agreements with the Company contain change of control provisions allowing the other parties under such agreements to cancel their commitments in full and declare (or which action would result in) all outstanding loans immediately due and payable in the relevant event:

- (a) Combined up to USD4,750 million aluminium pre-export finance term facility agreement dated 29 September 2011 (as of 31 December 2013, the outstanding nominal value of debt was USD3,438 million) and up to USD400 million multicurrency aluminium pre-export finance term facility agreement dated 30 January 2013 (as of 31 December 2013, the outstanding nominal value of debt was USD100 million and EUR168 million), both between, among others, the Company as the borrower and ING Bank N.V. as the facility agent - in the event that any person (or persons acting in concert) other than the core shareholder (as defined in the credit facility agreements) has or gains control of the Company. The final maturity of the debt is 31 December 2020;
- (b) Up to USD400 million multicurrency aluminium pre-export finance term facility agreement dated 30 January 2013 between, among others, the Company as the borrower and ING Bank N.V. as the facility agent - in the event that any person (or persons acting in concert) other than the core shareholder (as defined in the credit facility agreement) has or gains control of the Company. As of 31 December 2013, the outstanding nominal value of debt was USD100 million and EUR168 million and the final maturity of the debt is 7 February 2018.
- (c) Up to RUR 15,000,000,000 multicurrency facility agreement dated 16 December 2013 between, among others, VTB Capital Plc as Facility Agent and Security Agent and the Borrowers (United Company Rusal plc, OJSC "Rusal Krasnoyarsk Aluminium Smelter", OJSC "Rusal Bratsk Aluminium Smelter", OJSC "Siberian-Urals Aluminium Company") - in the event that any person (or persons acting in concert) other than the core shareholder (as defined in the

credit facility agreement) has or gains control of the Company. As of 31 December 2013, the outstanding nominal value of debt was RUB10,142 million and the final maturity of the debt is 17 December 2018.

- (d) A series of non-deliverable cross - currency swap transactions entered into between certain banks and RTI Limited under ISDA Master Agreements in 2011 and secured by the guarantees of the Company.

### 12 MAJOR CUSTOMERS AND SUPPLIERS

Large scale end-customers of the Company include Glencore, Toyota, J.ARON & COMPANY, Mechem SA, LG International.

The largest customer and the five largest customers of the Group accounted for 35% and 49%, respectively, of the Group's total sales for the year ended 31 December 2013.

The major suppliers of the Company are ZAO CFR and Irkutskenergo with respect to electricity and capacity and power supply or transmission, OJSC "Russian Railways" with respect to railway transportation, Rio Tinto Aluminium Limited with respect to bauxite and alumina supply and ENRC Marketing AG with respect to alumina supply.

The amount of purchases from the largest supplier and the five largest suppliers of the Group accounted for 6% and 21%, respectively, of the Group's total cost of sales for the year ended 31 December 2013.

Save for the fact that Glencore is deemed to be interested in 9.02% (long position) and 8.62% (short position) of the total issued share capital of the Company within the meaning of Part XV of the SFO as at 31 December 2013 and Mr. Ivan Glasenberg, a non-executive Director, is a member of the board of directors and the Chief Executive Officer of Glencore, no Director or their respective associates (as defined in the Listing Rules) or any Shareholders (which to the knowledge of the Directors own more than 5% of the share capital of UC RUSAL) had any interests in the Group's five largest customers of the primary aluminium or alumina at any time during 2013.

# Directors' Report

## 13 DIRECTORS

The following individuals served as Directors during the financial year:

Name	Position at year end (unless specified otherwise)	Notes
Oleg Deripaska	Chief Executive Officer, executive Director	
Vladislav Soloviev	First Deputy Chief Executive Officer, executive Director	
Maxim Sokov	Executive Director	
Stalbek Mishakov	Executive Director	Appointed as a Director on 16 August 2013
Vera Kurochkina	Executive Director	
Christophe Charlier	Non-executive Director	
Dmitry Afanasiev	Non-executive Director	
Ekaterina Nikitina	Non-executive Director	Appointed as a Director on 14 June 2013
Gulzhan Moldazhanova	Non-executive Director	
Ivan Glasenberg	Non-executive Director	
Len Blavatnik	Non-executive Director	
Maksim Goldman	Non-executive Director	
Olga Mashkovskaya	Non-executive Director	Appointed as a Director on 30 September 2013
Alexandra Bouriko	Chief Financial Officer	Appointed as a non-executive Director from 14 June 2013, resigned from the same position with effect from 30 September 2013. Currently the Chief Financial Officer of the Company
Artem Volynets	Non-executive Director	Ceased to be a Director on 27 June 2013
Dmitry Yudin	Non-executive Director	Ceased to be a Director on 14 June 2013
Vadim Geraskin	Non-executive Director	Ceased to be a Director on 14 June 2013
Elsie Leung Oi-sie	Independent non-executive Director	
Mark Garber	Independent non-executive Director	Appointed as a Director on 14 June 2013
Matthias Warnig	Chairman of the Board, Independent non-executive Director	
Peter Nigel Kenny	Independent non-executive Director	
Philip Lader	Independent non-executive Director	
Barry Cheung Chun-yuen	Independent non-executive Director	Ceased to be a Director on 25 May 2013

# Directors' Report

## PARTICULARS OF APPOINTMENTS OF DIRECTORS

### A. EXECUTIVE DIRECTORS

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

### B. NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Paragraph A.4.1 of the CG Code provides that non-executive Directors should be appointed for a specific term, subject to re-election, and paragraph A.4.2 provides that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least every three years. The Company has addressed these requirements by including Article 24.2 of the Articles of Association which provides that if any Director has at the start of the annual general meeting been in office for three years or more since his last appointment or re-appointment, he shall retire at the annual general meeting. As such, it is possible that a Director may be in office for more than three years depending upon the timing of the relevant annual general meeting.

There are no service contracts with any Directors who are proposed for re-election at the forthcoming annual general meeting that are not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### C. CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent. The Board considers that all independent non-executive Directors are independent by reference to the factors stated in the Listing Rules.

### D. CHANGE OF PARTICULARS OF DIRECTORS

Mr. Maxim Sokov became a member of the board of directors of En+ and EuroSibEnergo Plc on 15 July 2013 and 1 August 2013 respectively.

Mr. Vladislav Soloviev became a member of the board of directors of Norilsk Nickel on 11 March 2013.

Ms. Vera Kurochkina ceased to be a member of the board of directors of Joint Stock Company Agency "Rospechat" on 17 June 2013.

Mr. Christophe Charlier ceased to be a member of the board of directors of CJSC OptoGan and Clean Wave Technologies Inc. on 13 January 2014 and 19 December 2013 respectively.

Mr. Oleg Deripaska ceased to be a member of the board of directors of Norilsk Nickel on 6 June 2013. Mr. Deripaska also ceased to be a member of the board of directors of OJSC Russian Machines on 11 February 2013.

### E. RESIGNATION OF DIRECTORS

Mr. Barry Cheung Chun-yuen resigned, with effect from 25 May 2013, as an independent non-executive Director of the Company and as a member of committees of the Board (including the Corporate Governance & Nomination Committee and Remuneration Committee of the Company) for the reason that he needs to focus on personal business matters.

Mr. Dmitry Yudin resigned, with effect from 14 June 2013, as a non-executive Director of the Company and as a member of any committee of the Board (including the Audit Committee of the Company) due to other business commitments.

Mr. Vadim Geraskin resigned, with effect from 14 June 2013, as a non-executive Director of the Company and as a member of any committee of the Board due to other business commitments.

Mr. Artem Volynets resigned, with effect from 27 June 2013, as a non-executive Director of the Company and as a member of any committee of the Board (including the Audit Committee, the Corporate Governance & Nomination Committee, the Remuneration Committee, the Health, Safety and Environmental Committee and the Standing

## Directors' Report

Committee of the Company) due to other business commitments.

Ms. Alexandra Bouriko resigned as a non-executive Director of the Company with effect from 30 September 2013 for the reason that she wished to focus on her appointment as the Chief Financial Officer of the Company.

### F. APPOINTMENT OF DIRECTORS

Ms. Ekaterina Nikitina was appointed as a non-executive Director of the Company with effect from 14 June 2013 and as a member of each of the Corporate Governance & Nomination Committee and the Remuneration Committee of the Company with effect from 16 August 2013.

Ms. Alexandra Bouriko was appointed as a non-executive Director of the Company with effect from 14 June 2013 and resigned from the same position with effect from 30 September 2013. Ms. Bouriko is currently the Chief Financial Officer of the Company.

Mr. Mark Garber was appointed as an independent non-executive Director and as a member of the Remuneration Committee, the Corporate Governance & Nomination Committee, the Norilsk Nickel Investment Supervisory Committee and the Health, Safety and Environmental Committee of the Company with effect from 14 June 2013.

Mr. Stalbek Mishakov was appointed as an executive Director and as a member of the Standing Committee of the Company with effect from 16 August 2013.

Ms. Olga Mashkovskaya was appointed as a non-executive Director and as a member of the Audit Committee of the Company with effect from 30 September 2013.

### 14 DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S INTERESTS IN SHARES AND IN SHARES OF ASSOCIATED CORPORATIONS OF UC RUSAL

As at 31 December 2013, the interests and short positions of the Directors and Chief Executive Officer in the Shares, underlying Shares and debentures of UC RUSAL as recorded in the register required to be kept pursuant to section 352 of the SFO or otherwise notified to UC RUSAL and the Hong Kong Stock Exchange pursuant to the Model Code (as incorporated by the Company in its "Codes for Securities Transactions" for further information, please refer to the Corporate Governance Report) were as set out below.

#### INTERESTS IN SHARES

Name of Director/Chief Executive Officer	Capacity	Number of Shares as at 31 December 2013	Percentage of issued share capital as at 31 December 2013
Oleg Deripaska	Beneficiary of a trust (Note 1)	7,312,299,974(L)	48.13%
	Beneficial owner(Note 2)	35,374,065 (L)	0.23%
	Total	7,347,674,039 (L)	48.36%
Vera Kurochkina	Beneficial owner(Note 2)	428,600 (L)	0.003%
Vladislav Soloviev	Beneficial owner(Note 2)	786,978 (L)	0.005%
Maxim Sokov	Beneficial owner(Note 2)	413,751 (L)	0.003%

(L) Long position  
Notes – see notes on page 118.

# Directors' Report

## INTERESTS IN THE SHARES OF ASSOCIATED CORPORATIONS OF UC RUSAL

As at 31 December 2013, Mr. Oleg Deripaska, the Chief Executive Officer and an executive Director of UC RUSAL, had disclosed interests in the shares of a number of associated corporations (within the

meaning of Part XV of the SFO) of UC RUSAL, the details of which are set out in the "Disclosure of Interests" section on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

## INTERESTS AND SHORT POSITIONS IN UNDERLYING SHARES AND IN THE UNDERLYING SHARES OF THE ASSOCIATED CORPORATIONS OF UC RUSAL

Name of Director/Chief Executive Officer	Capacity	Number of underlying Shares as at 31 December 2013	Percentage of issued share capital as at 31 December 2013
Oleg Deripaska	Beneficiary of a trust (Note 1)	1,539,481,200(L) (Note 7)	10.133%
Vera Kurochkina	Beneficial owner	141,739 (L) (Note 8)	0.001%
Vladislav Soloviev	Beneficial owner	524,651 (L) (Note 8)	0.003%
Maxim Sokov	Beneficial owner	160,639 (L) (Note 8)	0.001%

(L) Long position  
Notes – see notes on page 118.

Other than as disclosed, as at 31 December 2013, neither any Director or the Chief Executive Officer had any interest or short position, whether beneficial or non-beneficial, in the Shares, underlying Shares and debentures of the Company or in any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company or the Hong Kong Stock Exchange and entered into the register required to be kept under section 352 of the SFO, or which were notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

## 15 DIRECTORS' INTERESTS IN BUSINESSES THAT MAY COMPETE WITH THE COMPANY

Mr. Deripaska, Ms. Gulzhan Moldazhanova, Mr. Maxim Sokov, Ms. Olga Mashkovskaya and Mr. Vladislav Soloviev were interested in/were directors of En+, Mr. Len Blavatnik was interested in SUAL Partners, Mr. Ivan Glashenberg was interested in Glencore and was a director and the chief executive officer of Glencore. En+, SUAL Partners and Glencore are businesses which compete or are likely to compete, either directly or indirectly, with the Company.

The summary below provides a description of these businesses, as well as facts demonstrating that UC RUSAL is capable of carrying on its own business independently of and at arm's length from these businesses.

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

- (a) the Board consists of eighteen Directors, comprising five executive Directors, eight non-executive Directors and five independent non-executive Directors;
- (b) the decision-making mechanism of the Board set out in the Articles of Association provides that all Directors with a conflicting interest shall not vote when a conflicted resolution is to be discussed and voted on;
- (c) the Board has five independent non-executive Directors with extensive corporate governance and financial experience and is able to review, enhance and implement measures to manage any conflict of interests between the businesses

## Directors' Report

in which the Directors have interests and the Group in order to protect minority shareholders' interests and to manage the affairs of the Group independently of the businesses in which the Directors have interests that may compete with the Company. The independent non-executive Directors make recommendations on proposed connected transactions by the Company. A committee of the independent non-executive Directors will make recommendations to the independent shareholders on how to vote for any resolution that relates to future connected transactions pursuant to the Listing Rules' requirements; and

- (d) all connected transactions which are subject to reporting and announcement requirements under the Listing Rules have to be reviewed by the Audit Committee before they are approved by the Board.

In respect of each specific relevant business:

### A. EN+

En+ is a limited liability company incorporated under the laws of Jersey with its registered office at Ogier House, The Esplanade, St. Helier, Jersey, JE4 9WG, Channel Islands. En+ is ultimately controlled by one of its beneficial owners Mr. Deripaska, who indirectly holds 91.6% of the shares in En+.

En+'s strategy is to focus on businesses with mining expertise, including in relation to the extraction of raw materials for energy production, electricity generation and the production of non-ferrous metals. En+ specialises in metals that require high energy consumption and then looks for synergies between its energy producing and energy consuming businesses.

En+'s origins lie in its core business of aluminium production. Apart from being the Company's Controlling Shareholder, En+ also owns more than 30% in Krasnoyarsk Metallurgical Plant ("KraMZ"), a plant which produce semi-finished aluminium alloys and extrusion products.

### Independence from En+

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

### ***Independence of the Board and the Group's Senior Management from the Senior Management of En+***

The majority of the Board currently comprises of non-executive Directors due to a historical arrangement between En+, SUAL Partners, Glencore and Onexim, pursuant to which they are each entitled to nominate a certain number of candidates for appointment as Directors. As at the Latest

Practicable Date, nine of the Directors were nominated by En+, five of which Directors are also directors of En+. The overlapping Directors at the Latest Practicable Date were Mr. Deripaska, Mr. Sokov and Mr. Soloviev (being executive Directors) and Ms. Mashkovskaya and Ms. Moldazhanova (being non-executive Directors). All of the overlapping Directors have been elected on the basis of their qualifications and breadth of experience, as set out in further details in the "Profiles of Directors and Senior Management" section in this Annual Report. The Company's non-executive Directors attend Board meetings and provide guidance to and decide on the Company's important matters. Certain of the non-executive Directors also sit on the committees of the Board and are responsible for the matters related to such committees.

For the general reasons stated above, the Directors are of the view that the Group is able to operate independently from En+, notwithstanding the fact that nine Directors are nominated by En+.

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

### ***Operational Independence***

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

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

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

- (a) the Group has access to alternative sources of electricity as the Group's Russian smelters are connected to the Russian power grid, meaning that electricity supplies can be obtained from various power plants, all of which are also connected to the grid. These supplies are available to the Group at market prices;
- (b) the Group purchases electricity in accordance with the Rules of the Wholesale Electricity and Capacity Market at contract prices in accordance with direct sale-purchase agreements with

## Directors' Report

suppliers (both related or unrelated to the Controlling Shareholder) and/or at market prices for electricity sold on the market irrelative to the particular supplier. In 2013, the overall share of electricity purchased by the Group's aluminium plants from the suppliers related to the Controlling Shareholder did not exceed 55%. The Group has an option of switching to suppliers unrelated to the Controlling Shareholder including by purchasing electricity on the wholesale electricity market, though there would be certain price impact;

- (c) none of the contracts is in take-or-pay format;
- (d) even with the reduced to zero proportion of each supply contract which is subject to regulated tariffs in accordance with existing regulations in Russia, the Group is currently already a very large volume user with significant negotiating power in the Russian power market. In 2013, the Group has consumed approximately 28% of the power generated in Siberia; and
- (e) the power plants owned or controlled by Mr. Deripaska are located in remote regions where there is a limited number of large volume users located in proximity to such plants. Sales to distant users would involve significant transmission losses and, because Siberia is a surplus energy producer, the result is that these plants are more reliant on the customer rather than vice versa.

### **Financial Independence**

The Group's financial auditing system is independent from En+ and employs a sufficient number of dedicated financial accounting personnel responsible for financial auditing of the Group's accounts. The Company has independent bank accounts and independent tax registration. The Group's treasury operations are handled by the Company's treasury department, whose functions include financing, treasury and cash managements and which operates independently from En+ and shares no functions or resources with En+. The Group's choice of financial institutions is mainly based on the credit standing of the institutions and the terms offered by them. As at the year end of 2013, En+ had not provided any security and/or guarantee over the Group's borrowings. As a result of the above analysis, the Directors believe that the Group is able to maintain financial independence from En+.

### **Extent of Competition**

The only En+ businesses which compete with or are likely to compete with the Group's business, either directly or indirectly, are those excluded businesses

described below. However, by reason of the nature of such excluded businesses and the clear delineation between the Group's business and such excluded business, the Group is fully capable of carrying on its business independently of and at arm's length from such excluded business.

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

Mr. Deripaska is a beneficial owner of En+, the substantial shareholder of CEAC.

Mr. Deripaska is a beneficial owner of En+, the substantial shareholder of the KraMZ group of companies. Most of the KraMZ plant's raw materials (principally aluminium) are purchased from companies within the Group (primarily KrAZ). KraMZ's main customers are industrial customers located within Russia and abroad that purchase aluminium rods, profiles, tubes and cast aluminium alloys.

In addition, Mr. Deripaska is a beneficial owner of En+, the substantial shareholder of DOZAKL, one of Russia's manufacturers of aluminium composite tape. It manufactures composite aluminium tape (Lamister, Alumopolyethylene), anodised sheet and strip for composite panels, strip for soft food cans and aluminium strips for lamplight reflectors and lath ceilings in Russia and the CIS. DOZAKL purchases most of its raw materials (principally aluminium coil) from the Group's foil mills and on market. DOZAKL's main customers are industrial customers located within Russia and the CIS.

KraMZ and DOZAKL are focused on the downstream market for aluminium products, and not the upstream market on which the Group has taken a strategic decision to focus. As a result, a decision was taken not to include them in the Group at the time of the 2007 merger that formed the Group because they do not fit the Group's strategic profile, which is to focus on more profitable upstream businesses. CEAC is a geographically isolated producer of aluminium and would not be of interest to the Group due to its relatively high cost structure and certain privatisation obligations. The Company does not consider the above operations to pose any real competitive threat due to their small size, limited geographical reach and focus on the downstream segment, which is not part of the Company's business strategy.

### **B. SUAL PARTNERS**

SUAL Partners is a limited liability company incorporated under the laws of the Bahamas whose registered office is at 2nd Terrace West, Centreville, Nassau, Commonwealth of the Bahamas. SUAL Partners is beneficially owned by a number of individuals,

## Directors' Report

with Mr. Len Blavatnik being a shareholder of SUAL Partners as to more than 30% of the total issued share capital. SUAL Partners is a holding company that holds interests in the Company and a separate kitchenware and houseware business.

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

### ***Independence from SUAL Partners***

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

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

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

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

### ***Operational Independence***

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

### ***Financial Independence***

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

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

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

As at the year end of 2013, SUAL Partners had not provided any security and/or guarantee over the Group's borrowings.

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

### ***Extent of Competition***

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

### **C. GLENCORE**

Amokenga Holdings is a company incorporated in Bermuda whose registered office is at 22 Victoria Street, Canon's Court, Hamilton, HM12, Bermuda. Amokenga Holdings is ultimately controlled by Glencore, which is a public company listed on the London Stock Exchange, with a secondary listing on the Stock Exchange. No individual shareholder controls more than 20% of the share capital of Glencore. Glencore directly or indirectly employs over 3,000 people worldwide in its marketing operations in some 50 offices in over 40 countries. In its industrial operations it directly or indirectly employs over 58,000 people in 33 countries. Mr. Glasenberg is a shareholder, director and chief executive officer of Glencore, whose principal business is the production and trading of commodities including aluminium. Mr. Glasenberg is a non-executive Director of the Company and is also a member of the corporate governance and nominations committee, the standing committee and the Norilsk Nickel investment supervisory committee. As he is not an executive Director, he does not participate in the day-to-day management of the Company, and accordingly is not involved in the daily operations of the aluminium trading division and so does not have access to confidential contracts entered into by that division. Notwithstanding that his role on the Board as a non-executive Director does not require his involvement in the day-to-day management of the Company, this does not preclude Mr. Glasenberg from fulfilling his fiduciary duties. In case Mr. Glasenberg has a conflicting interest, pursuant to the Articles of Association of the Company, he shall abstain from voting at Board meetings when a conflicted resolution is to be discussed and voted on, subject to certain exceptions.

When the Group acquired certain of the alumina businesses of Glencore in late March 2007, it became subject to a contract for the supply of alumina to



## Directors' Report

Glencore that continued through 2008, in declining amounts. The Group sold to Glencore approximately 41% of its excess alumina in monetary terms in 2013. The Company also has long term supply contracts with Glencore for alumina and primary aluminium, and Glencore was the Group's largest customer of alumina and primary aluminium in the financial year, accounting for approximately 40% of the Group's sales of primary aluminium.

### ***Independence from Glencore***

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

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

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

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

### ***Operational Independence***

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

### ***Financial Independence***

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

accounts and independent tax registration.

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

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

As at the year end of 2013, Glencore had not provided any security and/or guarantee over the Group's borrowings. As a result of the above analysis, the Directors believe that the Group is financially independent from Glencore.

### ***Extent of Competition***

Glencore participates in the marketing of both aluminium and alumina from world markets as well as from industrial assets in which it has an interest. Glencore's subsidiaries own 100% of the Columbia Falls aluminium smelter (which is currently idle), 100% of the Sherwin Alumina Refinery and has an economic interest of 46.1%<sup>1</sup> in Century Aluminium Company, a NASDAQ-quoted company whose assets include: the Ravenswood aluminium smelter (which is currently idle), the Hawesville aluminium smelter and the Nordural aluminium smelter and a 49.67% equity interest in the Mt. Holly aluminium smelter. Glencore, in its business of trading, is also a customer of the Group.

## 16 SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2013, so far as the Directors are aware, the following interests or short positions in the Shares or underlying Shares of the Company were notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and were entered in the register required to be kept by the Company under section 336 of the SFO and of article L.233-7 of the French Commercial Code:

<sup>1</sup> Represents Glencore's economic interest, comprising 41.8 per cent. voting interest and 4.8 per cent. non-voting interest.

## Directors' Report

### INTERESTS AND SHORT POSITIONS IN SHARES

Name of Shareholder	Capacity	Number of Shares held as at 31 December 2013	Percentage of issued share capital as at 31 December 2013
Oleg Deripaska	Beneficiary of a trust (Note 1)	7,312,299,974 (L)	48.13%
	Beneficial owner (Note 2)	35,374,065 (L)	0.23%
<b>Total</b>		<b>7,347,674,039 (L)</b>	<b>48.36%</b>
Fidelitas Investments Ltd. (Note 1)	Interest of controlled corporation	7,312,299,974 (L)	48.13%
B-Finance Ltd. (Note 1)	Interest of controlled corporation	7,312,299,974 (L)	48.13%
En+ (Note 1)	Beneficial owner	7,312,299,974 (L)	48.13%
Victor Vekselberg (Note 3)	Beneficiary of a trust	3,710,590,137(L)	24.42%
TCO Holdings Inc. (Note 3)	Interest of controlled corporation	3,710,590,137(L)	24.42%
SUAL Partners (Note 3)	Beneficial owner	2,400,970,089(L)	15.80%
	Other	1,309,620,048(L)	8.62%
<b>Total</b>		<b>3,710,590,137(L)</b>	<b>24.42%</b>
Mikhail Prokhorov (Note 4)	Beneficiary of a trust	2,586,499,596(L)	17.02%
Onexim Group Limited(Note 4)	Interest of controlled corporation	2,586,499,596(L)	17.02%
Onexim (Note 4)	Beneficial owner	2,586,499,596(L)	17.02%
Glencore International plc (Note 5)	Beneficial owner	1,328,988,048(L)	8.75%

(L) Long position  
Notes – see notes on page 118.

### INTERESTS AND SHORT POSITIONS IN UNDERLYING SHARES

Name of Shareholder	Capacity	Number of underlying Shares as at 31 December 2013	Percentage of issued share capital as at 31 December 2013
Oleg Deripaska (Note 1)	Beneficiary of a trust	1,539,481,200 (L) (Note 7)	10.133%
Fidelitas Investments Ltd. (Note 1)	Interest of controlled corporation	1,539,481,200 (L) (Note 6)	10.133%
B-Finance Ltd. (Note 1)	Interest of controlled corporation	1,539,481,200 (L) (Note 6)	10.133%
En+ (Note 1)	Beneficial owner	1,539,481,200 (L) (Note 6)	10.133%
Glencore International plc (Note 5)	Beneficial owner	41,807,668(L) (Note 6)	0.28%
		1,309,620,048(S) (Note 6)	8.62%

(L) Long position  
(S) Short position

# Directors' Report

(Note 1)

These interests were directly or beneficially held by En+. Based on the information provided by Mr. Deripaska and the records on the electronic filing systems operated by the Hong Kong Stock Exchange, Mr. Deripaska was the founder, trustee and a beneficiary of a discretionary trust which, as at 31 December 2013, held 100% of the share capital of Fidelitas Investments Ltd., which, as at 31 December 2013, held 100% of the share capital of B-Finance Ltd. As at 31 December 2013, B-Finance Ltd. held 70.35% of the share capital of En+. Each of B-Finance Ltd., Fidelitas Investments Ltd. and Mr. Deripaska were deemed to be interested in the Shares and underlying Shares held by En+ by virtue of the SFO as at 31 December 2013.

(Note 2)

All or some of these Shares represent the share awards which were granted under the long-term share incentive plan of the Company and were vested on 21 November 2011, 21 November 2012 and 21 November 2013. For details, please refer to Note 10 to the consolidated financial statements for the year ended 31 December 2013.

(Note 3)

These interests and short positions were directly held by SUAL Partners. SUAL Partners is controlled as to 35.84% by Renova Metals and Mining Limited, which is in turn wholly-owned by Renova Holding Limited. Renova Holding Limited is controlled by TZ Columbus Services Limited as to 100% under a trust and TZ Columbus Services Limited acts as trustee of the trust and is, in turn wholly-owned by TCO Holdings Inc. Mr. Vekselberg is the sole beneficiary of the relevant trust. Each of Renova Metals and Mining Limited, Renova Holding Limited, TZ Columbus Services Limited, TCO Holdings Inc. and Mr. Vekselberg is deemed to be interested in the Shares held by SUAL Partners by virtue of the SFO.

(Note 4)

These interests were directly held by Onexim. Onexim is wholly-owned by Onexim Group Limited, which is owned by a trust of which Mikhail Prokhorov is the beneficial owner. Each of Onexim Group Limited and Mikhail Prokhorov is deemed to be interested in the Shares held by Onexim.

(Note 5)

Amokenga Holdings Ltd. directly holds the relevant interests in the Company, and is wholly-owned by Glencore Finance (Bermuda) Ltd. which is, in turn, wholly-owned by Glencore Group Funding Limited. Glencore Group Funding Limited is wholly-owned by Glencore International AG, which is wholly-owned by Glencore International plc. In light of the fact that Glencore International plc, Glencore International AG, Glencore Group Funding Limited and Glencore Finance (Bermuda) Ltd. (together, the "Glencore Entities") directly or indirectly control one-third or more of the voting rights in the shareholders' meetings of Amokenga Holdings Ltd., in accordance with the SFO, the interests of Amokenga Holdings Ltd. are deemed to be, and have therefore been included in the interests of the Glencore Entities.

(Note 6)

These underlying Shares represent physically settled unlisted derivatives.

(Note 7)

These underlying Shares represent unlisted physically settled options.

(Note 8)

These underlying Shares represent the share awards which were granted but not yet vested under the long-term share incentive plan of the Company.

Other than the interests disclosed above, so far as the Directors are aware, as at 31 December 2013, the Company has not been notified of any other notifiable interests or short positions in Shares or underlying Shares.

As of the Latest Practicable Date, no Shareholders notified the Company of their change in ownership of the share capital or voting rights in application of article L.233-7 of the French Commercial Code. None of the Major Shareholders have or will have different voting rights attached to the Shares they hold in the Company.

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

## 17 PRE-EMPTIVE RIGHTS

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

## 18 EMOLUMENT POLICY

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

The aggregate remuneration that the Directors have received (including fees, salaries, bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind) for the financial year ended 31 December 2013 was approximately USD33.7 million. Additional information on the remuneration of the Directors and the individuals with the highest emoluments can be found in notes 10 and 11 to the consolidated financial statements.

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

# Directors' Report

## BASIS FOR COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

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

### A. Non-Executive Directors

#### 1 Non-executive Chairman

The Chairman was entitled to receive a chairman's fee of USD400,000 per annum during the last financial year.

#### 2 Non-executive Directors

(a) Commencing on 27 January 2010, all non-executive Directors were entitled to receive a GBP120,000 fee per annum; those non-executive Directors who were employed or retained by En+, SUAL Partners, Glencore and Onexim were expected to consult with those entities as to whether the Directors, as individuals, may retain such fees or whether such fees should be paid to their respective employing entities.

(b) Each non-executive Director was entitled to receive additional fees for committee assignments at the rate of GBP15,000 per annum for acting as the chairman and GBP10,000 per annum for participating as a member.

(c) The executive Directors are not entitled to a director's fee, and they are entitled to a salary pursuant to their respective employment with the Group, which is determined with reference to the relevant experience, duties and responsibilities with the Group and bonus is to be paid on the basis of achievement of performance targets.

### B. Chief Executive Officer

From 27 January 2010, the CEO's annual compensation has comprised the following:

- (a) USD2 million per annum base salary, paid monthly;
- (b) STIP: a performance-linked cash payment within 30 days after the Audit Committee's approval of entire-year audited consolidated financial statements for the previous year, in the potential amount of 200% of base

salary, to be decided on the basis of the Remuneration Committee's specific criteria;

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

- (i) 50% of the LTIP Award for certain Award Period shall vest annually in equal amounts over three years with no performance conditions other than continued employment; and
- (ii) 50% of the LTIP Award for certain Award Period shall vest in three equal tranches over three years, subject to CEO's continued employment and each of such subsequent year's substantial achievement of that prior year's Business Plan, and such LTIP Award with each tranche to be released after a further two-year holding period from the date of vesting and subject to continued employment throughout such period.

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

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

### C. LTIP and the Production System Incentive Plan (the "PSIP")

On 11 May 2011, the Board adopted the LTIP, in which eligible participants (being employees of the Group) may be entitled to participate. From the pool of eligible participants, the Board may, in its discretion, select employees for participation in the LTIP. The number of shares to be awarded to a selected employee is determined by the Company on the "Award Date" (as it is determined in the LTIP Rules). Unless otherwise determined by the Board, in its sole discretion, and with the exception of the vesting of the CEO's LTIP Award, the awarded shares and related income for the particular award period ("LTIP Award") that are transferable to a selected employee vest in that selected employee in installments (which each comprising 20% of the total LTIP Award), over a five year period (each a "Tranche"), provided that:

- the selected employee remains an employee at all times following the Award Date and on each of the LTIP Award vesting dates; and
- the first Tranche of each LTIP Award will vest on the vesting date during the calendar year

# Directors' Report

immediately following the award period for which such LTIP Award is awarded.

During 2013, the Board did not approve any LTIP Award for 2012 and, therefore, no Shares were granted under the 2012 LTIP Award.

Out of those shares conditionally granted under the 2010 LTIP Award, the third tranche of the Shares vested in November 2013 comprised 2,221,494 Shares. For the year ended 31 December 2013, Ogier Employee Benefit Trustee Limited, as trustee of the United Company RUSAL Plc Employee Benefit Trust and the LTIP ("Trustee") acquired a total of 1,493,231 Shares with a nominal value of USD0.01 per Share. The purchased Shares represent approximately 0.0099% of the Company's issued share capital as at 31 December 2013 and at the Latest Practicable Date.

In June 2013, the Board decided to approve the establishment of the PSIP, an employee share award plan aimed at rewarding the Company's employees for achievements in the Production System implementation.

The PSIP is a one-off share award plan and its objectives are:

- to increase the employees' commitment to achievement of the Group's strategic goals in implementing of Production System;
- to share the Group's success with the employees;
- to recognize contributions made by certain employees in implementing of Production System;
- to enhance alignment of the interests of the employees with those of the shareholders.

No new shares of the Company were issued for the purposes of the Plan. The maximum number of shares awarded under the PSIP does not exceed 0.05% of the total number of issued shares as at the date of the Award.

The Company, in accordance with the PSIP rules, selected employee(s) for participation in the PSIP (the "Employee"). The Directors of the Company or other connected persons are not be eligible for participation in the PSIP.

The shares awarded under the PSIP that are transferable to an Employee will vest on each year over 3 (three) years .

The first Tranche of the Shares granted under the PSIP vested in July 2013 comprised 2,065,261 Shares. For the year ended 31 December 2013, Ogier Employee Benefit Trustee Limited, as trustee of the RPS Employee Benefit Trust and the PSIP ("Trustee") acquired a total of 6,258,373 Shares with a nominal value of USD0.01 per share. The purchased Shares represent approximately 0.0412% of the Company's issued share capital as at 31 December 2013 and the date of this Annual Report.

Neither LTIP nor the PSIP constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## 19 PENSION SCHEMES

Information on the Company's pension schemes is set out in note 28(a) to the consolidated financial statements.

## 20 SUFFICIENCY OF PUBLIC FLOAT

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

## 21 AUDITORS

The consolidated financial statements have been audited by ZAO KPMG as a sole auditor who, having served for the whole of the financial year, retire and, being eligible, offer themselves for re-appointment as the Company's sole auditor. A

# Directors' Report

resolution for the re-appointment of ZAO KPMG as sole auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company. As disclosed by the Company, in February 2013 the Company obtained consent from the Hong Kong Stock Exchange for ZAO KPMG to act as the sole auditor of the Company under Rule 19.20(2) of the Listing Rules. On 19 February 2013, KPMG (a Hong Kong partnership and a member firm of the KPMG network) resigned from the office of joint auditors of the Company with immediate effect. ZAO KPMG has been acting as the sole auditor of the Company with effect from 19 February 2013.

## 22 AMENDMENTS TO THE CONSTITUTION

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

## 23 LITIGATION

Details of the litigation in which the Company, its subsidiaries and certain beneficial owners are involved in are set out in notes 28(c) (provisions for legal claims) and 33(c) (legal contingencies) to the consolidated financial statements.

## 24 SOCIAL INVESTMENTS AND CHARITY

Contribution to the development of the company's habitat is a priority for UC RUSAL. UC RUSAL is not only one of the leaders in aluminium production, but also one of the most socially responsible companies in the regions where it operates, with rich experience in the development and realisation of sponsorship and charity projects. When implementing social investment programmes RUSAL actively cooperates with governmental, non-profit and business structures, sharing its business experience with local communities and supporting social initiatives valuable to the communities in which it operates. In 2013, UC RUSAL allocated more than USD 14 million to sponsorship and charity projects.

## 25 POST BALANCE SHEET EVENTS

The details of the events subsequent to the balance sheet date up to the date of the Group's and the Company's consolidated financial statements presented in this report, being 9 April 2014, are disclosed in note 37 to the consolidated financial statements.

## 26 DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in section 10 (Connected Transactions) and section 15 (Directors' interests in businesses that may compete with the Company) above, there has been no contract of significance to the Group, subsisting during or at the end of 2013 in which a Director is or was materially interested, either directly or indirectly.

On behalf of the Board  
**Wong Po Ying, Aby**  
*Company Secretary*  
17 April 2014



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# Corporate Governance Report

# Corporate Governance Report

## 1. CORPORATE GOVERNANCE PRACTICES

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

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

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

The Directors adopted a corporate governance code which is based on the CG Code in a Board meeting on 11 November 2010. The Directors consider that the Company has complied with the code provisions of the CG Code during the Review Period, other than as described in paragraphs 3(B) and 3(I) of this Corporate Governance Report.

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

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

## 2. DIRECTORS' SECURITIES TRANSACTIONS

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

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

## 3. BOARD OF DIRECTORS

### (A) COMPOSITION OF THE BOARD AND ATTENDANCE AT BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

The Board currently comprises a combination of executive, non-executive and independent non-executive Directors. During the year ended 31 December 2013, the Board consisted of the Directors listed below and their attendance record for the 10 Board meetings held by the Board during the Review Period, other Board committee meetings held during the Review Period, the annual general meeting held on 14 June 2013 ("AGM") and the extraordinary general meeting held on 30 December 2013 ("EGM") is as follows:



# Corporate Governance Report

	Attendance and number of meetings					
	Board meetings (total: 10 meetings in 2013)	Corporate Governance and Nomination Committee meetings (total: 5 meetings in 2013)	Remuneration Committee meetings (total: 3 meetings in 2013)	Audit Committee meetings (total: 9 meetings in 2013)	AGM (total: 1 meeting in 2013)	EGM (total: 1 meeting in 2013)
<b>Executive Directors</b>						
Oleg Deripaska	9 <sup>1</sup>	—	—	—	0	0
Vladislav Soloviev	10	—	—	—	1	0
Vera Kurochkina	9 <sup>2</sup>	—	—	—	0	0
Maxim Sokov	10	—	—	—	1	0
Stalbek Mishakov (appointed as a Director on 16 August 2013)	4 (4 Board meetings were held during his tenure)	—	—	—	0	0
<b>Non-executive Directors</b>						
Len Blavatnik	0 <sup>3</sup>	—	0 <sup>9</sup> (Mr. Blavatnik ceased to be a Remuneration Committee member on 2 July 2013. 2 meetings were held during his tenure.)	—	0	0
Dmitry Afanasiev	8 <sup>4</sup>	—	—	—	0	0
Ivan Glazenberg	8 <sup>5</sup>	5	—	—	1	0
Maksim Goldman	9 <sup>6</sup>	—	1 (Mr. Goldman became a Remuneration Committee member on 16 August 2013. 1 meeting was held during his tenure.)	—	1	0
Christophe Charlier	10	—	—	8	0	0
Guizhan Moldazhanova	10	—	—	0 (Ms. Moldazhanova became an Audit Committee member on 16 August 2013 and ceased to be an Audit Committee member on 30 September 2013. 1 meeting was held during her tenure.)	0	0
Olga Mashkovskaya (appointed as a Director on 30 September 2013)	2 <sup>7</sup> (3 Board meetings were held during her tenure)	—	—	1 <sup>10</sup> (2 meetings were held during her tenure.)	0	0
Ekaterina Nikitina (appointed as a Director on 14 June 2013)	5 (5 Board meetings were held during her tenure)	1 (1 meeting was held during her tenure.)	1 (1 meeting was held during her tenure.)	—	0	0
Alexandra Bouriko (appointed as a Director on 14 June 2013 and ceased to be a Director on 30 September 2013)	1 <sup>8</sup> (2 Board meetings were held during her tenure)	—	—	—	0	0

# Corporate Governance Report

	Attendance and number of meetings					
	Board meetings (total: 10 meetings in 2013)	Corporate Governance and Nomination Committee meetings (total: 5 meetings in 2013)	Remuneration Committee meetings (total: 3 meetings in 2013)	Audit Committee meetings (total: 9 meetings in 2013)	AGM (total: 1 meeting in 2013)	EGM (total: 1 meeting in 2013)
Artem Volynets (ceased to be a Director on 27 June 2013)	6 (6 Board meetings were held during his tenure)	3 (3 meetings were held during his tenure.)	2 (2 meetings were held during his tenure.)	0 (Mr. Volynets became an Audit Committee member on 14 June 2013 and ceased to be an Audit Committee member on 27 June 2013. No meeting was held during his tenure.)	1	0
Dmitry Yudin (ceased to be a Director on 14 June 2013)	5 (5 Board meetings were held during his tenure)	—	—	5 (5 meetings were held during his tenure.)	0	0
Vadim Geraskin (ceased to be a Director on 14 June 2013)	5 (5 Board meetings were held during his tenure)	—	—	—	0	0
<b>Independent non-executive Directors</b>						
Peter Nigel Kenny	9	5	3	9	1	0
Philip Lader	10	5	3	9	1	0
Elsie Leung Oi-sie	10	—	1 (Ms. Leung became a Remuneration Committee member on 14 June 2013. 1 meeting was held during her tenure.)	9	0	1
Matthias Warnig	10	—	—	—	1	0
Mark Garber (appointed as a Director on 14 June 2013)	5 (5 Board meetings were held during his tenure)	1 (2 meetings were held during his tenure.)	1 (1 meeting was held during his tenure.)	—	0	0
Barry Cheung Chun-yuen (ceased to be a Director on 25 May 2013)	5 (5 Board meetings were held during his tenure)	3 (3 meetings were held during his tenure.)	1 (1 meeting was held during his tenure.)	—	0	0

## Notes:

**1** Appointed Mr. Vladislav Soloviev to act as his alternate director at the meeting held on 14 June 2013  
**2** Appointed Mr. Maxim Sokov to act as her alternate director at the meeting held on 13 December 2013  
**3** Appointed Mr. Maksim Goldman to act as his alternate director at the meetings held on 7 February 2013, 1 March 2013, 12 April 2013, 6 May 2013, 14 June 2013, 16 August 2013 and 11 November 2013. Appointed Mr. Iofis Bakaleynik to act as his alternate director at the meetings held on 13 May 2013 and 30 September 2013. Appointed Mr. Marco Musetti to act as his alternate director at the meeting held on 13 December 2013.

# Corporate Governance Report

Biographical details of the Directors are set out in the section headed Profiles of Directors and Senior Management on pages 55 to 73 of this Annual Report.

## (B) TERM OF APPOINTMENT OF DIRECTORS

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

**4** Appointed Mr. Artem Volynets to act as his alternate director at the meetings held on 1 March 2013 and 14 June 2013.

**5** Appointed Mr. Daniel Goldberg to act as his alternate director at the meeting held on 7 February 2013. Attended the meeting on 12 April 2013 partially in person and appointed Mr. Daniel Goldberg to act as his alternate director for the remaining part of the meeting. Appointed Mr. Andrew Caplan to act as his alternate director at the meeting held on 11 November 2013.

**6** Appointed Mr. Iosif Bakaleynik to act as his alternate director at the meeting held on 13 May 2013.

**7** Appointed Ms. Ekaterina Nikitina to act as her alternate director at the meeting held on 13 December 2013.

**8** Appointed Ms. Ekaterina Nikitina to act as her alternate director at the meeting held on 16 August 2013.

**9** Appointed Mr. Maksim Goldman to act as his alternate at the meetings held on 28 February 2013 and 6 June 2013.

**10** Appointed Ms. Ekaterina Nikitina to act as her alternate at the meeting held on 13 December 2013.

**10** Appointed Ms. Ekaterina Nikitina to act as her alternate at the meeting held on 13 December 2013.

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

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

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

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

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

## (E) BOARD POWERS TO ISSUE AND REPURCHASE SHARES

The Board has been given authority by the Company's shareholders to issue and repurchase the Shares. These mandates are described on pages 75 and 76 of this Annual Report.

## (C) BOARD MEETINGS

During 2013, 10 Board meetings were held.

At the Board meeting held on 27 March 2014, the Directors approved, among other things, the annual results of the Company for the year ended 31 December 2013.

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

## (D) BOARD FUNCTIONS AND DUTIES

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

# Corporate Governance Report

## (F) RELATIONSHIPS AMONG MEMBERS OF THE BOARD

Please refer to the profiles of Directors and Senior Management for more information about the relationships among members of the Board.

## (G) SHAREHOLDERS' AGREEMENTS

The Shareholders' Agreement with the Company and the Shareholders' Agreement between Major Shareholders were both entered into on 22 January 2010 and are still in force. For brief details of these shareholders' agreements, please see Appendix A and Appendix B.

## (H) SHAREHOLDER OPTIONS

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

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

## (I) BOARD MEETINGS AT WHICH DIRECTORS HAVE MATERIAL INTERESTS

A.1.7 of the CG Code states that *"If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at that board meeting."*

The Board had generally endeavoured throughout the twelve-month period ended 31 December 2013 to ensure that it did not deal with business by way of written resolution where a substantial shareholder or a Director had disclosed an interest in a matter to be considered by the Board which the Board

determined to be material. As a result, there were only three occurrences (out of the twenty-two 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 was stated to have been disclosed. In all three instances, the interest of the Director was a potential conflict of interest by virtue of a board position held by a director with the entity contracting with the Company. In two of these three occurrences, the written resolutions were supplemental to the approval of the matter which had been approved by previous Board meetings that had been held. In each case, the Director involved did not sign the resolution and the resolution was passed by the requisite majority.

Of the ten Board meetings held in the twelve-month period ended 31 December 2013 where one or more Director(s) had disclosed a material interest, all the independent non-executive Directors (who had not disclosed material interests in the transaction) were present.

## 4. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman of the Board and the Chief Executive Officer are segregated and are independent to each other. The Chairman (being Mr. Matthias Warnig) is chiefly responsible for maintaining the effective operation of the Board. The Chairman is also responsible for chairing Board meetings, briefing Board members on issues discussed at Board meetings and ensuring good corporate governance practices and procedures are established. Mr. Oleg Deripaska is the Chief Executive Officer and his role is primarily concerned with the supervision of the execution of the policies determined by the Board.

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

## 5. INDEPENDENT NON-EXECUTIVE DIRECTORS

Rule 3.10A of the Listing Rules requires that an issuer must appoint independent non-executive

# Corporate Governance Report

directors representing at least one-third of the board. In this regard, the Hong Kong Stock Exchange has granted a waiver to the Company from strict compliance with the requirements under Rules 3.10A and 3.11 of the Listing Rules. The percentage of the number of our independent non-executive Directors (i.e. 27.8%) is very close to the one-third requirement under Rule 3.10A of the Listing Rules. The current composition of the Board represents an appropriate mix of Directors which offers sufficient independent checks and balances and an appropriate governance structure for the Company. As at the Latest Practicable Date, the Company had 5 out of 18 Directors who are independent non-executive Directors, and there is no change in the shareholders' agreement in relation to board nominations/appointments (as described on pages 287 and 288 of the Company's prospectus dated 31 December 2009).

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

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

## 6. NOMINATION OF DIRECTORS AND THE WORK OF THE CORPORATE GOVERNANCE AND NOMINATION COMMITTEE

The Company established a corporate governance and nomination committee with written terms of reference in compliance with the CG Code.

The primary functions of the Corporate Governance and Nomination Committee are, among other things, to develop, recommend and annually review corporate governance guidelines, policies and practices for the Company and its consolidated subsidiaries, to oversee corporate governance matters, to review and monitor the training and continuous professional development of Directors

and senior management, to develop, review and monitor the Company's code of conduct and compliance manual and applicable to employees and Directors, reviewing the Company's compliance with the CG Code set out in Appendix 14 of the Listing Rules and disclosure in the Corporate Governance Report, and to make recommendations to the Board, including those in relation to the appointment and removal of Directors. The Corporate Governance and Nomination Committee is provided with sufficient resources to discharge its duties and its terms of reference also permit it to obtain access to a legal adviser.

In recommending a candidate for appointment to the Board, the Corporate Governance and Nomination Committee is required to determine criteria, objectives and procedures for selecting Board members, including factors such as independence (in the case of independent non-executive directors), diversity, age, future succession planning, integrity, skills, expertise, experience, knowledge about the Company's business and industry, and willingness to devote adequate time and effort to Board responsibilities. In identifying suitable candidates the Corporate Governance and Nomination Committee is required to use open advertising or the services of external advisers to facilitate the search, consider candidates from a wide range of backgrounds and consider candidates on merit against objective criteria, taking care that appointees have enough time to devote to the position.

The Corporate Governance and Nomination Committee consists of a majority of independent non-executive Directors. The members are (or were, see note) as follows:

- Mr. Philip Lader (*chairman of the committee, independent non-executive Director*)
- Dr. Peter Nigel Kenny (*independent non-executive Director*)
- Mr. Mark Garber (*independent non-executive Director, appointed as a member of the committee with effect from 14 June 2013*)
- Mr. Ivan Glasenberg (*non-executive Director*)
- Ms. Ekaterina Nikitina (*non-executive Director, appointed as a member of the committee with effect from 16 August 2013*)
- Mr. Barry Cheung Chun-yuen (*former independent non-executive Director, resigned with effect from 25 May 2013*)
- Mr. Artem Volynets (*former non-executive Director, resigned with effect from 27 June 2013*)

The Corporate Governance and Nomination Committee has held 5 meetings during the Review Period. At these meetings, the Corporate Governance

# Corporate Governance Report

and Nomination Committee considered, amongst other things, (i) the annual general meeting materials, (ii) the recommendation of qualified individuals to the Board, including Mr. Stalbek Mishakov, Ms. Ekaterina Nikitina, Ms. Alexandra Bouriko, Mr. Mark Garber and Ms. Olga Mashkovskaya, (iii) changes to the composition of the Board committees, (v) procedures for disclosure of price sensitive information, (vi) Board of Directors' performance self-evaluation (vii) convocation of the extraordinary general meeting for obtaining independent Shareholders' approval for the relevant annual caps for certain continuing connected transactions.

The members of the Corporate Governance and Nomination Committee have regularly attended and actively participated in meetings. For the attendance record of the meetings held by the Corporate Governance and Nomination Committee during 2013, please refer to paragraph 3(A) of this Corporate Governance Report.

According to the Articles of Association, at every annual general meeting, one-third of the Directors or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office; but if any Director has at the start of the annual general meeting been in office for three years or more since his last appointment or reappointment, he shall retire at the annual general meeting. The Directors to retire by rotation shall be, first, those who wish to retire and not be re-appointed to office and, second, those who have been longest in office since their last appointment or re-appointment. As between persons who became or were last re-appointed directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. The details of the Directors who will retire and offer themselves for re-election at the forthcoming annual general meeting are set out in the relevant circular issued by the Company.

The Corporate Governance and Nomination Committee also monitors the implementation of the Board Diversity Policy of the Company. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board currently comprises 18 Directors, whose age ranges from 35 to 74, the female rate is almost 30%. More than 6 nationalities are represented on the Board with educational background from physics and engineering to economy, history, business and finance, accountancy and law. The length of service of directors is from one to seven years. The Board Diversity Policy of the Company is set out below:

1. *Purpose*
  - 1.1 *This Policy aims to set out the approach to achieve diversity on the Company's board of directors (the "Board").*
2. *Vision*
  - 2.1 *The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.*
3. *Policy Statement*
  - 3.1 *With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.*
4. *Measurable Objectives*
  - 4.1 *Selection of candidates will take into consideration a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the candidates will bring to the Board.*
5. *Monitoring and Reporting*
  - 5.1 *The Corporate Governance and Nomination Committee will monitor the implementation of this Policy. It will also report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives (including gender, ethnicity, age, length of service).*
6. *Review and Revision of this Policy*
  - 6.1 *The Corporate Governance and Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Corporate Governance and Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.*
7. *Disclosure of this Policy*
  - 7.1 *This Policy will be published on the Company's website for public information.*

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7.2 A summary of this Policy together with the measurable objectives set for implementing this Policy, and the progress made towards achieving those objectives will be disclosed in the annual Corporate Governance Report.

## 7. INFORMATION RELATING TO THE REMUNERATION POLICY AND THE WORK OF THE REMUNERATION COMMITTEE

The Company has established a remuneration committee with written terms of reference in compliance with the CG Code. The primary functions of the Remuneration Committee are, among other things, to make recommendations to the Board on the remuneration package of the Directors and senior management, and to assist the Board in overseeing the administration of the Company's compensation and benefits plans. Remuneration policies are determined on the basis of an employee's qualifications and performance, as well as the complexity of his or her job. Wages for each employee are generally reviewed annually and revised in accordance with a performance assessment and local labour market conditions. The Remuneration Committee consists of a majority of independent non-executive Directors. The members are (or were, see notes) as follows:

- Ms. Elsie Leung Oi-sie (*independent non-executive Director, appointed as chairman of the committee with effect from 14 June 2013*)
- Mr. Philip Lader (*independent non-executive Director*)
- Dr. Peter Nigel Kenny (*independent non-executive Director*)

- Mr. Mark Garber (*independent non-executive Director, appointed as a member of the committee with effect from 14 June 2013*)
- Mr. Maksim Goldman (*non-executive Director, appointed as a member of the committee with effect from 16 August 2013*)
- Ms. Ekaterina Nikitina (*non-executive Director, appointed as a member of the committee with effect from 16 August 2013*)
- Mr. Barry Cheung Chun-yuen (*former independent non-executive Director, resigned with effect from 25 May 2013*)
- Mr. Artem Volynets (*former non-executive Director, resigned with effect from 27 June 2013*)
- Mr. Len Blavatnik (*non-executive Director, ceased to be a member of the Remuneration Committee with effect from 2 July 2013*)

The Remuneration Committee has held 3 meetings during the Review Period. At those meetings, the Remuneration Committee discussed and recommended the Board to approve the achievement of KPIs of the CEO and the Chief Financial Officer for 2012, KPIs of the CEO for 2013, Production System Incentive Plan, the remuneration of the members of Independent Arbitration Committee of the Board and the matters in relation to share awards under the LTIP. For details of the Company's emolument policy, including in respect of the LTIP, please refer to section 18 of the Directors' Report. The members of the Remuneration Committee have regularly attended and actively participated in meetings. For the attendance record of the meetings held by the Remuneration Committee during 2013, please refer to paragraph 3(A) of this Corporate Governance Report.

Pursuant to paragraph B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the financial year ended 31 December 2013 is set out below:

Remuneration band	Number of individuals
Nil to HK\$40,500,000 (Nil to US\$ 5,200,000)	27
HK\$40,500,001-HK\$41,000,000 (US\$ 5,200,001 – US\$ 5,300,000)	1
HK\$50,500,001-HK\$51,000,000 (US\$ 6,500,001 – US\$ 6,600,000)	–
HK\$51,500,001-HK\$52,000,000 (US\$ 6,600,001 – US\$6,700,000)	1
HK\$54,000,001-HK\$54,500,000 (US\$ 7,000,001 – US\$7,100,000)	–
HK\$62,000,001-HK\$62,500,000 (US\$ 8,000,001 – US\$8,100,000)	1
HK\$75,000,001-HK\$75,500,000 (US\$ 9,700,001 – US\$9,800,000)	–
HK\$97,000,001-HK\$97,500,000 (US\$ 12,500,001 – US\$12,600,000)	1

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The total remuneration, including the basic salary, performance-linked salary, incentive-linked salary and bonus of the Directors in 2013 amounted to approximately USD34 million. All other non-executive Directors are entitled to receive Director's fees and additional fees for being a member of a Board committee or chairing a Board committee. Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are detailed in note 10 and note 11 to the consolidated financial statements for the year ended 31 December 2013 as disclosed in this Annual Report.

## 8. THE WORK OF AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the CG Code.

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

The Audit Committee consists of a majority of independent non-executive Directors. The members are (or were, see notes) as follows:

- Dr. Peter Nigel Kenny (*chairman of the committee, independent non-executive Director, with relevant professional qualifications and knowledge related to accounting and financial management*)
- Mr. Philip Lader (*independent non-executive Director*)
- Ms. Elsie Leung Oi-sie (*independent non-executive Director*)
- Mr. Christophe Charlier (*non-executive Director*)
- Ms. Olga Mashkovskaya (*non-executive Director, appointed as a member of the committee with effect from 30 September 2013*)
- Ms. Gulzhan Moldazhanova (*non-executive Director, appointed as a member of the committee with effect from 16 August 2013 and ceased to be*

*a member of the committee with effect from 30 September 2013*)

- Mr. Dmitry Yudin (*former non-executive Director, resigned with effect from 14 June 2013*)
- Mr. Artem Volynets (*former non-executive Director, appointed as a member of the committee with effect from 14 June 2013 and resigned with effect from 27 June 2013*)

During the Review Period, the Audit Committee has held 9 meetings. The Company's external auditors are regularly invited to attend meetings of the Audit Committee. At the meeting on 28 February 2013, members of the Audit Committee reviewed the consolidated financial statements for the year ended 31 December 2012. At a meeting on 16 August 2013, members of the Audit Committee reviewed the consolidated interim condensed financial information as at and for the three and six months ended 30 June 2013, and at a meeting on 27 March 2014, members of the Audit Committee reviewed the consolidated financial statements for the year ended 31 December 2013. The Audit Committee is of the opinion that such consolidated financial statements have complied with the applicable accounting standards, the Listing Rules, other legal requirements and that adequate disclosures have been made. Minutes of Audit Committee meetings are taken, recorded and kept.

The Audit Committee reviews the Company's financial and accounting policies and practices, meets the external auditors on a regular basis, and reviews all related party transactions before the Board's consideration. The Audit Committee also reviews the Company's financial controls, internal control and risk management system.

The members of the Audit Committee have regularly attended and actively participated in meetings. For the attendance record of meetings held by the Audit Committee during 2013, please refer to paragraph 3(A) of this Corporate Governance Report.

## 9. AUDITORS' REMUNERATION IN RESPECT OF AUDIT AND NON-AUDIT SERVICES

For the year ended 31 December 2013, the total fees paid or payable in respect of audit and non-audit services provided by the Group's external auditor, ZAO KPMG, are set out below:



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	For the year ended 31 December 2013 USD'000
<b>Audit services</b>	
Annual audit services	7,195
Annual non-audit services	222

The non-audit services mainly comprised tax compliance, interim review service and certain agree-upon-procedure work.

The responsibilities of ZAO KPMG with respect to the 2013 consolidated financial statements are set out in the "Independent Auditors' Report" on page 137.

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

## 10. DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the consolidated financial statements for the year ended 31 December 2013, in accordance with applicable law and IFRS, and that these consolidated financial statements must give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period.

The Companies (Jersey) Law 1991 requires the Directors to prepare consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Company and its subsidiaries and of the profit or loss of the Company and its subsidiaries for that period. In preparing these consolidated financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate

to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the consolidated financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The consolidated financial statements have been prepared in accordance with IFRS. The reporting responsibility of the external auditors of the Company on the financial statements of the Group are set out in the independent auditors' report on pages 137 and 138 of this Annual Report.

## 11. INTERNAL CONTROL

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

The Board is responsible for maintaining and reviewing the effectiveness of the Company's internal control system. The Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established a risk management group within its Directorate for control, internal audit and business coordination (hereinafter referred to as the Directorate for control), which is responsible for developing and monitoring the Company's risk

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management policies. The Directorate for control reports regularly to the Board on its activities.

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

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

The internal control capability is regularly improved and enhanced.

The Board has conducted a quarterly review of the effectiveness on the Company's internal control system during 2013. The following activities were implemented in 2013:

Key steps for the optimisation of procurement activities:

- √ Control of acquisition of the inventory, equipment, transportation
- √ Creation and operation of the Tender Committee of UC RUSAL
- √ Initiation of cooperation with the third party electronic trading platform which will help to increase the number of suppliers and possibilities for reduction of price
- √ Mitigation of risks of publishing for general access of information about UC RUSAL procurement activity
- √ Control environment and sales efficiency of non-core assets (including obsolete inventory)

As a result UC RUSAL became a leader in terms of transparency among Russian companies in a rating of Transparency International (October 17th, 2013). UC RUSAL took the 6th position in the total transparency rating and proved to be the only Russian company in the top-20 list of the participants.

Key steps for the Company's risk management:

- √ Risk Management Regulations is allowed to develop the following issues:

- o General methodology of risk management;
- o Approaches to the assessment of efficiency of the risk management system;
- o Approaches to the assessment of typical risks for the Company
- √ Updating of UC RUSAL Risk Management Policy which defines general risk management concept of the Company and responsibilities of personnel when it comes to risk management.

Pursuant to the international internal audit standards, internal control undergoes independent audits in order to receive an estimate of its functioning efficiency.

Audit planning process is linked to risk charts in operational areas. The priorities include focusing on identification of material risks, assessment of the existing key parameters of the business processes and issuing recommendations for improving the internal control system, monitor recommendations issued as follow-up to audits. It is structured as a single register of corrective actions with their statuses.

Pursuant to the Listing Rules and IFRS 24,28,31 the Company has developed and implemented a multi-level system of control over transactions with related parties, so that the Company can prevent non-compliance with the Listing Rules and other applicable regulations.

These measures led to the improvement of risk identification quality and increased responsibility of persons involved in risk management process.

For the year ended 31 December 2013, the Audit Committee conducted regular assessment of risks and the Group's internal control system effectiveness.

For the year ended 31 December 2013, the Directors consider that the Group's internal control system complied with the CG Code.

## 12. RELEVANT OFFICERS' SECURITIES TRANSACTIONS

The Company has also adopted a code for Securities Transactions by Relevant Officers of the Company (the "**Relevant Officers Code**"). The Relevant Officers Code was based on Appendix 10 to the Listing Rules but it was made more exacting. It was also based on the provisions of articles L.451-2-1, L.465-2, L.621-18-2 of the French Monetary and Financial Code, Chapters II and III of Title II of Book II of the General Regulation of the AMF and Titles II and III of Book VI of the General Regulation of the AMF with respect to insider dealing and market misconduct. It applies to any employee of the Company or a director or employee of a

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subsidiary of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. The Relevant Officers Code was adopted by the Board on 9 April 2010.

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

## 13. DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the Review Period, all Directors of the Company (namely, Mr. Oleg Deripaska, Ms. Vera Kurochkina, Mr. Maxim Sokov, Mr. Vladislav Soloviev, Mr. Stalbek Mishakov, Mr. Dmitry Afanasiev, Mr. Len Blavatnik, Mr. Ivan Glasenberg, Mr. Maksim Goldman, Ms. Gulzhan Moldazhanova, Mr. Christophe Charlier, Ms. Olga Mashkovskaya, Ms. Ekaterina Nikitina, Mr. Mark Garber, Dr. Peter Nigel Kenny, Mr. Philip Lader, Ms. Elsie Leung Oi-sie and Mr. Matthias Warnig), received regular briefings and updates on the Group's business, operations, risk management and corporate governance matters. Materials on new or changes to salient rules and regulations applicable to the Group (including the board diversity policy) were provided to the Directors. The Company has maintained the training records of each Director pursuant to the CG Code.

## 14. GOING CONCERN

During 2013 aluminium prices continued to deteriorate decreasing from an average price of USD2,018 per ton in 2012 to USD1,845 per ton in 2013. This factor had an adverse impact on the revenue and profitability of the Group and together with other factors resulted in a loss for the year of USD3,322 million, including impairment losses of USD2,204 million. As aluminium prices are forecast to continue to remain at depressed levels in 2014, management has entered into negotiations with the Group's lenders to restructure the Group's debt in order to

defer principal repayments to future periods and modify financial covenants to sustainable levels.

After the reporting date, the Company has agreed amended terms of financing with OJSC Sberbank of Russia ("Sberbank") and OJSC Gazprombank ("Gazprombank") under the bilateral loan facilities with a carrying amount of USD4,921 million and USD660 million, respectively, as at 31 December 2013. The respective agreements with Gazprombank have since been executed and management expects to execute revised loan agreements with Sberbank in the nearest future.

The Group is currently still in the process of negotiating amendments to the terms of its syndicated facilities amounting to USD3,686 million and has obtained from its lenders certain forbearances effective until 7 July 2014, including the waiver of potential covenant violations, which will provide the Group more time to complete the negotiation process (refer note 37(c) to the consolidated financial statement for details). Management believes that the syndicated facilities will be renegotiated before the expiry of the forbearances and expects the amended debt repayment terms and modified financial covenants should provide the Group with sufficient liquidity to meet its financial obligations as they fall due in the foreseeable future.

Additionally, management has secured additional financing from its major customer after the reporting date and has identified a number of non-core assets which may be sold in order to generate cash if there should be a further deterioration in aluminium prices.

Management has prepared the consolidated financial statements on a going concern basis and they do not include any adjustment should the Group be unable to continue as a going concern. However, the above conditions result in the existence of a material uncertainty that may cast doubt on the Group's ability to continue as a going concern. In the event the Group is unable to renegotiate terms of the syndicated facilities and related covenants before the expiry of the forbearances, it may not be able to comply with the existing terms of its credit facilities. In this case, the debt may become repayable on demand, and pledged shares and other collateral may be claimed by lenders. If this was to occur, it could have a significant adverse impact on the Group's financial position and its ability to realise its assets and settle its obligations in the ordinary course of business.

# Corporate Governance Report

## 15. INVESTOR RELATIONS

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

There has been no change to the Memorandum and Articles of Association of the Company during 2013.

## 16. SHAREHOLDERS' RIGHT

### RIGHT TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Shareholder(s) holding, at the date of deposit of a written requisition to the Directors or the secretary of the Company, 5 per cent or more of the Company's voting share capital may require an extraordinary general meeting to be called for the transaction of any business specified in such requisition.

If the Directors do not within 21 days from the date of the deposit of the requisition call a meeting to be held within 2 months of the date of the deposit of the requisition, the requisitionists or any of them holding more than half of the total voting rights of all of them may call a meeting which may not be held after 3 months from that date. All reasonable expenses incurred by the requisitionists as a result of the failure of the board shall be reimbursed to the requisitionists by the Company.

No business other than that stated in the requisition as the objects of the meeting shall be transacted at the meeting.

### PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

Shareholder(s) holding 2.5 per cent or more of the total voting rights of all shareholders or 50 or more of them holding shares on which there has been paid up an average sum, per shareholder, equivalent of 2,000 Hong Kong dollars or more have the right at their own expense (unless the Company otherwise resolves) to require the Company to (a) give to shareholders entitled to receive notice of the next annual general meeting notice of any resolution

which may properly be moved and is intended to be moved at that meeting and (b) circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The Company does not have to give notice of any resolution or circulate any statement unless (a) a copy of the requisition signed by the requisitionists is deposited at the Company's registered office (i) at least 6 weeks before the meeting in the case of a requisition requiring notice of a resolution (although this requirement does not apply if an annual general meeting is called for a date 6 weeks or less after the copy has been deposited) or (ii) at least 1 week before the meeting in the case of any other requisition and (b) there is deposited with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect to the requisition.

The Company shall also not be bound to circulate any statement if, on the application either of the Company or of any other person who claims to be aggrieved, a court is satisfied that the rights are being abused to secure needless publicity for defamatory matter; and the court may order the Company's costs on an application to be paid in whole or in part by the requisitionists, notwithstanding that they are not parties to the application.

### COMPANY'S CONTACT DETAILS

Any proposal to convene an extraordinary general meeting, to put forward a proposal at a general meeting and any general enquiries of the Board should be sent to "The Board of Directors c/o the Company Secretary, United Company RUSAL Plc, Ogier House, The Esplanade, St Helier JE4 9WG, Jersey".

## 17. COMPANY SECRETARY

The Company engages Ms. Aby Wong Po Ying of Ogier Services (Asia) Limited as its company secretary. Ms. Wong's primary contact person in the Company is Mr. Eugene Choi, Authorised Representative of the Company.



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# Independent Auditors' Report

# Independent Auditors' Report

## **Independent auditor's report to the members of United Company RUSAL Plc** *(Incorporated in Jersey with limited liability)*

We have audited the accompanying consolidated financial statements of United Company RUSAL Plc ("the Company") and its subsidiaries (the "Group"), which comprise the Consolidated and Company Statements of Financial Position as at 31 December 2013, the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report or for the opinions we have formed.

## **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

As explained more fully in the Statement of Directors' Responsibilities set out on page 132, the directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with applicable law, International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for being satisfied that the consolidated financial statements give a true and fair view.

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with the relevant legal and regulatory requirements and International Standards on Auditing issued by the International Auditing and Assurance Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

## **OPINION**

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 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.

# Independent Auditors' Report

## EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2(d) to the consolidated financial statements which describes that there is significant uncertainty as to whether the Group will have sufficient cash flows to meet its scheduled debt repayments falling due during 2014 unless a debt restructuring is completed that both defers principal repayments to future periods and modifies financial covenants to sustainable levels. In the event the Group is unable to reach an acceptable agreement to restructure its scheduled debt repayments and related financial covenants, the Group's debt may become repayable on demand and the security provided may be enforced. These conditions, along with the other matters described in note 2(d), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Effective 1 January 2013 the Group changed its accounting policy with respect to accounting for interests in associates. The reason for and the effects of this change are described in Note 1(d) to the consolidated financial statements. We have audited the adjustments described in Note 1(d) that were applied to restate the consolidated financial statements as at and for the year ended 31 December 2012. In our opinion, such adjustments are appropriate and have been properly applied.

## OTHER MATTER

In our report dated 27 March 2014, we expressed an opinion on the Group's consolidated financial statements as at and for the year ended 31 December 2013 that was qualified for the effect of such adjustments, if any, that might have been determined to be necessary had we been able to obtain sufficient appropriate audit evidence in relation to the Group's estimate of the share of profit, other comprehensive income and foreign currency translation loss of the Group's equity investee, OJSC MMC Norilsk Nickel ("Norilsk Nickel"). Since that date, the directors have obtained the required information and have adjusted the Group's and Company's accounting for the Norilsk Nickel investment. We have audited the adjustments described in note 1(e) to the consolidated financial statements and, in our opinion, such adjustments are appropriate and have been properly applied. Accordingly, our present report on the Group's consolidated financial statements as at and for the year ended 31 December 2013, as presented herein and approved by the Board of Directors on 9 April 2014, is different from our previous report dated 27 March 2014.

## 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.

### **Andrei Shvetsov**

For and on behalf of ZAO KPMG

General Director

Member of Chamber of Auditors of Russia  
and Recognized Auditor

9 April 2014

# Consolidated Statement of Income

For the year ended 31 December 2013

	Note	Year ended 31 December	
		2013 USD million	2012 (restated) USD million
<b>Revenue</b>	5	<b>9,760</b>	<b>10,891</b>
Cost of sales		<b>(8,429)</b>	(9,232)
<b>Gross profit</b>		<b>1,331</b>	<b>1,659</b>
Distribution expenses		<b>(488)</b>	(527)
Administrative expenses		<b>(645)</b>	(718)
Loss on disposal of property, plant and equipment		<b>(16)</b>	(8)
Impairment of non-current assets and restructuring expenses	9(b)	<b>(1,919)</b>	(304)
Other operating expenses	6	<b>(67)</b>	(42)
<b>Results from operating activities</b>		<b>(1,804)</b>	<b>60</b>
Finance income	7	<b>51</b>	25
Finance expenses	7	<b>(787)</b>	(920)
Share of profits of associates	18	<b>84</b>	278
Share of (losses)/profits of joint ventures	19	<b>(551)</b>	55
Loss recycled from other comprehensive income	17	<b>(234)</b>	–
<b>Loss before taxation</b>		<b>(3,241)</b>	<b>(502)</b>
Income tax	8	<b>(81)</b>	(26)
<b>Loss for the year</b>		<b>(3,322)</b>	<b>(528)</b>
Attributable to:			
Shareholders of the Company		<b>(3,322)</b>	(528)
<b>Loss for the year</b>		<b>(3,322)</b>	<b>(528)</b>
<b>Loss per share</b>			
Basic and diluted loss per share (USD)	14	<b>(0.219)</b>	(0.035)



# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Note	Year ended 31 December	
		2013 USD million	2012 (restated) USD million
<b>Loss for the year</b>		<b>(3,322)</b>	<b>(528)</b>
<b>Other comprehensive income</b>			
Items that will never be reclassified subsequently to profit or loss:			
Actuarial losses on post retirement benefit plans	28(a)	(2)	(41)
Items that are or may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates	18	(17)	(5)
Change in fair value of cash flow hedges		8	(63)
Recycling of losses relating to the Norilsk Nickel shares sold	17	234	–
Foreign currency translation differences for equity-accounted investees		(777)	642
Foreign currency translation differences for foreign operations		(305)	190
		(857)	764
Other comprehensive income for the period, net of tax		(859)	723
<b>Total comprehensive income for the year</b>		<b>(4,181)</b>	<b>195</b>
Attributable to:			
Shareholders of the Company		(4,181)	195
<b>Total comprehensive income for the year</b>		<b>(4,181)</b>	<b>195</b>

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

# Consolidated Statement of Financial Position

As at 31 December 2013

	Note	31 December 2013 USD million	31 December 2012 (restated) USD million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	4,167	5,453
Intangible assets	16	3,497	4,051
Interests in associates	18	8,175	9,673
Interests in joint ventures	19	585	1,156
Deferred tax assets	21	143	99
Derivative financial assets	29	13	12
Other non-current assets		110	89
<b>Total non-current assets</b>		<b>16,690</b>	<b>20,533</b>
<b>Current assets</b>			
Inventories	22	2,248	2,624
Assets held-for-sale	17	–	620
Trade and other receivables	23	817	925
Derivative financial assets	29	9	3
Cash and cash equivalents	24	716	505
<b>Total current assets</b>		<b>3,790</b>	<b>4,677</b>
<b>Total assets</b>		<b>20,480</b>	<b>25,210</b>

# Consolidated Statement of Financial Position

As at 31 December 2013

	Note	31 December 2013 USD million	31 December 2012 (restated) USD million
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	25		
Share capital		152	152
Shares held for vesting		(1)	(1)
Share premium		15,786	15,787
Other reserves		2,740	2,747
Currency translation reserve		(4,518)	(3,666)
Accumulated losses		(7,609)	(4,287)
<b>Total equity</b>		<b>6,550</b>	<b>10,732</b>
<b>Non-current liabilities</b>			
Loans and borrowings	26	8,691	9,415
Bonds	27	458	988
Provisions	28	677	621
Deferred tax liabilities	21	472	520
Derivative financial liabilities	29	188	179
Other non-current liabilities		49	43
<b>Total non-current liabilities</b>		<b>10,535</b>	<b>11,766</b>
<b>Current liabilities</b>			
Loans and borrowings	26	1,234	931
Bonds	27	442	–
Current taxation	21(e)	15	18
Trade and other payables	30	1,472	1,656
Derivative financial liabilities	29	122	47
Provisions	28	110	60
<b>Total current liabilities</b>		<b>3,395</b>	<b>2,712</b>
<b>Total liabilities</b>		<b>13,930</b>	<b>14,478</b>
<b>Total equity and liabilities</b>		<b>20,480</b>	<b>25,210</b>
<b>Net current assets</b>		<b>395</b>	<b>1,965</b>
<b>Total assets less current liabilities</b>		<b>17,085</b>	<b>22,498</b>

Approved and authorised for issue by the board of directors on 9 April 2014.

**Oleg V. Deripaska**  
Chief Executive Officer

**Alexandra Y. Bouriko**  
Chief Financial Officer

# Statement of Financial Position of the Company

As at 31 December 2013

	Note	31 December 2013 USD million	31 December 2012 USD million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	20	15,047	18,578
<b>Total non-current assets</b>		<b>15,047</b>	<b>18,578</b>
<b>Current assets</b>			
Loans to group companies		–	9
Other receivables	23	15	16
Cash and cash equivalents	24	247	13
<b>Total current assets</b>		<b>262</b>	<b>38</b>
<b>Total assets</b>		<b>15,309</b>	<b>18,616</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	25	152	152
Reserves		3,431	6,060
<b>Total equity</b>		<b>3,583</b>	<b>6,212</b>
<b>Non-current liabilities</b>			
Loans and borrowings	26	7,795	9,236
<b>Total non-current liabilities</b>		<b>7,795</b>	<b>9,236</b>
<b>Current liabilities</b>			
Loans and borrowings	26	1,577	894
Trade and other payables	30	744	822
Other current liabilities	34(c)	1,610	1,452
<b>Total current liabilities</b>		<b>3,931</b>	<b>3,168</b>
<b>Total liabilities</b>		<b>11,726</b>	<b>12,404</b>
<b>Total equity and liabilities</b>		<b>15,309</b>	<b>18,616</b>
<b>Net current liabilities</b>		<b>(3,669)</b>	<b>(3,130)</b>
<b>Total assets less current liabilities</b>		<b>11,378</b>	<b>15,448</b>

Approved and authorised for issue by the board of directors on 9 April 2014.

**Oleg V. Deripaska**  
Chief Executive Officer

**Alexandra Y. Bouriko**  
Chief Financial Officer

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Note	Share capital USD million	Shares held for vesting USD million	Share premium USD million	Other reserves USD million	Currency translation reserve USD million	Accumulated losses USD million	Total equity USD million
<b>Balance at 1 January 2013</b>		<b>152</b>	<b>(1)</b>	<b>15,787</b>	<b>2,747</b>	<b>(3,666)</b>	<b>(4,096)</b>	<b>10,923</b>
Restatement as a result of a change in standards	1(d)	-	-	-	-	-	(191)	(191)
<b>Balance at 1 January 2013 (restated)</b>		<b>152</b>	<b>(1)</b>	<b>15,787</b>	<b>2,747</b>	<b>(3,666)</b>	<b>(4,287)</b>	<b>10,732</b>
Loss for the year		-	-	-	-	-	(3,322)	(3,322)
Other comprehensive income for the year		-	-	-	(7)	(852)	-	(859)
<b>Total comprehensive income for the year</b>		-	-	-	<b>(7)</b>	<b>(852)</b>	<b>(3,322)</b>	<b>(4,181)</b>
Share-based compensation	25(b)	-	-	(1)	-	-	-	(1)
<b>Balance at 31 December 2013</b>		<b>152</b>	<b>(1)</b>	<b>15,786</b>	<b>2,740</b>	<b>(4,518)</b>	<b>(7,609)</b>	<b>6,550</b>
<b>Balance at 1 January 2012</b>		<b>152</b>	<b>-</b>	<b>15,788</b>	<b>2,856</b>	<b>(4,498)</b>	<b>(3,759)</b>	<b>10,539</b>
Loss for the year		-	-	-	-	-	(337)	(337)
Other comprehensive income for the year		-	-	-	(109)	832	-	723
<b>Total comprehensive income for the year</b>		-	-	-	<b>(109)</b>	<b>832</b>	<b>(337)</b>	<b>386</b>
Share-based compensation	25(b)	-	(1)	(1)	-	-	-	(2)
<b>Balance at 31 December 2012</b>		<b>152</b>	<b>(1)</b>	<b>15,787</b>	<b>2,747</b>	<b>(3,666)</b>	<b>(4,096)</b>	<b>10,923</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	Year ended 31 December	
		2013 USD million	2012 (restated) USD million
<b>OPERATING ACTIVITIES</b>			
<b>Loss for the year</b>		<b>(3,322)</b>	<b>(528)</b>
<i>Adjustments for:</i>			
Depreciation	9(b)	505	528
Amortisation	9(b)	15	15
Impairment of non-current assets and restructuring expenses	9(b)	1,919	304
Share-based compensation	25(b)	4	4
Impairment of trade and other receivables	6	5	20
Debtors write-off		12	12
Impairment of inventories	22	38	36
Reversal of provision for legal claims	6	(11)	(3)
Tax provision/(reversal of tax provision)	6	65	(44)
Reversal of site restoration provision		-	(1)
(Reversal of pension provision)/pension provision		(25)	7
Change in fair value of derivative financial instruments	7	12	107
Foreign exchange (gains)/losses		(51)	1
Loss on disposal of property, plant and equipment		16	8
Loss on disposal of intangible assets		-	2
Interest expense		775	747
Interest income		(22)	(25)
Income tax expense	8	81	26
Recycle of losses from other comprehensive income	17	234	-
Share of profits of associates	18	(84)	(278)
Share of losses/(profits) of joint ventures	19	551	(55)
<b>Cash from operating activities before changes in working capital and provisions</b>		<b>717</b>	<b>883</b>
Decrease in inventories		176	331
Decrease in trade and other receivables		24	87
Decrease in prepaid expenses and other assets		1	5
Decrease in trade and other payables		(338)	(104)
Decrease in provisions		(36)	(32)
<b>Cash generated from operations before income tax paid</b>		<b>544</b>	<b>1,170</b>
Income taxes paid		(136)	(78)
<b>Net cash generated from operating activities</b>		<b>408</b>	<b>1,092</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	Year ended 31 December	
		2013 USD million	2012 (restated) USD million
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		30	63
Interest received		15	19
Acquisition of property, plant and equipment		(538)	(486)
Dividends from associates		803	267
Dividends from joint ventures	19	63	68
Acquisition of intangible assets	16	(15)	(15)
Acquisition of joint ventures		–	(14)
Proceeds from disposal of non-current asset held for sale	17	620	–
Acquisition of subsidiaries, net of cash acquired		–	(9)
Contributions to joint ventures	19	–	(4)
Changes in restricted cash	24	–	18
<b>Net cash generated from/(used in) investing activities</b>		<b>978</b>	<b>(93)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings		1,785	1,285
Repayment of borrowings		(2,250)	(1,726)
Restructuring fees and other expenses		(66)	(78)
Interest paid		(631)	(610)
Purchases of shares for vesting		(2)	(2)
Proceeds from settlement of aluminium hedges		5	–
<b>Net cash used in financing activities</b>		<b>(1,159)</b>	<b>(1,131)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>227</b>	<b>(132)</b>
Cash and cash equivalents at beginning of the year	24	490	613
Effect of exchange rate fluctuations on cash and cash equivalents		(16)	9
<b>Cash and cash equivalents at the end of the year</b>	24	<b>701</b>	<b>490</b>

Restricted cash amounted to USD15 million both at 31 December 2013 and 31 December 2012.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## 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 35) 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 2013 and 31 December 2012 was as follows:

	31 December 2013	31 December 2012
En+ Group Limited ("En+")	48.13%	48.13%
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	0.00%*	0.01%
Publicly held	10.04%	10.03%
<b>Total</b>	<b>100%</b>	<b>100%</b>

\* As at 31 December 2013 the Group held 106,684 ordinary shares for LTIP (note 25(b)).

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 34 and 36 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



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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.

## (D) RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

On 10 December 2012 the main shareholders of Norilsk Nickel, UC RUSAL Plc and Interros, concluded a shareholders agreement together with Millhouse (subsequently substituted by Crispian Investments Limited ("Crispian") affiliated with Mr. Abramovich) in respect of their respective investments in Norilsk Nickel. In accordance with the shareholders agreement, UC RUSAL agreed to sell 3,873,537 shares of Norilsk Nickel to Millhouse for USD160 per share. This sale actually took place in the second quarter of 2013. As at 31 December 2012, the accounting policy of the Group was to treat investments in associates as a single unit of account. As a consequence, management did not separate the amount of shares expected to be sold to Millhouse ("the holding"), separately test this holding for impairment, represent the holding as non-current assets held-for-sale and then assess whether the holding is measured at the lower of its carrying amount and fair value less costs to sell as at 31 December 2012.

Effective from 1 January 2013, amendments to the revised IAS 28 "Investments in associates and joint ventures" require an entity to reclassify an investment in an associate, or portion of an investment in an associate, as held-for-sale when it meets the criteria specified in IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". As previously the Group's investments in associates were treated as a single unit of account, the amendment to IAS 28 has resulted in a change in accounting policy.

Management has reassessed the circumstances as at 31 December 2012 applying the amendments to the revised IAS 28 and concluded that the holding that is expected to be sold to Millhouse does meet the criteria in IFRS 5 and should be classified as non-current assets held-for-sale. The comparative information as at 31 December 2012 in these Consolidated Financial Statements has been restated to reflect these adjustments which are detailed in the table below:

	As at and for the year ended 31 December 2012		
	Previously reported USD million	Restatement USD million	Adjusted financial information USD million
Interest in associates	10,484	(811)	9,673
Assets reclassified as held for sale	–	620	620
Accumulated losses	(4,096)	(191)	(4,287)
Share of profits of associates	469	(191)	278

The reclassified portion of the investment in Norilsk Nickel of USD811 million was written down to its recoverable amount of USD620 million prior to reclassification to assets held-for-sale resulting in an impairment loss of USD191 million being recognised in the Group's statement of income for the year ended 31 December 2012.

## (E) PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

The Group has previously issued consolidated financial statements as at and for the year ended 31 December 2013 dated 27 March 2014. At that date the Group was unable to obtain consolidated IFRS financial statements of the Group's significant equity investee, OJSC MMC Norilsk Nickel, as at and for year ended 31 December 2013. Consequently the Group estimated its share in the profits and other comprehensive income of OJSC MMC Norilsk Nickel for the year ended 31 December 2013 based on publicly available information at that time. On 7 April 2014 OJSC MMC Norilsk Nickel published its IFRS consolidated financial statements and management reassessed its share in the profits and other comprehensive income of OJSC MMC Norilsk Nickel based on this information. As a result, management concluded that share of profits of associates, foreign currency translation differences for foreign

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operations, share of other comprehensive income of associates and interests in associates were overstated by USD100 million, USD nil million, USD nil million and USD100 million, respectively, in the Group's previously issued consolidated financial statements as at and for the year ended 31 December 2013 dated 27 March 2014. Additionally, management concluded that investments in subsidiaries were overstated by USD100 million in the statement of financial position of the Company as at 31 December 2013 as a consequence of a reduction in the carrying value of a subsidiary's investment in Norilsk Nickel.

These consolidated financial statements as at and for the year ended 31 December 2013 have been adjusted accordingly.

## 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 2013 apart from Amendments to IAS 36, Impairment of Assets:

*Recoverable amount disclosures for non-financial assets* originally effective for periods starting from 1 January 2014 which was early adopted in these consolidated financial statements. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on 1 January 2013 are set out in note 39.

### (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) GOING CONCERN

During 2013 aluminium prices continued to deteriorate decreasing from an average price of USD2,018 per ton in 2012 to USD1,845 per ton in 2013. This factor had an adverse impact on the revenue and profitability of the Group and together with other factors resulted in a loss for the year of USD3,322 million, including impairment losses of USD2,204 million. As aluminium prices are forecast to continue to remain at depressed levels in 2014, management has entered into negotiations with the Group's lenders to restructure the Group's debt in order to defer principal repayments to future periods and modify financial covenants to sustainable levels. After the reporting date, the Company has agreed amended terms of financing with OJSC Sberbank of Russia ("Sberbank") and OJSC Gazprombank ("Gazprombank") under the bilateral loan facilities with a carrying amount of USD4,921 million and USD660 million, respectively, as at 31 December 2013. The respective agreements with Gazprombank have since been executed and management expects to execute revised loan agreements with Sberbank in the nearest future.

The Group is currently still in the process of negotiating amendments to the terms of its syndicated facilities amounting to USD3,686 million and has obtained from its lenders certain forbearances effective until 7 July 2014, including the waiver of potential covenant violations, which will provide the Group more time to complete the negotiation process (refer note 37(c) for details). Management believes that the syndicated facilities will be renegotiated before the expiry of the forbearances and expects the amended debt repayment terms and modified financial covenants should provide the Group with sufficient liquidity to meet its financial obligations as they fall due in the foreseeable future.

# Notes To The Consolidated Financial Statements

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Additionally, management has secured additional financing from its major customer after the reporting date and has identified a number of non-core assets which may be sold in order to generate cash if there should be a further deterioration in aluminium prices.

Management has prepared these consolidated financial statements on a going concern basis and they do not include any adjustment should the Group be unable to continue as a going concern. However, the above conditions result in the existence of a material uncertainty that may cast doubt on the Group's ability to continue as a going concern. In the event the Group is unable to renegotiate terms of the syndicated facilities and related covenants before the expiry of the forbearances, it may not be able to comply with the existing terms of its credit facilities. In this case, the debt may become repayable on demand, and pledged shares and other collateral may be claimed by lenders. If this was to occur, it could have a significant adverse impact on the Group's financial position and its ability to realise its assets and settle its obligations in the ordinary course of business.

## (E) USE OF JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of 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 38.

## (F) 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 2012 with the exception of the change in accounting policy for the accounting of investments in associates as a consequence of amendments to IAS 28, Investments in associates and joint ventures (2011). For further details please see note 1(d).

## 3 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. Except for change in accounting policy in note 2(f) 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

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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 joint venture (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 JOINT VENTURES (EQUITY ACCOUNTED INVESTEEES)

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. Joint ventures 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 joint ventures 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. 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 (but disclosed) 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 joint ventures, 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 joint ventures, 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.

# Notes To The Consolidated Financial Statements

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## (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 and 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.

# Notes To The Consolidated Financial Statements

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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.

# Notes To The Consolidated Financial Statements

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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.

# Notes To The Consolidated Financial Statements

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## (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 joint venture 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 joint ventures, the carrying amount of goodwill is included in the carrying amount of the interest in the associate and joint venture 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 joint venture.

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



# Notes To The Consolidated Financial Statements

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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.

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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.

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 joint venture 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 joint venture may be impaired.

An impairment loss in respect of an investment in an associate or joint venture is calculated as the difference between its carrying amount after application of the equity method of accounting (refer to note 3(a)(iv)) and its recoverable amount. The recoverable amount of such investment is the greater of its value in use and its fair value less cost to sell. In determining the value in use of the investment the Group estimates: (a) its share of the present value of the estimated future cash flows expected to be generated by the investee, including the cash flows from the operations of the investee and the proceeds on the ultimate disposal of the investment; or (b) the present value of the estimated future cash flows expected to arise from the dividends to be received from the investee and from its ultimate disposal depending on which available information with respect to each investee is more reliable. An impairment loss is reversed to the extent that the recoverable amount of the investment subsequently increases

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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.

## (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

# Notes To The Consolidated Financial Statements

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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 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

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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.

# Notes To The Consolidated Financial Statements

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## (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 2013 and 2012.

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.

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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 joint ventures, 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 2013 revenues from sales of primary aluminium and alloys to this customer amounted to USD3,227 million (2012: USD3,138 million). Details of concentrations of credit risk arising from this customer are set out in note 31(e).

## (I) REPORTABLE SEGMENTS Year ended 31 December 2013

	Aluminium USD million	Alumina USD million	Energy USD million	Mining and Metals USD million	Total segment result USD million
Revenue from external customers	8,159	567	4	–	8,730
Inter-segment revenue	155	1,468	–	–	1,623
<b>Total segment revenue</b>	<b>8,314</b>	<b>2,035</b>	<b>4</b>	<b>–</b>	<b>10,353</b>
<b>Segment profit/(loss)</b>	<b>523</b>	<b>(270)</b>	<b>–</b>	<b>–</b>	<b>253</b>
Impairment of non-current assets and restructuring expenses	(1,745)	(174)	–	–	(1,919)
Share of (losses)/profits of associates	–	(21)	–	105	84
Share of profits/(losses) of joint ventures	2	–	(553)	–	(551)
Depreciation/amortisation	(414)	(96)	–	–	(510)
Non-cash expense other than depreciation	(9)	(100)	–	–	(109)
Additions to non-current segment assets during the year	332	197	12	–	541
Non-cash additions to non-current segment assets related to site restoration	–	7	–	–	7
Segment assets	9,754	1,734	32	–	11,520
Interests in associates	–	371	–	7,801	8,172
Interests in joint ventures	18	–	567	–	585
<b>Total segment assets</b>					<b>20,277</b>
Segment liabilities	(1,744)	(957)	(2)	–	(2,703)
<b>Total segment liabilities</b>					<b>(2,703)</b>

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## Year ended 31 December 2012 (restated)

	Aluminium USD million	Alumina USD million	Energy USD million	Mining and Metals USD million	Total segment result USD million
Revenue from external customers	9,323	552	5	–	9,880
Inter-segment revenue	192	1,491	–	–	1,683
<b>Total segment revenue</b>	<b>9,515</b>	<b>2,043</b>	<b>5</b>	<b>–</b>	<b>11,563</b>
<b>Segment profit/(loss)</b>	<b>722</b>	<b>(190)</b>	<b>1</b>	<b>533</b>	<b>253</b>
Impairment of non-current assets	(18)	(266)	–	–	(284)
Share of losses of associates	–	(15)	–	299	284
Share of profit of joint ventures	–	–	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	620	14,147
Interests in associates	–	453	–	9,217	9,670
Interests in joint ventures	16	–	1,140	–	1,156
<b>Total segment assets</b>					<b>24,973</b>
Segment liabilities	(2,002)	(724)	(33)	–	(2,759)
<b>Total segment liabilities</b>					<b>(2,759)</b>

## (II) RECONCILIATION OF REPORTABLE SEGMENT REVENUE, PROFIT OR LOSS, ASSETS AND LIABILITIES

	Year ended 31 December	
	2013 USD million	2012 (restated) USD million
<b>Revenue</b>		
Reportable segment revenue	10,353	11,563
Elimination of inter-segment revenue	(1,623)	(1,683)
Unallocated revenue	1,030	1,011
<b>Consolidated revenue</b>	<b>9,760</b>	<b>10,891</b>



# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

	Year ended 31 December	
	2013 USD million	2012 (restated) USD million
<b>Profit</b>		
Reportable segment profit	253	533
Impairment of non-current assets and restructuring expenses	(1,919)	(304)
Share of profits of associates	84	278
Share of (losses)/profits of joint ventures	(551)	55
Recycle of losses from other comprehensive income	(234)	–
Finance income	51	25
Finance expenses	(787)	(920)
Unallocated expenses	(138)	(169)
<b>Consolidated loss before taxation</b>	<b>(3,241)</b>	<b>(502)</b>
	31 December 2013 USD million	31 December 2012 (restated) USD million
<b>Assets</b>		
Reportable segment assets	20,277	24,973
Elimination of inter-segment receivables	(336)	(338)
Unallocated assets	539	575
<b>Consolidated total assets</b>	<b>20,480</b>	<b>25,210</b>
	31 December 2013 USD million	31 December 2012 (restated) USD million
<b>Liabilities</b>		
Reportable segment liabilities	(2,703)	(2,759)
Elimination of inter-segment payables	336	338
Unallocated liabilities	(11,563)	(12,057)
<b>Consolidated total liabilities</b>	<b>(13,930)</b>	<b>(14,478)</b>

### (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.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

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 joint ventures ("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 joint ventures.

	Revenue from external customers Year ended 31 December	
	2013 USD million	2012 USD million
Netherlands	2,788	2,498
Russia	1,926	2,133
Turkey	852	946
USA	611	475
Japan	523	859
South Korea	437	608
Norway	407	177
Poland	306	299
Sweden	219	249
China	203	422
Greece	171	145
France	144	141
Italy	136	100
Germany	110	397
Other countries	927	1,442
	<b>9,760</b>	<b>10,891</b>

	Specified non-current assets	
	31 December 2013 USD million	31 December 2012 (restated) USD million
Russia	3,461	4,593
Ireland	339	328
Ukraine	254	239
Armenia	55	57
Guyana	55	48
Guinea	49	54
Unallocated	12,477	15,214
	<b>16,690</b>	<b>20,533</b>

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## 5 REVENUE

	Year ended 31 December	
	2013 USD million	2012 USD million
<b>Sales of primary aluminium and alloys</b>	<b>8,159</b>	<b>9,323</b>
<i>Third parties</i>	<b>4,499</b>	5,789
<i>Related parties – companies capable of exerting significant influence</i>	<b>3,371</b>	3,299
<i>Related parties – companies under common control</i>	<b>241</b>	178
<i>Related parties – associates</i>	<b>48</b>	57
<b>Sales of alumina and bauxite</b>	<b>567</b>	<b>552</b>
<i>Third parties</i>	<b>342</b>	378
<i>Related parties – companies capable of exerting significant influence</i>	<b>225</b>	174
<b>Sales of foil</b>	<b>313</b>	<b>302</b>
<i>Third parties</i>	<b>306</b>	294
<i>Related parties – companies under common control</i>	<b>7</b>	8
<b>Other revenue including energy and transportation services</b>	<b>721</b>	<b>714</b>
<i>Third parties</i>	<b>554</b>	613
<i>Related parties – companies capable of exerting significant influence</i>	<b>23</b>	22
<i>Related parties – companies under common control</i>	<b>35</b>	34
<i>Related parties – associates</i>	<b>109</b>	45
	<b>9,760</b>	<b>10,891</b>

The Group's customer base is diversified and includes only one major customer - Glencore International AG (a member of Glencore International Plc Group which is a shareholder of the Company with a 8.75% share – refer to note 1(a)) - with whom transactions have exceeded 10% of the Group's revenue. In 2013 revenues from sales of primary aluminium and alloys to this customer amounted to USD3,227 million (2012: USD3,138 million).

## 6 OTHER OPERATING EXPENSES

	Year ended 31 December	
	2013 USD million	2012 USD million
Impairment loss on trade and other receivables	(5)	(20)
Reversal of provision for legal claims	11	3
(Tax provision)/reversal of tax provision	(65)	44
Charitable donations	(14)	(10)
Other operating income/(expense)	6	(59)
	(67)	(42)

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## 7 FINANCE INCOME AND EXPENSES

	Year ended 31 December	
	2013 USD million	2012 USD million
<b>Finance income</b>		
Interest income on third party loans and deposits	14	16
Interest income on loans to related parties – <i>companies under common control</i>	3	3
Net foreign exchange gain	29	–
Interest income on provisions	5	6
	<b>51</b>	<b>25</b>
<b>Finance expenses</b>		
Interest expense on bank loans wholly repayable within 5 years, bonds and other bank charges	(754)	(682)
Change in fair value of derivative financial instruments (refer to note 29)	(12)	(107)
Net foreign exchange loss	–	(66)
Interest expense on provisions	(21)	(65)
	<b>(787)</b>	<b>(920)</b>

## 8 INCOME TAX

	Year ended 31 December	
	2013 USD million	2012 USD million
<b>Current tax</b>		
Current tax for the year	181	131
<b>Deferred tax</b>		
Reversal of temporary differences	(100)	(105)
<b>Actual tax expense</b>	<b>81</b>	<b>26</b>

The Company is a tax resident of Cyprus with applicable corporate tax rate of 12.5% (for the year ended 31 December 2012: 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 19% (for the year ended 31 December 2012: 21%); Guinea of 0%; China of 25%; Kazakhstan of 20%; Australia of 30%; Jamaica of 25% (for the year ended 31 December 2012: 33.3%); Ireland of 12.5%; Sweden of 22% (for the year ended 31 December 2012: 26.3%) and Italy of 31.4%. For the Group's subsidiaries domiciled in Switzerland the applicable tax rate for the year is the corporate income tax rate in the Canton of Zug, Switzerland, which may vary depending on the 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 2013 are 9.33% and 14.88% for different subsidiaries (for the year ended 31 December 2012: 9.39% and 15.11%). For the Group's significant trading companies, the applicable tax rate is 0%. The applicable tax rates for the year ended 31 December 2013 were the same as for the year ended 31 December 2012 except as noted above.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

	Year ended 31 December			
	2013		2012	
	USD million	%	USD million (restated)	%
<b>Loss before taxation</b>	<b>(3,241)</b>	<b>100</b>	<b>(502)</b>	<b>100</b>
Income tax at tax rate applicable to the tax residence of the Company	(405)	12.5	(50)	10.0
Financial expenses non-deductible for tax purposes	81	(2.5)	64	(12.7)
Other non-deductible taxable items	114	(3.6)	(4)	0.8
Effect of impairment of goodwill	50	(1.5)	–	–
Effect of changes in investment in Norilsk Nickel	40	(1.2)	(28)	5.6
Change in unrecognised deferred tax assets	338	(10.4)	117	(23.3)
Effect of different income tax rates	(137)	4.2	(73)	14.5
<b>Actual tax expense</b>	<b>81</b>	<b>(2.5)</b>	<b>26</b>	<b>(5.2)</b>

## 9 LOSS FOR THE YEAR

Loss for the year is arrived at after charging:

### (A) PERSONNEL COSTS

	Year ended 31 December	
	2013 USD million	2012 USD million
Contributions to defined contribution retirement plans	246	209
Contributions to defined benefit retirement plans	9	7
Total retirement costs	255	216
Wages and salaries	869	1,057
Share-based compensation (refer to note 25(b))	4	4
	<b>1,128</b>	<b>1,277</b>

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.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## (B) OTHER ITEMS

	Year ended 31 December	
	2013 USD million	2012 USD million
Amortisation of intangible assets	15	15
Depreciation (net of amount included in inventories)	505	528
Impairment losses in respect of:		
– property, plant and equipment	1,222	295
– intangible assets	382	13
Restructuring expenses	315	–
Mineral restoration tax	31	34
Net increase in provisions	152	65
Auditors' remuneration	7	7
Operating lease charges in respect of property	18	14
Cost of inventories (refer to note 22)	7,944	8,742

Restructuring expenses include inventories at closed plants in the amount of USD170 million, accounts receivables in amount of USD56 million, various redundancy payments in the amount of USD47 million, electricity and power costs in the amount of USD18 million and USD12 million, respectively, and other expenses in the amount of USD12 million.

## 10 DIRECTORS' REMUNERATION

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

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

	Year ended 31 December 2013		
	Directors' fees USD thousand	Salaries, allowances, benefits in kind and discretionary bonuses USD thousand	Total USD thousand
<b>Executive Directors (g)</b>			
Oleg Deripaska	–	2,233	2,233
Vladislav Soloviev	–	3,211	3,211
Vera Kurochkina	–	728	728
Stalbek Mishakov (a)	–	4,731	4,731
Maksim Sokov	–	19,104	19,104
<b>Non-executive Directors</b>			
Maksim Goldman	223	–	223
Dmitry Afanasiev	204	–	204
Len Blavatnik	200	–	200
Ivan Glasenberg	235	–	235
Dmitry Yudin (b)	91	–	91
Alexandra Bouriko (c)	55	125	180
Ekaterina Nikitina (d)	116	145	261
Christophe Charlier	235	–	235
Olga Mashkovskaya (e)	53	–	53
Artem Volynets (b)	134	–	134
Gulzhan Moldazhanova	211	–	211
Vadim Geraskin (b)	84	–	84
<b>Independent Non-executive Directors</b>			
Matthias Warnig (Chairman)	456	–	456
Nigel Kenny	258	–	258
Philip Lader	321	–	321
Elsie Leung Oi-Sie	237	–	237
Mark Garber (d)	142	–	142
Barry Cheung Chun-Yuen (f)	118	–	118
	<b>3,373</b>	<b>30,277</b>	<b>33,650</b>

- a. Stalbek Mishakov, an advisor for Chief Executive Officer, was appointed as a member of the Board of Directors in August 2013.
- b. Dmitry Yudin, Artem Volynets and Vadim Geraskin resigned from their positions as the members of the Board of Directors in June 2013.
- c. Alexandra Bouriko was appointed as a non-executive director in June 2013 and resigned from her position in the Board of Directors in October 2013.
- d. Ekaterina Nikitina and Mark Garber were appointed as the members of the Board of Directors in June 2013.
- e. Olga Mashkovskaya was appointed as a member of the Board of Directors in October 2013.
- f. Barry Cheung Chun-Yuen resigned from his position as a member of the board of Directors in May 2013.
- g. 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 25(b)). The fair value of the share-based compensation was recognised as an employee expense during the vesting period. On 21 November 2013 one-third of LTIP in relation to the CEO and one-fifth of LTIP in relation to other eligible employees were vested as follows:

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

	Number of shares awarded	Number of shares vested on 21 November 2013	Value of share-based compensation vested USD thousand
Oleg Deripaska	1,669,065	417,266	139
Vladislav Soloviev	1,311,629	262,326	87
Vera Kurochkina	354,346	70,869	24
Maksim Sokov	401,596	80,319	27



# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

	Year ended 31 December 2012		
	Directors' fees USD thousand	Salaries, allowances, benefits in kind and discretionary bonuses USD thousand	Total USD thousand
<b>Executive Directors (i)</b>			
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
<b>Non-executive Directors</b>			
Victor Vekselberg (d)	90	–	90
Maksim Goldman (f)	189	–	189
Dmitry Afanasiev	207	–	207
Len Blavatnik	207	–	207
Ivan Glaserberg	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
<b>Independent Non-executive Directors</b>			
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
	<b>3,297</b>	<b>25,576</b>	<b>28,873</b>

- 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.
- 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.
- Maksim Sokov, Director for Strategic Investments management, was appointed as a member of the Board of Directors in March 2012.
- Victor Vekselberg resigned from his positions as the Chairman and the member of the Board of Directors in March 2012.
- 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.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

- 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 until 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 25(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

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 2013 and 2012, 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	
	2013 USD thousand	2012 USD thousand
Salaries and bonuses(*)	32,499	23,244

(\*) Included in salaries and bonuses is remuneration in the form of shares of the Company for the years ended 31 December 2013 and 2012 in relation to a share-based long-term incentive plan (refer to note 25(b)).

# Notes To The Consolidated Financial Statements

## For the year ended 31 December 2013

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

	Year ended 31 December	
	2013 Number of individuals	2012 Number of individuals
HK\$ 40,500,001-HK\$41,000,000 (US\$ 5,200,001 – US\$5,300,000)	1	–
HK\$ 50,500,001-HK\$ 51,000,000 (US\$ 6,500,001 – US\$ 6,600,000)	–	1
HK\$ 51,500,001-HK\$ 52,000,000 (US\$ 6,600,001 – US\$ 6,700,000)	1	–
HK\$ 54,000,001-HK\$ 54,500,000 (US\$ 7,000,001 – US\$ 7,100,000)	–	1
HK\$ 62,000,001-HK\$ 62,500,000 (US\$ 8,000,001 – US\$ 8,100,000)	1	–
HK\$ 75,000,001-HK\$ 75,500,000 (US\$ 9,700,001 – US\$ 9,800,000)	–	1
HK\$ 97,000,001-HK\$ 97,500,000 (US\$ 12,500,001 – US\$ 12,600,000)	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 2013 and 2012. The Company is subject to external capital requirements (refer to note 31(f)).

## 13 LOSS/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The loss attributable to equity shareholders of the Company includes a loss of USD2,629 million for the year ended 31 December 2013 (2012: includes a profit of USD121 million) which relates to the financial statements of the Company.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## 14 LOSS PER SHARE

The calculation of earnings per share is based on the loss attributable to ordinary equity shareholders of the Company and the weighted average number of shares in issue during the years ended 31 December 2013 and 31 December 2012.

Weighted average number of shares:

	Year ended 31 December	
	2013	2012 (restated)
Issued ordinary shares at beginning of the period	15,193,014,862	15,193,014,862
Effect of treasury shares	(2,228,639)	(1,524,768)
Weighted average number of shares at end of the period	15,190,786,223	15,191,490,094
<b>Loss for the period, USD million</b>	<b>(3,322)</b>	<b>(528)</b>
<b>Basic and diluted loss per share, USD</b>	<b>(0.219)</b>	<b>(0.035)</b>

There were no outstanding dilutive instruments during the years ended 31 December 2013 and 2012.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## 15 PROPERTY, PLANT AND EQUIPMENT

USD million	Land and buildings	Machinery and equipment	Electrolysers	Other	Mining assets	Construction in progress	Total
<i>Cost/Deemed cost</i>							
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
<b>Balance at 31 December 2012</b>	<b>3,814</b>	<b>6,040</b>	<b>1,998</b>	<b>144</b>	<b>689</b>	<b>1,469</b>	<b>14,154</b>
Balance at 1 January 2013	3,814	6,040	1,998	144	689	1,469	14,154
Additions	1	3	157	26	9	371	567
Disposals	(11)	(47)	(10)	(2)	(1)	(17)	(88)
Transfers	39	142	4	–	11	(196)	–
Foreign currency translation	(58)	(50)	(28)	(1)	(40)	(29)	(206)
<b>Balance at 31 December 2013</b>	<b>3,785</b>	<b>6,088</b>	<b>2,121</b>	<b>167</b>	<b>668</b>	<b>1,598</b>	<b>14,427</b>
<i>Accumulated depreciation and impairment losses</i>							
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
<b>Balance at 31 December 2012</b>	<b>1,869</b>	<b>4,052</b>	<b>1,501</b>	<b>115</b>	<b>672</b>	<b>492</b>	<b>8,701</b>
Balance at 1 January 2013	1,869	4,052	1,501	115	672	492	8,701
Depreciation charge	86	260	169	13	1	–	529
Impairment loss	185	161	77	24	14	761	1,222
Disposals	(5)	(30)	(7)	(1)	–	–	(43)
Foreign currency translation	(32)	(33)	(21)	(2)	(40)	(21)	(149)
<b>Balance at 31 December 2013</b>	<b>2,103</b>	<b>4,410</b>	<b>1,719</b>	<b>149</b>	<b>647</b>	<b>1,232</b>	<b>10,260</b>
<i>Net book value</i>							
<b>At 31 December 2012</b>	<b>1,945</b>	<b>1,988</b>	<b>497</b>	<b>29</b>	<b>17</b>	<b>977</b>	<b>5,453</b>
<b>At 31 December 2013</b>	<b>1,682</b>	<b>1,678</b>	<b>402</b>	<b>18</b>	<b>21</b>	<b>366</b>	<b>4,167</b>

Depreciation expense of USD478 million (2012: USD500 million) has been charged to cost of goods sold, USD8 million (2012: USD7 million) to distribution expenses and USD19 million (2012: USD21 million) to administrative expenses.

During the years ended 31 December 2013 and 2012, no interest cost was capitalised due to postponement of construction projects as a result of the economic environment.

# Notes To The Consolidated Financial Statements

## For the year ended 31 December 2013

Included into construction in progress at 31 December 2013 and 2012 are advances to suppliers of property, plant and equipment of USD23 million and USD44 million, respectively.

### (A) IMPAIRMENT

Management reviewed the carrying amount of the group's non-financial assets at the reporting date to determine whether there were any indicators of impairment. Management identified several factors including declining aluminium prices and plant closures in the industry that indicated that a number of the Group's cash-generating units may be impaired.

Based on results of impairment testing, management has concluded that an impairment loss relating to property, plant and equipment should be recognised in these financial statements in respect of the Taishet, Kubikenborg Aluminium and Kremniy cash generating units in the amounts of USD680 million, USD125 million and USD57 million, respectively.

For the purposes of impairment testing the recoverable amount of each cash generating unit was determined by discounting expected future net cash flows of the cash generating unit. The pre-tax discount rates applied to the Taishet, Kubikenborg Aluminium and Kremniy cash generating units were 18.61%, 12.20% and 13.60%, respectively (31 December 2012: 18.12%, 15.51% and 15.40%, respectively), estimated in nominal terms based on an industry weighted average cost of capital.

The recoverable amount of a number of the cash generating units tested for impairment are particularly sensitive to changes in forecast aluminium prices, foreign exchange rates, applicable discount rates and in respect to Taishet, the expected timing of completion of the project and period required to reach full production capacity.

Additionally, management identified specific items of property, plant and equipment that are no longer in use and therefore are not considered to be recoverable amounting to USD360 million (including USD115 million of impairment relating specifically to 2013 SUAL plant closures and USD32 million relating to closure of other Group's plants) at 31 December 2013 (2012: USD295 million (including USD167 million impairment of Friguia)). These assets have been impaired in full. No further impairment of property, plant and equipment or reversal of previously recorded impairment was identified by management.

### (B) SECURITY

The carrying value of property, plant and equipment subject to lien under swap agreements was USD288 million as at 31 December 2013 (31 December 2012: USD327 million under loan agreements), refer to note 29.

### (C) NET BOOK VALUE OF PROPERTIES

	31 December 2013 USD million	31 December 2012 USD million
<b>Owned and leased properties</b>		
In the Russian Federation		
Freehold	1,505	1,752
short-term leases	22	22
medium-term leases	7	7
Outside the Russian Federation		
Freehold	148	164
	<b>1,682</b>	<b>1,945</b>
<b>Representing</b>		
Land and buildings	1,682	1,945

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 2013 and 31 December 2012, respectively. The Group does not hold land in Hong Kong.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## 16 INTANGIBLE ASSETS

	Goodwill USD million	Other intangible assets USD million	Total USD million
<i>Cost</i>			
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
<b>Balance at 31 December 2012</b>	<b>4,016</b>	<b>510</b>	<b>4,526</b>
Balance at 1 January 2013	4,016	510	4,526
Additions	–	15	15
Disposals	–	(1)	(1)
Foreign currency translation	(170)	(1)	(171)
<b>Balance at 31 December 2013</b>	<b>3,846</b>	<b>523</b>	<b>4,369</b>
<i>Amortisation and impairment losses</i>			
Balance at 1 January 2012	(67)	(380)	(447)
Impairment	–	(13)	(13)
Amortisation charge	–	(15)	(15)
Balance at 31 December 2012	(67)	(408)	(475)
<b>Balance at 1 January 2013</b>	<b>(67)</b>	<b>(408)</b>	<b>(475)</b>
Impairment	(382)	–	(382)
Amortisation charge	–	(15)	(15)
<b>Balance at 31 December 2013</b>	<b>(449)</b>	<b>(423)</b>	<b>(872)</b>
<i>Net book value</i>			
<b>At 31 December 2012</b>	<b>3,949</b>	<b>102</b>	<b>4,051</b>
<b>At 31 December 2013</b>	<b>3,397</b>	<b>100</b>	<b>3,497</b>

### (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.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

At 31 December 2013, management analysed changes in the economic environment and developments in the aluminium industry and the Group's operations since 31 December 2012 and performed an impairment test for goodwill at 31 December 2013 using the following assumptions to determine the recoverable amount of the segment:

- Total production was estimated based on average sustainable production levels of 3.7 million metric tonnes of primary aluminium, of 7.4 million metric tonnes of alumina and of 11.6 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 USD1,865 per tonne for primary aluminium in 2014, USD2,016 in 2015, USD2,107 in 2016, USD2,171 in 2017, USD2,246 in 2018. Operating costs were projected based on the historical performance adjusted for inflation;
- Nominal foreign currency exchange rates applied to convert operating costs of the Group denominated in RUB into USD were RUB33.4 for one USD in 2014, RUB34.3 in 2015, RUB34.9 in 2016, RUB36.6 in 2017, RUB36.7 in 2018. Inflation of 4.1% – 5.6% 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 12%;
- A terminal value was derived following the forecast period assuming a 2.5% annual growth rate.

Values assigned to key assumptions and estimates used to measure the units' recoverable amount was based on 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 aluminium price level would have resulted in full impairment of goodwill of USD3,397 million;
- A 5% increase in the projected level of electricity and alumina costs in the aluminium production would have resulted in a 31% decrease in the recoverable amount and would lead to an additional impairment of USD1,058 million;
- A 1% increase in the discount rate would have resulted in a 32% decrease in the recoverable amount and would lead to an additional impairment of USD1,080 million.

Based on results of impairment testing, management concluded that an impairment of USD382 million should be recorded in the consolidated financial statements as at 31 December 2013.

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 RUB34.6 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 amount was 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% decrease in the recoverable amount and would not lead to impairment.



# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

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

## 17 NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

As at 31 December 2013 3,873,537 shares of Norilsk Nickel were classified as held-for-sale (refer to note 1(d)). On 24 April 2013 the Group completed disposal of shares to Crispian Investments Limited for USD620 million which was settled in cash.

On the date of disposal the Group recycled USD230 million of accumulated foreign currency translation losses and USD4 million of other losses relating to shares sold from other comprehensive income recognized in equity to the consolidated statement of income. The accumulated foreign currency translation losses of USD230 million and USD4 million of other losses were accumulated while the shares were recognized as part of the Group's investment in an associate.

## 18 INTERESTS IN ASSOCIATES

	31 December	
	2013 USD million	2012 (restated) USD million
Balance at the beginning of the year	9,673	9,714
Group's share of profits and other gains and losses attributable to associates	84	278
Dividends	(845)	(285)
Group's share of other comprehensive income	(17)	(5)
Reclassified to non-current assets classified as held-for-sale	–	(620)
Foreign currency translation	(720)	591
<b>Balance at the end of the year</b>	<b>8,175</b>	<b>9,673</b>
Goodwill included in interests in associates	4,801	5,626

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.

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
				Group's effective interest	Group's nominal interest	
OJSC MMC Norilsk Nickel	Incorporated	Russian Federation	158,245,476 shares, RUB1 par value	27.82%	27.82%	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

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For the year ended 31 December 2013

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. As a result the Group sold 3,873,537 shares to Crispian at USD160 per share in cash upon the satisfaction of a number of conditions specified in the agreement including partial redemption of quasi-treasury shares of Norilsk Nickel (see note 1(d)).

The summary of the consolidated financial statements of associates for the year ended 31 December 2013 is presented below:

	OJSC MMC Norilsk Nickel		Queensland Alumina Limited		Other	
	Group share	100%	Group share	100%	Group share	100%
Non-current assets	8,707	12,289	563	711	2	–
Current assets	1,806	6,492	37	231	–	–
Non-current liabilities	(1,959)	(6,325)	(124)	(269)	–	–
Current liabilities	(753)	(2,706)	(105)	(521)	–	–
<b>Net assets</b>	<b>7,801</b>	<b>9,750</b>	<b>371</b>	<b>152</b>	<b>2</b>	<b>–</b>

	OJSC MMC Norilsk Nickel		Queensland Alumina Limited		Other	
	Group share	100%	Group share	100%	Group share	100%
Revenue	3,196	11,489	168	838	–	–
Profit or loss from continuing operations	105	765	(21)	(26)	–	–
Other comprehensive income	(675)	(958)	(61)	(20)	(1)	–
<b>Total comprehensive income</b>	<b>(570)</b>	<b>(193)</b>	<b>(82)</b>	<b>(46)</b>	<b>(1)</b>	<b>–</b>

The summary of the consolidated financial statements of associates for the year ended 31 December 2012 is presented below:

	OJSC MMC Norilsk Nickel		Queensland Alumina Limited		Other	
	Group share	100%	Group share	100%	Group share	100%
Non-current assets	9,797	14,160	666	817	3	–
Current assets	1,896	6,814	59	305	–	–
Non-current liabilities	(1,372)	(4,065)	(151)	(316)	–	–
Current liabilities	(1,104)	(3,969)	(121)	(608)	–	–
<b>Net assets</b>	<b>9,217</b>	<b>12,940</b>	<b>453</b>	<b>198</b>	<b>3</b>	<b>–</b>

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	OJSC MMC Norilsk Nickel		Queensland Alumina Limited		Other	
	Group share	100%	Group share	100%	Group share	100%
Revenue	3,652	12,065	192	959	–	–
Profit or loss from continuing operations	299	2,143	(15)	10	(6)	–
Other comprehensive income	578	506	10	4	(2)	–
<b>Total comprehensive income</b>	<b>877</b>	<b>506</b>	<b>(5)</b>	<b>14</b>	<b>(8)</b>	<b>–</b>

## (A) OJSC MMC NORILSK NICKEL

The carrying value and market value of the Group's investment in Norilsk Nickel as at 31 December 2013 and 31 December 2012 were as follows:

	31 December 2013 USD million	31 December 2012 USD million
Carrying value	7,801	9,217
Market value (a), (b)	7,261	8,143

- 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 2012 the Group's investment in Norilsk Nickel is restated; it does not include share reclassified to available for sale (see note 17); market value is calculated for remaining investment.

The recoverable amount of the investment at 31 December 2013 was determined based on the underlying value in use 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	2014	2015	2016	2017	2018
Nickel	USD/tonne	15,043	16,671	18,197	19,348	20,061
Copper	USD/tonne	6,962	6,941	7,071	7,143	7,210
Platinum	USD/oz	1,559	1,687	1,775	1,839	1,880
Palladium	USD/oz	782	837	824	843	856

- Total production volume was based on existing production levels for 2012 adjusted for a growth rate of 1.5-3.0% per year.
- Nominal foreign currency exchange rates applied to convert operating costs of the Group denominated in RUB into USD were RUB33.4 for one USD in 2014, RUB34.3 in 2015, RUB34.9 in 2016, RUB36.6 in 2017, RUB36.7 in 2018. Inflation of 4.1% – 5.6% 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 13.4%.

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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 are not particularly sensitive and would not be impacted by a 5% reduction in projected sales price level or a 1% increase in discount rate.

The recoverable amount of the investment at 31 December 2012 was determined based on the underlying value in use 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 are 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 16% and would result in impairment of USD766 million;
- A 1% increase in the discount rate would have resulted in a 14% decrease in the recoverable amount and would result in impairment USD512 million.

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For the year ended 31 December 2013

## 19 INTERESTS IN JOINT VENTURES

The Group has the following movements in investments in joint ventures:

	31 December	
	2013 USD million	2012 USD million
Balance at the beginning of the year	1,156	1,102
Acquisitions	–	16
Contributions to joint ventures	–	4
Group's share of (losses)/profits	(551)	55
Adjustment for guarantee	100	–
Dividends	(63)	(72)
Foreign currency translation	(57)	51
<b>Balance at the end of the year</b>	<b>585</b>	<b>1,156</b>

Details of the Group's interest in the joint ventures are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
				Group's effective interest	Group's nominal interest	
LLP Bogatyr Komir and its trading companies	Incorporated	Russian Federation/ Kazakhstan	18,150 shares, EUR1	50%	50%	Coal mining
BEMO project	Incorporated	Cyprus, Russian Federation	BOGES Limited –10,000 shares EUR1.71 BALP Limitedd –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

# Notes To The Consolidated Financial Statements

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Summary of the consolidated financial statements of joint venture – Group's effective interest for the year ended 31 December 2013 is presented below (all in USD million):

	LLP Bogatyr Komir and its trading companies	BEMO project	Other	Total
Non-current assets	290	863	49	1 202
Current assets	55	37	245	337
Non-current liabilities	(77)	(829)	(17)	(923)
Current liabilities	(49)	(47)	(244)	(340)
<b>Net assets</b>	<b>219</b>	<b>24</b>	<b>33</b>	<b>276</b>

	LLP Bogatyr Komir and its trading companies	BEMO project	Other	Total
Revenue	325	70	908	1 303
Profit or loss from continuing operations	35	(505)	19	(451)
Other comprehensive income	(4)	(53)		(57)
<b>Total comprehensive income</b>	<b>31</b>	<b>(558)</b>	<b>19</b>	<b>(508)</b>

	LLP Bogatyr Komir and its trading companies	BEMO project	Other	Total
Cash and cash equivalents	7	8	47	62
Current financial liabilities	(16)	–	(38)	(54)
Non-current financial liabilities	(26)	(800)	(7)	(833)
Depreciation and amortisation	(23)	(19)	(4)	(46)
Interest income	–	1	–	1
Interest expense	(3)	(1)	(2)	(6)
Income tax expense or income	(10)	3	(5)	(12)

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Summary of the consolidated financial statements of joint venture – Group's effective interest for the year ended 31 December 2012 is presented below (all in USD million):

	LLP Bogatyr Komir and its trading companies	BEMO project	Other	Total
Non-current assets	300	1,444	54	1,798
Current assets	52	69	180	301
Non-current liabilities	(76)	(577)	(20)	(673)
Current liabilities	(46)	(46)	(178)	(270)
<b>Net assets</b>	<b>230</b>	<b>890</b>	<b>36</b>	<b>1,156</b>

	LLP Bogatyr Komir and its trading companies	BEMO project	Other	Total
Revenue	275	13	523	811
Profit or loss from continuing operations	38	–	17	55
Other comprehensive income	(3)	50	4	51
<b>Total comprehensive income</b>	<b>35</b>	<b>50</b>	<b>21</b>	<b>106</b>

	LLP Bogatyr Komir and its trading companies	BEMO project	Other	Total
Cash and cash equivalents	5	3	37	45
Current financial liabilities	(14)	–	(33)	(47)
Non-current financial liabilities	(23)	(560)	(9)	(592)
Depreciation and amortisation	(24)	(4)	(4)	(32)
Interest expense	(2)	–	(2)	(4)
Income tax expense or income	(10)	5	(6)	(11)

## 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.

## BEMO PROJECT

The Group's share of losses in joint ventures for the year ended 31 December 2013 includes impairment losses relating to property, plant and equipment of the BEMO project of which USD600 million was recognised by the Group.

For the purposes of impairment testing, the BEMO project was separated into two cash generating units – the Boguchansky Aluminium Smelter ("BoAZ") and the Boguchansky Hydro Power Plant ("BOGES"). The recoverable

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amount was determined by discounting the expected future net cash flows of each cash generating unit. The pre-tax discount rates applied to discount the cash flows for BoAZ and BOGES were 15.5% and 15.4%, respectively, estimated in nominal terms based on an industry weighted average cost of capital.

The recoverable amount of the two cash generating units are particularly sensitive to changes in forecast aluminium and electricity prices, foreign exchange rates, applicable discount rates and, in respect to BoAZ, the expected timing of commencement of the project and the forecast period to reach full production capacity.

The Group recognised its share of impairment losses in BEMO project entities to the extent of its investment in the corresponding entity and made the necessary adjustments to the carrying values of each investment. The Group's share of losses of related to BoGES and BoAZ were recognized in amount of USD352 million and USD248 million respectively. The loss relating to BoAZ was recognised to the extent of Group's investment. At 31 December 2013, additional losses of USD309 million related to impairment charges have not been recognised because the Group's investment has been fully written down to nil.

## 20 INVESTMENTS IN SUBSIDIARIES

	The Company 31 December	
	2013 USD million	2012 USD million
Unlisted shares, at cost	27,529	26,248
Less: impairment	(12,482)	(7,670)
	15,047	18,578

Details of the principal subsidiaries are set out in note 35 to the consolidated financial statements. The increase in the amount of impairment loss arises due to impairment of investments in several subsidiaries in the aluminium segment as a result of losses generated and the deterioration in aluminium prices.

## 21 DEFERRED TAX ASSETS AND LIABILITIES

### (A) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

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

USD million	Assets		Liabilities		Net	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Property, plant and equipment	31	43	(534)	(556)	(503)	(513)
Inventories	38	19	(1)	(1)	37	18
Trade and other receivables	19	8	(1)	(4)	18	4
Derivative financial liabilities	4	9	(4)	(3)	–	6
Tax loss carry-forwards	134	109	–	–	134	109
Others	67	65	(82)	(110)	(15)	(45)
Deferred tax assets/(liabilities)	293	253	(622)	(674)	(329)	(421)
Set off of deferred taxation	(150)	(154)	150	154	–	–
<b>Net deferred tax assets/(liabilities)</b>	<b>143</b>	<b>99</b>	<b>(472)</b>	<b>(520)</b>	<b>(329)</b>	<b>(421)</b>



# Notes To The Consolidated Financial Statements

## For the year ended 31 December 2013

### (B) MOVEMENT IN DEFERRED TAX ASSETS/(LIABILITIES) DURING THE YEAR

USD million	1 January 2012	Recognised in profit or loss	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
Tax loss carry-forwards	100	9	–	109
Others	(111)	63	3	(45)
<b>Total</b>	<b>(529)</b>	<b>105</b>	<b>3</b>	<b>(421)</b>

USD million	1 January 2013	Recognised in profit or loss	Foreign currency translation	31 December 2013
Property, plant and equipment	(513)	10	–	(503)
Inventories	18	20	(1)	37
Trade and other receivables	4	14	–	18
Derivative financial liabilities	6	(6)	–	–
Tax loss carry-forwards	109	25	–	134
Others	(45)	37	(7)	(15)
<b>Total</b>	<b>(421)</b>	<b>100</b>	<b>(8)</b>	<b>(329)</b>

Recognised tax losses expire in the following years:

Year of expiry	31 December 2013 USD million	31 December 2012 USD million
From 6 to 10 years	117	91
From 2 to 5 years	17	15
Up to 1 year	–	3
	<b>134</b>	<b>109</b>

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For the year ended 31 December 2013

## (C) UNRECOGNISED DEFERRED TAX ASSETS

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

Year of expiry	31 December 2013 USD million	31 December 2012 USD million
Deductible temporary differences	665	347
Tax loss carry-forwards	545	524
	<b>1,210</b>	<b>871</b>

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom. Tax losses expire in the following years:

Year of expiry	31 December 2013 USD million	31 December 2012 USD million
Without expiry	412	441
From 6 to 10 years	104	82
From 2 to 5 years	27	1
Up to 1 year	2	–
	<b>545</b>	<b>524</b>

## (D) UNRECOGNISED DEFERRED TAX LIABILITIES

Retained earnings of the Group's subsidiaries where dividend distributions are subject to taxation included USD2,127 million and USD4,130 million as at 31 December 2013 and 31 December 2012, 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.

# Notes To The Consolidated Financial Statements

## For the year ended 31 December 2013

(E) CURRENT TAXATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION REPRESENTS:

Year of expiry	31 December 2013 USD million	31 December 2012 USD million
Net income tax receivable at the beginning of the year	(2)	(21)
Income tax for the year	181	131
Income tax paid	(136)	(104)
Dividend withholding tax	(43)	–
Translation difference	8	(8)
	8	(2)
Represented by:		
Income tax payable	15	18
Prepaid income tax (note 23)	(7)	(20)
<b>Net income tax recoverable</b>	<b>8</b>	<b>(2)</b>

## 22 INVENTORIES

	31 December 2013 USD million	31 December 2012 USD million
Raw materials and consumables	1,035	1,173
Work in progress	811	854
Finished goods and goods held for resale	708	782
	2,554	2,809
Provision for inventory obsolescence	(306)	(185)
	2,248	2,624

Inventories at 31 December 2013 and 31 December 2012 are stated at cost.

Inventory with a carrying value of USD16 million is pledged under existing secure bank loans at 31 December 2013. No inventories were pledged at 31 December 2012, refer to note 26.

Inventory with a carrying value of USD113 million is pledged under existing trading contracts at 31 December 2013 (31 December 2012: USD64 million).

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

	Year ended 31 December	
	2013 USD million	2012 USD million
Carrying amount of inventories sold	7,944	8,718
Write-down of inventories	38	24
Inventories included in restructuring expenses	170	–
	8,152	8,742

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## 23 TRADE AND OTHER RECEIVABLES

### THE GROUP

	31 December 2013 USD million	31 December 2012 USD million
Trade receivables from third parties	180	203
Impairment loss on trade receivables	(45)	(34)
<b>Net trade receivables from third parties</b>	<b>135</b>	<b>169</b>
<b>Trade receivables from related parties, including:</b>	<b>44</b>	<b>28</b>
<i>Companies capable of exerting significant influence</i>	34	29
<i>Impairment loss</i>	(8)	(8)
<i>Impairment lossNet trade receivables from companies capable of exerting significant influence</i>	26	21
<i>Impairment lossCompanies under common control</i>	5	4
<i>Impairment lossRelated parties – associates</i>	13	3
VAT recoverable	351	449
Impairment loss on VAT recoverable	(35)	(60)
<b>Net VAT recoverable</b>	<b>316</b>	<b>389</b>
Advances paid to third parties	134	107
Impairment loss on advances paid	(3)	(3)
<b>Net advances paid to third parties</b>	<b>131</b>	<b>104</b>
<b>Advances paid to related parties, including:</b>	<b>68</b>	<b>79</b>
<i>Related parties – companies capable of exerting significant influence</i>	–	1
<i>Related parties – companies under common control</i>	2	2
<i>Related parties – associates</i>	66	76
<b>Prepaid expenses</b>	<b>20</b>	<b>20</b>
<b>Prepaid income tax</b>	<b>7</b>	<b>20</b>
<b>Prepaid other taxes</b>	<b>19</b>	<b>20</b>
Other receivables from third parties	82	98
Impairment loss on other receivables	(25)	(26)
<b>Net other receivables from third parties</b>	<b>57</b>	<b>72</b>
<b>Other receivables from related parties, including:</b>	<b>20</b>	<b>24</b>
<i>Related parties – companies under common control</i>	8	12
<i>Related parties – associates</i>	12	12
	<b>817</b>	<b>925</b>

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 2013 amounted USD5 million and USD20 million, respectively (31 December 2012: USD20 million and USD22 million, respectively).

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## (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 2013 USD million	31 December 2012 USD million
Current	135	161
Past due 0-90 days	37	23
Past due 91-365 days	5	10
Past due over 365 days	2	3
Amounts past due	44	36
	<b>179</b>	<b>197</b>

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 31(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	
	2013 USD million	2012 USD million
Balance at the beginning of the year	(42)	(49)
Impairment loss recognised	(13)	5
Uncollectible amounts written off	2	2
<b>Balance at the end of the year</b>	<b>(53)</b>	<b>(42)</b>

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

As at 31 December 2013 and 31 December 2012, the Group's trade receivables of USD53 million and USD42 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 2013 USD million	31 December 2012 USD million
Other receivables	15	16

## 24 CASH AND CASH EQUIVALENTS

### THE GROUP

	31 December 2013 USD million	31 December 2012 USD million
Bank balances, USD	423	211
Bank balances, RUB	10	52
Bank balances, other currencies	39	46
Cash in transit	1	5
Short-term bank deposits	228	176
Cash and cash equivalents in the consolidated statement of cash flows	701	490
Restricted cash	15	15
	716	505

As at 31 December 2013 and 31 December 2012 included in cash and cash equivalents was restricted cash of USD15 million which is pledged under a Swiss Law Pledged Agreement with BNP Paribas (Suisse) SA and Banca Nazionale Del Lavoro S.p.A.

## THE COMPANY

	31 December 2013 USD million	31 December 2012 USD million
Cash and cash equivalents in the statement of financial position	247	13
	247	13

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

As at 31 December 2013 and 31 December 2012 included in cash and cash equivalents was restricted cash of USD14 million and USD13 million, respectively.

## 25 EQUITY

### (A) SHARE CAPITAL

	31 December 2013		31 December 2012	
	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
<b>Ordinary shares at the end of the year of USD0.01 each, issued and paid</b>	<b>151,930,148</b>	<b>15,193,014,862</b>	<b>151,930,148</b>	<b>15,193,014,862</b>

### (B) SHARE-BASED COMPENSATION

On 14 June 2013 the Board approved a new share-based incentive plan that regulates share-based compensation for eligible employees of the Group ("Production System Incentive Plan" or "PSIP"). On 11 July 2013 in accordance with this plan the Group selected eligible employees for participation in the PSIP and granted 6,258,373 shares to the participants. The Group also has an existing share based plan which was approved by the Board on 11 May 2011 under which 14,603,764 shares were granted.

As at 31 December 2013 and 31 December 2012 the Group held 4,299,796 and 834,947 of its own shares, respectively, which were acquired on the open market for the share-based incentive plans ("Shares held for vesting"). During the year ended 31 December 2013 the trustees acquired on the open market 7,751,604 shares (2012: 3,059,914 shares). In July and November 2013 2,065,261 shares and 2,221,494 shares vested respectively (2012: 2,224,967 shares). For the year ended 31 December 2013 and 31 December 2012, the Group recognized an additional employee expense of USD4 million and USD4 million in relation to the share based plans, respectively, with a corresponding increase in equity.

### (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 of associates.

### (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(m).

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## (F) MOVEMENT IN COMPONENTS OF EQUITY WITHIN THE COMPANY

USD million	Share capital	Reserves	Total
<b>Balance at 1 January 2012</b>	<b>152</b>	<b>5,949</b>	<b>6,101</b>
Profit and total comprehensive income for the year	–	121	121
Other changes resulting from transactions under common control	–	(10)	(10)
<b>Balance at 31 December 2012</b>	<b>152</b>	<b>6,060</b>	<b>6,212</b>
<b>Balance at 1 January 2013</b>	<b>152</b>	<b>6,060</b>	<b>6,212</b>
Net loss for the year	–	(2,629)	(2,629)
<b>Balance at 31 December 2013</b>	<b>152</b>	<b>3,431</b>	<b>3,583</b>

## 26 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk refer to notes 31(c)(ii) and 31(c)(iii), respectively.

	31 December 2013 USD million	31 December 2012 USD million
<b>Non-current liabilities</b>		
Secured bank loans	<b>8,691</b>	8,907
Unsecured bank loans	–	508
	<b>8,691</b>	9,415
<b>Current liabilities</b>		
Secured bank loans	<b>995</b>	769
Unsecured bank loans	<b>183</b>	127
Accrued interest	<b>56</b>	35
	<b>1,234</b>	931



# Notes To The Consolidated Financial Statements

## For the year ended 31 December 2013

### TERMS AND DEBT REPAYMENT SCHEDULE AS AT 31 DECEMBER 2013

	TOTAL USD million	2014 USD million	2015 USD million	2016 USD million	2017 USD million	2018 USD million	Later years USD million
<b>Secured bank loans</b>							
<b>Variable</b>							
USD – 3M Libor + 4.25%	2,380	789	793	798	–	–	–
USD – 3M Libor + 5.25%	982	–	–	–	484	498	–
USD – 1Y Libor + 4.5%	4,370	–	–	4,370	–	–	–
USD – 3M Libor + 4.5%	97	6	28	28	28	7	–
USD – 3M Libor + 6.5%	506	120	120	192	74	–	–
USD – 3M Libor + 4.15%	100	–	100	–	–	–	–
EUR – 3M Euribor + 4.5%	227	16	65	65	65	16	–
EUR – 3M Libor + 6.5%	152	51	51	50	–	–	–
RUB – Mosprime + 4%	309	–	24	95	95	95	–
USD – 2.35% + cost of funds	2	2	–	–	–	–	–
EUR – 2.35% + cost of funds	11	11	–	–	–	–	–
<b>Fixed</b>							
RUB – 9.7%	550	–	–	550	–	–	–
	<b>9,686</b>	<b>995</b>	<b>1,181</b>	<b>6,148</b>	<b>746</b>	<b>616</b>	<b>–</b>
<b>Unsecured bank loans</b>							
<b>Fixed</b>							
RUB – 10.5%	183	183	–	–	–	–	–
<b>Total</b>	<b>183</b>	<b>183</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Accrued interest	56	56	–	–	–	–	–
<b>Total</b>	<b>9,925</b>	<b>1,234</b>	<b>1,181</b>	<b>6,148</b>	<b>746</b>	<b>616</b>	<b>–</b>

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

- 40% + 1 share of RUSAL Novokuznetsk
- 25% + 1 share of SUAL
- 50% + 2 shares of RUSAL Sayanogorsk
- 50% + 2 shares of RUSAL Bratsk
- 50% + 2 shares of RUSAL Krasnoyarsk
- 25.1% of Khakas Aluminium Smelter
- 100% of Gershvin Investments Corp. Limited
- 100% Seledar Holding Corp Limited
- 100% Aktivium Holding B.V.

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

- 27.8% share of Norilsk Nickel

The secured bank loans are also secured by the following:

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

- inventory with a carrying value of USD16 million (note 22). No inventories were pledged against loans at 31 December 2012.

As at 31 December 2013 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 and USD400 million multicurrency credit facility.

The nominal value of the Group's loans and borrowings was USD10,018 million at 31 December 2013 (31 December 2012: USD10,522 million).

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.

On 25 April 2013 the net proceeds received by the Group from the sale of shares in Norilsk Nickel to Crispian Investments Limited in the amount of USD620 million were applied towards the repayment of debt owing to Sberbank (in accordance with the mandatory prepayment provisions in the financing agreement).

In September 2013 the Group drew down funds in amount of USD150 million under Gazprombank credit facility up to USD300 million entered into on 28 December 2012 with a maturity of 5 years and an interest rate of 3-months Libor plus 6.5% p.a.

In November 2013 the Group entered into a new credit facility of RUB6 billion (USD183 million) with Moscow Credit Bank with a maturity of 6 months and an interest rate 10.5% p.a.

On 16 December 2013 the Group entered into a new credit facility up to RUB15 billion with VTB Capital Plc with a maturity of 5 years and an interest rate of 3-months Mosprime plus 4.0% p.a. and drew RUB10 billion (USD309 million) on 17 December 2013. The credit facility includes an option which may be exercised by the bank two years from the date of entering into the credit facility to convert the credit facility to USD with a 3M Libor + 5.05% interest rate.

On 23 December 2013 the Group through its subsidiaries entered into a number of the REPO transactions backed by its ownership of 627,083 ordinary shares and 2,475,565 ADRs of GMK Norilsk Nickel with a market value of USD144 million. As result of the transactions the Group raised funding in the amount of USD100 million with a two year maturity at a rate of 3-months LIBOR plus 4.15% p.a.

During 2013 the Group made a principal repayment of RUB12 billion (USD376 million) against the VTB loan.

During 2013 quarterly repayments under Gazprombank loans were made in total amount of USD91 million and EUR28 million.

The Group drew down funds under the Raiffeisen Bank International AG uncommitted revolving trade finance line. The outstanding amount as at 31 December 2013 is USD2 million and EUR8 million. The funds were used for general operating activities of the Group.

In 2013 the Group has entered into several cross-currency swaps, for details refer to note 29.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## TERMS AND DEBT REPAYMENT SCHEDULE AS AT 31 DECEMBER 2012

	TOTAL USD million	2013 USD million	2014 USD million	2015 USD million	2016 USD million	2017 USD million	Later years USD million
<b>Secured bank loans</b>							
<b>Variable</b>							
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	–	–	–	–	–
<b>Fixed</b>							
RUB – 9.7%	591	–	–	–	591	–	–
	<b>9,676</b>	<b>769</b>	<b>789</b>	<b>793</b>	<b>6,352</b>	<b>496</b>	<b>477</b>
<b>Unsecured bank loans</b>							
<b>Variable</b>							
USD – 3M Libor + 6.5%	451	90	120	120	121	–	–
EUR – 3M Libor + 6.5%	184	37	49	49	49	–	–
<b>Total</b>	<b>635</b>	<b>127</b>	<b>169</b>	<b>169</b>	<b>170</b>	<b>–</b>	<b>–</b>
Accrued interest	35	35	–	–	–	–	–
<b>Total</b>	<b>10,346</b>	<b>931</b>	<b>958</b>	<b>962</b>	<b>6,522</b>	<b>496</b>	<b>477</b>

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:

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

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 29.

The Group is in an advanced stage of negotiations on refinancing its' debt and restructuring the financial covenants requirements which will ensure the Group has sufficient resources to meet its liabilities as they come due.

## THE COMPANY

	31 December	
	2013 USD million	2012 USD million
<b>Non-current liabilities</b>		
Secured bank loans	7,795	8,907
Unsecured loans from related parties	–	329
	7,795	9,236
<b>Current liabilities</b>		
Secured bank loans	811	371
Unsecured loans from related parties	711	462
Accrued interest	55	61
	1,577	894

# Notes To The Consolidated Financial Statements

## For the year ended 31 December 2013

### TERMS AND DEBT REPAYMENT SCHEDULE AS AT 31 DECEMBER 2013

	TOTAL USD million	2014 USD million	2015 USD million	2016 USD million	2017 USD million	2018 USD million	Later years USD million
<b>Secured bank loans</b>							
<b>Variable</b>							
USD – 1Y Libor + 4.5%	4,370	–	–	4,370	–	–	–
USD – 3M Libor + 4.25%	2,380	789	793	798	–	–	–
USD – 3M Libor + 5.25%	982	–	–	–	484	498	–
USD – 3M Libor + 4.5%	97	6	28	28	28	7	–
EUR – 3M Euribor + 4.5%	227	16	65	65	65	16	–
<b>Fixed</b>							
RUB – 9.7%	550	–	–	550	–	–	–
	<b>8,606</b>	<b>811</b>	<b>886</b>	<b>5,811</b>	<b>577</b>	<b>521</b>	<b>–</b>
<b>Unsecured loans from related parties</b>							
Interest free	300	300	–	–	–	–	–
USD – fixed 4.6%	411	411	–	–	–	–	–
	<b>711</b>	<b>711</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Accrued interest	55	55	–	–	–	–	–
<b>Total</b>	<b>9,372</b>	<b>1,577</b>	<b>886</b>	<b>5,811</b>	<b>577</b>	<b>521</b>	<b>–</b>

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

- 25% + 1 share of RUSAL Bratsk
- 50% + 2 shares of RUSAL Krasnoyarsk
- 25% + 1 share of RUSAL Sayanogorsk
- 40% + 1 share of RUSAL Novokuznetsk
- 25% + 1 share of SUAL
- 100% share of Gershvin Investments Corp.Limited
- 100% share of Seledar Holding Corp Limited
- 100% share of Aktivium Holding B.V.

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

- 27.2% share of Norilsk Nickel.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## TERMS AND DEBT REPAYMENT SCHEDULE AS AT 31 DECEMBER 2012

	TOTAL USD million	2013 USD million	2014 USD million	2015 USD million	2016 USD million	2017 USD million	Later years USD million
<b>Secured bank loans</b>							
<b>Variable</b>							
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
<b>Fixed</b>							
RUB – 9.7%	591	–	–	–	591	–	–
	<b>9,278</b>	<b>371</b>	<b>789</b>	<b>793</b>	<b>6,352</b>	<b>496</b>	<b>477</b>
<b>Unsecured loans from related parties</b>							
Interest free	301	301	–	–	–	–	–
USD – fixed 4.6%	161	161	–	–	–	–	–
RUB – fixed 8.31%–8.51%	329	–	329	–	–	–	–
	<b>791</b>	<b>462</b>	<b>329</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Accrued interest	61	61	–	–	–	–	–
<b>Total</b>	<b>10,130</b>	<b>894</b>	<b>1,118</b>	<b>793</b>	<b>6,352</b>	<b>496</b>	<b>477</b>

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 RUSAL 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.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## 27 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 March 2014. Maturity of the second tranche is ten years subject to a put option exercisable in April 2015.

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 2013 was 965.0 roubles and 853.9 roubles per bond for the first and second tranches respectively.

From September 2013 till the end of December 2013 the Group has purchased on the open market 548 586 of its own bonds for the USD17 million.

## 28 PROVISIONS

USD million	Pension liabilities	Site restoration	Provisions for legal claims	Tax provisions	Provision for guarantee	Total
Balance at 1 January 2012	105	401	36	47	–	589
Provisions made during the year	16	86	4	10	–	116
Provisions reversed during the year	–	–	(7)	(44)	–	(51)
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
Balance at 1 January 2013	151	494	23	13	–	681
Provisions made during the year	14	14	–	65	100	193
Provisions reversed during the year	(30)	–	(11)	–	–	(41)
Actuarial loss	2	–	–	–	–	2
Provisions utilised during the year	(15)	(11)	–	(10)	–	(36)
Foreign currency translation	(6)	(6)	–	–	–	(12)
Balance at 31 December 2013	116	491	12	68	100	787
<b>Non-current</b>	<b>104</b>	<b>473</b>	<b>–</b>	<b>–</b>	<b>100</b>	<b>677</b>
<b>Current</b>	<b>12</b>	<b>18</b>	<b>12</b>	<b>68</b>	<b>–</b>	<b>110</b>
	116	491	12	68	100	787

### (A) PENSION LIABILITIES

#### GROUP SUBSIDIARIES IN THE RUSSIAN FEDERATION

The Group voluntarily provides long-term and post-employment benefits to its former and existing employees including death-in-service, jubilee, lump sum upon retirement, material support for pensioners and death-in-pension benefits. Furthermore, the Group provides regular social support payments to some of its veterans of World War II.

# Notes To The Consolidated Financial Statements

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The above employee benefit programs are of a defined benefit nature. The Group finances these programs on a pay-as-you-go basis, so plan assets are equal to zero.

## GROUP SUBSIDIARIES IN UKRAINE

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 (55-60 years for female (dependent on year of birth) 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.

The above employee benefit programs are of a defined benefit nature. The Group finances these programs on a pay-as-you-go basis, so plan assets are equal to zero.

## GROUP SUBSIDIARIES OUTSIDE THE RUSSIAN FEDERATION AND UKRAINE

At its Guinean and Nigerian entities the Group provides a death-in-service benefit and lump-sum benefits upon disability and old-age retirement.

At its Guyana subsidiary, the Group provides a death-in-service benefit.

At its Italian subsidiary (Eurallumina) the Group only provides lump sum benefits upon retirement, which relate to service up to 1 January 2007.

In Ireland (Aughinish Alumina) the Group's final pension plan was wound up with effect from 2 October 2013. Subsequent to this a liability of approximately USD2 million remains, which is expected to be settled in 2014. Going forward the entity's pension plan will be of a defined contribution nature. The wind-up was treated as a settlement of benefits.

In Sweden (Kubikenborg Aluminium AB), 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.

All pension plans of the Group are unfunded.

The number of employees eligible for the plans as at 31 December 2013 and 2012 was 59,737 and 65,149, respectively. The number of pensioners as at 31 December 2013 and 2012 was 49,355 and 48,980, respectively.

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 2013 USD million	31 December 2012 USD million
Current service cost	10	8
Past service costs recognised during the year	(1)	(1)
Interest cost	14	15
Actuarial expected return on plan assets	(5)	(6)
Curtailement/settlement	(34)	–
<b>Net (income)/expense recognised in the statement of income</b>	<b>(16)</b>	<b>16</b>



# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

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 2013 USD million	31 December 2012 USD million
Present value of defined benefit obligations	116	314
Fair value of plan assets	–	(161)
Present value of obligations	116	153
Unrecognised past service cost	–	(2)
<b>Net liability in the statement of financial position</b>	<b>116</b>	<b>151</b>

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

	31 December 2013 USD million	31 December 2012 USD million
Net liability at beginning of the year	151	105
Net (income)/expense recognised in the statement of income	(16)	16
Contributions paid into the plan by the employers	(15)	(15)
Actuarial losses charged directly to equity	2	41
Foreign currency translation	(6)	4
<b>Net liability at end of the year</b>	<b>116</b>	<b>151</b>

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

	31 December 2013 USD million	31 December 2012 USD million
Present value of defined benefit obligations at beginning of the year	314	243
Service cost	9	8
Interest cost	14	15
Actuarial (gains)/losses	(8)	52
Currency exchange losses	–	7
Contributions by employees	2	3
Benefits paid	(15)	(14)
Settlement and curtailment gain	(200)	–
<b>Present value of defined benefit obligations at the end of the year</b>	<b>116</b>	<b>314</b>

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

Movement in fair value of plan assets:

	31 December 2013 USD million	31 December 2012 USD million
Fair value of plan assets at the beginning of the year	161	136
Actuarial expected return on plan assets	5	6
Contributions paid into the plans by the employers	15	15
Contributions paid into the plans by the employees	2	3
Benefits paid by the plan	(15)	(13)
Investment (losses)/gains	(6)	12
Settlement and curtailment gain	(166)	–
Currency exchange gain	4	2
<b>Fair value of plan assets at the end of the year</b>	<b>–</b>	<b>161</b>

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

	Year ended 31 December	
	2013 USD million	2012 USD million
Cumulative amount at beginning of the year	(26)	15
Recognised during the year	2	(41)
<b>Cumulative amount at the end of the year</b>	<b>(24)</b>	<b>(26)</b>

The Group expects to pay the defined benefit retirement plans an amount of USD12 million during the 12 month period beginning on 1 January 2014.

#### 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 2013, using the projected unit credit method as stipulated by IAS 19.

The key actuarial assumptions (weighted average, weighted by DB0) are as follows:

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

	31 December 2013 % per annum	31 December 2012 % per annum
Discount rate	7.7	5.2
Expected return on plan assets	N/A	4.3
Future salary increases	9.1	5.1
Future pension increases	5.5	0.7
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 2013 USD million	31 December 2012 USD million
Present value of defined benefit obligations	116	314
Fair value of plan assets	–	(161)
<b>Deficit in plan</b>	<b>116</b>	<b>153</b>

The actuarial valuation shows that the Group's obligations are fully uncovered. As at 31 December 2012 51% of Group's obligations were covered by the plan assets.

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

	31 December 2013 USD million		31 December 2012 USD million	
	Present value of the DBO	Net liability	Present value of the DBO	Net liability
Wholly unfunded	116	116	128	126
Partially funded	–	–	186	25
<b>Total</b>	<b>116</b>	<b>116</b>	<b>314</b>	<b>151</b>

## (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.

# Notes To The Consolidated Financial Statements

## For the year ended 31 December 2013

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 2013	31 December 2012
Timing of cash outflows	2014: USD18 million 2015-2019: USD67 million 2020-2030: USD439 million after 2030: USD177 million	2013: USD8 million 2014-2018: USD137 million 2019-2029: USD366 million after 2029: USD151 million
Risk free discount rate after adjusting for inflation (a)	2.37%	1.96%

(a) the risk free rate for the year 2013 represents an effective rate, which comprises rates differentiated by years of obligation settlement and by currencies in which the provisions were 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.

### (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 2013, 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 USD12 million (31 December 2012: USD23 million). The amount of claims, where management assesses outflow as possible approximates USD175 million (31 December 2012: USD213 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 2013 management of the Group reassessed certain tax claims and increased the provision by USD65 million relating to excise tax claims at Eurallumina and Aughinish where there is considered a high probability of cash outflow.

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

### (E) PROVISION FOR GUARANTEES

In September 2013 the Group entered into an agreement with OJSC RusHydro to provide funds to BoAZ, if the latter is unable to fulfil its obligations under its credit facility with GK Vnesheconombank. This agreement represents a surety for the increased credit limit obtained for the financing of BoAZ. The aggregate exposure under the agreement is limited to RUB16.8 billion (USD513 million) and is split between the Group and OJSC RusHydro in equal proportion.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## 29 DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	31 December 2013 USD million		31 December 2012 USD million	
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
Cross-currency swaps	–	198	–	103
Petroleum coke supply contracts and other raw materials	22	22	15	40
Interest rate swaps	–	81	–	76
Aluminium forward contracts	–	9	–	–
Electricity contracts	–	–	–	7
<b>Total</b>	<b>22</b>	<b>310</b>	<b>15</b>	<b>226</b>

Derivative financial instruments are recorded at their fair value at each reporting date. Fair value is estimated in accordance with Level 3 of the fair value hierarchy based on management estimates and consensus economic forecasts of relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates. The following significant assumptions were used in estimating derivative instruments:

	2014	2015	2016
LME Al Forward, USD per tonne	1,837	1,921	1,992
Platt's FOB Brent, USD per barrel	108	103	98
Forward exchange rate, RUB to USD	33.82	35.77	37.65
Forward 1Y LIBOR, %	0.67	0.80	1.20

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

	31 December	
	2013 USD million	2012 USD million
Balance at the beginning of the period	(211)	(164)
Unrealised changes in fair value recognised in other comprehensive income (cash flow hedge) during the period	(105)	25
Unrealised changes in fair value recognised in statement of income (finance expense) during the period	(12)	(107)
Realised portion during the period	40	35
<b>Balance at the end of the period</b>	<b>(288)</b>	<b>(211)</b>

During the year 2013 there have been no changes in valuation techniques used to calculate the derivative financial instruments compared to prior year.

Sensitivity analysis showed that derivative financial instruments are not particularly sensitive to changes in main inputs in 2013 and 2012.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## 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 27). 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.

In August 2013 the Group entered into cross-currency swaps to convert the remaining RUB3.1 billion of a 5 year RUB18.3 billion credit facility into a USD denominated liability of USD94 million.

The secured cross-currency swaps are secured by pledges of 11% shares in SUAL and USD288 million of the Group fixed assets.

## 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.

## 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 Group 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.

In 2013 the Group 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 USD24 million (2012: USD71 million).

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## 30 TRADE AND OTHER PAYABLES

	31 December 2013 USD million	31 December 2012 USD million
<b>Accounts payable to third parties</b>	<b>623</b>	<b>640</b>
<b>Accounts payable to related parties, including:</b>	<b>112</b>	<b>153</b>
<i>Related parties – companies capable of exerting significant influence</i>	<i>37</i>	<i>73</i>
<i>Related parties – companies under common control</i>	<i>74</i>	<i>80</i>
<i>Related parties – associates</i>	<i>1</i>	<i>–</i>
<b>Advances received</b>	<b>300</b>	<b>226</b>
<b>Advances received from related parties, including:</b>	<b>164</b>	<b>278</b>
<i>Related parties – companies capable of exerting significant influence</i>	<i>161</i>	<i>255</i>
<i>Related parties – companies under common control</i>	<i>2</i>	<i>5</i>
<i>Related parties – associates</i>	<i>1</i>	<i>18</i>
<b>Other payables and accrued liabilities</b>	<b>152</b>	<b>218</b>
<b>Other payable and accrued liabilities related parties, including:</b>	<b>15</b>	<b>6</b>
<i>Related parties – companies capable of exerting significant influence</i>	<i>9</i>	<i>–</i>
<i>Related parties – associates</i>	<i>6</i>	<i>6</i>
<b>Other taxes payable</b>	<b>104</b>	<b>133</b>
<b>Non-trade payables to third parties</b>	<b>2</b>	<b>2</b>
	<b>1,472</b>	<b>1,656</b>

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 2013 USD million	31 December 2012 USD million
Due within twelve months or on demand	735	793

## THE COMPANY

	31 December 2013 USD million	31 December 2012 USD million
Trade and other payables	744	822

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## 31 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 2013 was USD818 million (31 December 2012: USD931 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 2013**

*The Group*

	Level 1 USD million	Level 2 USD million	Level 3 USD million	Total USD million
<b>Assets</b>				
Derivative financial assets	-	-	22	22
	-	-	22	22
<b>Liabilities</b>				
Derivative financial liabilities	-	-	310	310
	-	-	310	310



# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

As at 31 December 2012  
The Group

	Level 1 USD million	Level 2 USD million	Level 3 USD million	Total USD million
<b>Assets</b>				
Derivative financial assets	-	-	15	15
	-	-	15	15
<b>Liabilities</b>				
Derivative financial liabilities	-	-	226	226
	-	-	226	226

## (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 2013 and 2012, 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 29.

### (II) INTEREST RATE RISK

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates (refer to note 26). The Group's policy is to manage its interest 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.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## The Group

	31 December 2013		31 December 2012	
	Effective interest rate %	USD million	Effective interest rate %	USD million
<b>Fixed rate loans and borrowings</b>				
Loans and borrowings	5.09%-10.50%	5,081	5.09%-10.13%	4,909
		5,081		4,909
<b>Variable rate loans and borrowings</b>				
Loans and borrowings	2.57%-11.03%	5,870	5.15%-9.94%	6,468
		5,870		6,468
		10,951		11,377

The Group's fixed rate loans and borrowings for the year ended 31 December 2013 include a USD obligation of USD511 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 27). Additionally, it includes a USD3.3 billion credit facility, which is hedged with an interest rate swap and a RUB18.3 billion credit facility, hedged with a cross-currency swap (for detailed information refer to note 29).

## The Company

	31 December 2013		31 December 2012	
	Effective interest rate %	USD million	Effective interest rate %	USD million
<b>Fixed rate loans and borrowings</b>				
Loans and borrowings	0%-10.13%	1,261	0%-10.13%	1,382
		1,261		1,382
<b>Variable rate loans and borrowings</b>				
Loans and borrowings	5.20%-6.01%	8,056	5.15%-5.96%	8,687
		8,056		8,687
		9,317		10,069

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.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## *The Group*

	Increase/ decrease in basis points	Effect on profit before taxation for the year USD million	Effect on equity for the year USD million
<b>As at 31 December 2013</b>	1,837	1,921	1,992
Basis percentage points	+100	(59)	47
Basis percentage points	-100	59	(47)
<b>As at 31 December 2012</b>			
Basis percentage points	+14	(9)	7
Basis percentage points	-14	9	(7)

### (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.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

As at 31 December	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	
	2013 USD million	2012 USD million	2013 USD million	2012 USD million	2013 USD million	2012 USD million	2013 USD million	2012 USD million
Non-current assets	–	–	3	2	18	17	46	20
Trade and other receivables	1	1	230	294	49	32	48	69
Cash and cash equivalents	–	106	229	113	29	35	5	11
Derivative financial assets	–	–	22	15	–	–	–	–
Loans and borrowings	(254)	(228)	(493)	(390)	(391)	(184)	–	–
Provisions	–	–	(111)	(127)	(33)	(59)	(37)	(40)
Derivative financial liabilities	–	–	(22)	(47)	–	–	–	–
Income taxation	–	–	(2)	(3)	(1)	(1)	(12)	(10)
Trade and other payables	(1)	–	(399)	(522)	(66)	(71)	(102)	(73)
<b>Net exposure arising from recognised assets and liabilities</b>	<b>(254)</b>	<b>(121)</b>	<b>(543)</b>	<b>(665)</b>	<b>(395)</b>	<b>(231)</b>	<b>(52)</b>	<b>(23)</b>

## 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.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

	Year ended 31 December 2013		
	Change in exchange rates	USD million Effect on profit before taxation for the year	USD million Effect on equity for the year
Depreciation of USD vs. RUB	5%	(14)	(19)
Depreciation of USD vs. EUR	5%	(20)	(20)
Depreciation of USD vs. other currencies	5%	(3)	(3)

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

Following a continued deterioration in aluminium prices described in note 2(d), the Group has entered into negotiations with its major lenders to restructure its debt repayment and financial covenant terms. Subsequent to the reporting date the Group completed negotiation of its loan facilities with Sberbank and Gazprombank, however, at the date of issuing these financial statements was still in the process of negotiating amendments to its syndicated PXF facilities (refer to note 37(c)). Management have performed a detailed cash flow analysis under various possible scenarios and believes that provided the negotiations are completed and the principal repayments are deferred to future periods and financial covenants are revised to sustainable levels, the Group will have sufficient liquidity to continue its operations and meet its ongoing financial obligations in the foreseeable future. The Group's cash flow forecast is sensitive to changes in aluminium prices and RUB/USD exchange rates, however, management have identified a number of actions including the sale of certain non-core assets if there should be a further deterioration.

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. Should the Group be unable to renegotiate the syndicated facilities, debt in the amount of USD10,018 million may become payable on demand at the discretion of the banks (refer note 2(d)).

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## The Group

	31 December 2013					TOTAL USD million	Carrying amount USD million
	Contractual undiscounted cash outflow						
	Within 1 year or on demand USD million	More than 1 year but less than 2 years USD million	More than 2 years but less than 5 years USD million	More than 5 years USD million			
Trade and other payables to third parties	777	–	–	–	777	777	777
Trade and other payables to related parties	127	–	–	–	127	127	127
Bonds, including interest payable	544	546	–	–	1,090	900	900
Loans and borrowings, including interest payable	1,833	1,717	8,065	–	11,615	9,925	9,925
Guarantees	–	58	198	–	256	100	100
	<b>3,281</b>	<b>2,321</b>	<b>8,263</b>	<b>–</b>	<b>13,865</b>	<b>11,829</b>	<b>11,829</b>

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

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## The Company

	31 December 2013 Contractual undiscounted cash outflow					TOTAL USD million	Carrying amount USD million
	Within 1 year or on demand USD million	More than 1 year but less than 2 years USD million	More than 2 years but less than 5 years USD million	More than 5 years USD million			
Trade and other payables to third parties	3	–	–	–	3	3	
Trade and other payables to related parties	741	–	–	–	741	741	
Loans and borrowings, including interest payable	2,070	1,316	7,353	–	10,739	9,372	
Other liabilities	1,630	–	–	–	1,630	1,610	
	<b>4,444</b>	<b>1,316</b>	<b>7,353</b>	<b>–</b>	<b>13,113</b>	<b>11,726</b>	

	31 December 2012 Contractual undiscounted cash outflow					TOTAL USD million	Carrying amount USD million
	Within 1 year or on demand USD million	More than 1 year but less than 2 years USD million	More than 2 years but less than 5 years USD million	More than 5 years USD million			
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	
	<b>3,644</b>	<b>1,660</b>	<b>8,621</b>	<b>510</b>	<b>14,435</b>	<b>12,404</b>	

### (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 23. The extent of the Group's credit exposure is represented by the aggregate balance of financial assets and financial guarantees given.

At 31 December 2013 and 2012, the Group has certain concentrations of credit risk as 1.1% and 1.4% of the total trade receivables were due from the Group's largest customer and 2.3% and 6.9% 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, associates and joint ventures. Management have recognised a provision of USD100 million against the Group's exposure to guarantees (refer to note 28(e)).

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## (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.

## (G) MASTER NETTING OR SIMILAR AGREEMENTS

The Group may enter into sales and purchase agreements with the same counterparty in the normal course of business. The related amount receivable and payable do not always meet the criteria for offsetting in the statement of financial position. This is because the Group may not have any currently legally enforceable right to offset recognised amounts, because the right to offset may be enforceable only on the occurrence of future events..

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Year ended 31 December 2013	
	USD million Trade receivables	USD million Trade payables
Gross amounts	196	(752)
Amounts offset in accordance with IAS 32 offsetting criteria	(17)	17
Net amounts presented in the statement of financial position	179	(735)
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria	(3)	3
<b>Net amount</b>	<b>176</b>	<b>(732)</b>
	Year ended 31 December 2012	
	USD million Trade receivables	USD million Trade payables
Gross amounts	244	(840)
Amounts offset in accordance with IAS 32 offsetting criteria	(47)	47
Net amounts presented in the statement of financial position	197	(793)
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria	(2)	2
<b>Net amount</b>	<b>195</b>	<b>(791)</b>



# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## 32 COMMITMENTS

### (A) CAPITAL COMMITMENTS

In May 2006, the Group signed a Co-operation agreement with OJSC HydroOGK and RAO UES. Under this Co-operation agreement OJSC HydroOGK and the Group have jointly committed to finance the construction and future operating of the BEMO Project including BoGES and an aluminium plant, the planned main customer of the hydropower station. The parties established two joint companies with 50:50 ownership, into which the Group is committed to invest USD2,007 million by the end of 2015 (31 December 2013: USD1,989 million). As at 31 December 2013, the outstanding commitment of the Group for construction of the aluminium plant was approximately USD276 million to be invested by the end of 2015 (31 December 2012: USD510 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 2013 and 31 December 2012 approximated USD258 million and USD371 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 2014–2034 under supply agreements are estimated from USD2,460 million to USD2,662 million at 31 December 2013 (31 December 2012: USD2,853 million to USD2,941 million) depending on the actual purchase volumes and applicable prices.

### (C) SALE COMMITMENTS

Commitments with third parties for sales of alumina and other raw materials in 2014 – 2017 are estimated from USD706 million to USD737 million at 31 December 2013 (31 December 2012: from USD799 million to USD965 million) and will be settled at market prices at the date of delivery. Commitments with related parties for sales of alumina in 2014 approximated from USD1,349 million to USD1,413 million at 31 December 2013 (31 December 2012: USD1,169 million).

Commitments with related parties for sales of primary aluminium and alloys in 2014 – 2017 are estimated to range from USD4,930 million to USD5,566 million at 31 December 2013 (31 December 2012: from USD5,029 million to USD5,715 million). Commitments with third parties for sales of primary aluminium and alloys at 31 December 2013 are estimated to range from USD783 million to USD848 million (31 December 2012: from USD1,244 million to USD1,297 million). These commitments will be settled at market price at the date of delivery. Commitments include sales to Glencore in accordance with a long-term contract for which the sales volumes will depend on the actual production in 2014–2018. The volume of sales commitments to Glencore for 2014 year under the agreement is specified and is estimated to be from USD1,858 to USD1,933 million.

### (D) OPERATING LEASE COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:

	31 December 2013 USD million	31 December 2012 USD million
Less than one year	5	3
Between one and five years	12	11
	17	14

### (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.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## 33 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, 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 2013 is USD345 million (31 December 2012: USD409 million).

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

# Notes To The Consolidated Financial Statements

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immediately. The outcome of environmental liabilities under proposed or any future legislation, or as a result of stricter enforcement of existing legislation, cannot reasonably be estimated. Under current levels of enforcement of existing legislation, management believes there are no possible liabilities, which will have a material adverse effect on the financial position or the operating results of the Group. However, the Group anticipates undertaking significant capital projects to improve its future environmental performance and to bring it into full compliance with current legislation.

## (C) LEGAL CONTINGENCIES

The Group's business activities expose it to a variety of lawsuits and claims which are monitored, assessed and contested on the ongoing basis. Where management believes that a lawsuit or another claim would result in the outflow of the economic benefits for the Group, a best estimate of such outflow is included in provisions in the consolidated financial statements (refer to note 28). As at 31 December 2013 the amount of claims, where management assesses outflow as possible approximates USD175 million (31 December 2012: USD213 million).

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. Final hearing was scheduled for the first quarter of 2014, but before the hearing commenced the parties reached an amicable settlement according to which the Company was released from the case, all claims connected with the arbitrations were waived, and the Company made no payment.

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. In January 2014 the court granted the Company's motion to join the Federal Republic of Nigeria and Attorney General of Nigeria to the case as co-defendants. The next hearing is currently scheduled for second quarter 2014. 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.

## (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.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## 34 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	
	2013 USD million	2012 USD million
Salaries and bonuses	69	91
Share-based compensation	1	3
	<b>70</b>	<b>94</b>

### (B) TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES

Sales to associates are disclosed in note 5, accounts receivable from associates are disclosed in note 23 and accounts payable to associates are disclosed in note 30.

### (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, accounts receivable from related parties are disclosed in note 23, accounts payable to related parties are disclosed in note 30, commitments with related parties are disclosed in note 32 and other transactions with shareholders are disclosed in note 25.

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

	Year ended 31 December	
	2013 USD million	2012 USD million
Purchases of raw materials – companies under common control	100	148
Purchases of alumina, bauxite and other raw materials – companies capable of exerting significant influence	335	345
Purchases of raw materials – associates	–	30
Energy costs – companies under common control	641	742
Energy costs – companies capable of exerting significant influence	109	182
Energy costs – associates	4	–
Other costs – companies under common control	20	17
Other costs – associates	165	198
Distribution expenses – companies under common control	1	10
	<b>1,375</b>	<b>1,672</b>

### ELECTRICITY CONTRACTS

The Group has indicated the intention to purchase electricity during the years 2014 through 2020 under long-term agreements with related parties. The estimated value of this commitment for each year is presented in the table below, excluding the impact of embedded derivatives recognised in these consolidated financial statements.

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Year	2014	2015	2016	2017	2018	2019	2020
Volumes, KWh million	46,128	46,384	46,735	46,900	46,952	18,300	18,300
Estimated value, USD million	384	389	395	399	403	93	97

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	
	2013 USD million	2012 USD million
Investments in subsidiaries	15,047	18,578
Loans to related parties (Group companies)	–	9
Trade and other receivables from related parties	15	15
Loans and borrowings from related parties	729	833
Trade and other payables to related parties	741	819
Other liabilities (i)	1,610	1,452

(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 2013 is USD1,581 million (31 December 2012: USD1,425 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 2013 is USD29 million (31 December 2012: USD27 million).

## (D) RELATED PARTIES BALANCES

At 31 December 2013, included in non-current assets and non-current liabilities are balances of USD34 million and USD106 million, respectively, of companies which are related parties (31 December 2012: USD32 million and nil).

## (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.

## (F) CONNECTED TRANSACTIONS

Not all the related party transactions and balances disclosed above meet the definition of connected transactions as per Chapter 14 of the Listing Rules of Hong Kong Stock Exchange. For particulars of the continuing connected transactions please refer to the Director's Report section of the Annual Report of the Company for the year ended 31 December 2013.

# Notes To The Consolidated Financial Statements

## For the year ended 31 December 2013

### 35 PARTICULARS OF SUBSIDIARIES

As at 31 December 2013 and 2012, 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 RUB1 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 RUB1 each	100.0%	Alumina
Euralumina SpA	Italy	21 March 2002	10,000,000 shares of EUR1.55 each	100.0%	Alumina
OJSC RUSAL Bratsk	Russian Federation	26 November 1992	5,505,305 shares of RUB0.2 each	100.0%	Smelting
OJSC RUSAL Krasnoyarsk	Russian Federation	16 November 1992	85,478,536 shares of RUB20 each	100.0%	Smelting
OJSC RUSAL Novokuznetsk	Russian Federation	26 June 1996	53,997,170 shares of RUB0.1 each	100.0%	Smelting
OJSC RUSAL Sayanogorsk	Russian Federation	29 July 1999	59,902,661,099 shares of RUB0.068 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 RUB0.006 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 RUB1 each	100.0%	Holding company
Rusal Global Management B.V.	Netherlands	8 March 2001	charter fund of EUR25,000	100.0%	Management company
OJSC United Company RUSAL Trading House	Russian Federation	15 March 2000	163,660 shares of RUB100 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 USD1 each	100.0%	Trading
Alumina & Bauxite Company Limited	British Virgin Islands	3 March 2004	50,000 shares of USD1 each	100.0%	Trading
CJSC Komi Alumini	Russian Federation	13 February 2003	1,703,000,000 shares of RUB1 each	100.0%	Alumina
OJSC Bauxite-Timana	Russian Federation	29 December 1992	44,500,000 shares of RUB10 each	80.0%	Bauxite mining
OJSC Severo-Uralsky Bauxite Mine	Russian Federation	24 October 1996	2,386,254 shares of RUB275.85 each	100.0%	Bauxite mining
OJSC SUAL	Russian Federation	26 September 1996	2,542,941,932 shares of RUB1 each	100.0%	Primary aluminum and alumina production
OJSC Zaporozhye Aluminium Combine ("ZALK")	Ukraine	30 September 1994	622,729,120 shares of RUB0.25 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 RUB1,000 each	100.0%	Silicon production
SUAL-Kremniy-Ural LLC	Russian Federation	1 March 1999	charter fund of RUB8,763,098	100.0%	Silicon production
UC RUSAL Alumina Jamaica Limited (a)	Jamaica	26 April 2001	1,000,000 shares of USD1 each	100.0%	Alumina
UC RUSAL Alumina Jamaica II Limited	Jamaica	16 May 2004	200 shares of USD1 each	100.0%	Alumina
Kubikenborg Aluminium AB	Sweden	26 January 1934	25,000 shares of SEK 1,000 each	100.0%	Smelting
Aughinish Alumina Ltd	Ireland	22 September 1977	1,000 shares of EUR2 each	100.0%	Alumina

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## For the year ended 31 December 2013

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

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

### 36 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2013 and 2012, 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.

### 37 EVENTS SUBSEQUENT TO THE REPORTING DATE

#### (A) BONDS

On 25 February 2014 RUSAL Bratsk entered into bonds purchase agreement for the purpose of selling of up to 5 000 000 (five million) bonds series 07 which were expected to be bought back under a put-option on 03 March 2014. Purchase price under the terms of bonds purchase agreement is 998.356 rubles, or 99.8356% of the par value of each bond. Simultaneously United Company RUSAL Aluminium Limited entered into a put-option transaction with the buyer under bonds purchase agreement. Put option may be exercised in regard to up to 5 million bonds series 07 at a strike price which is a function of the announced coupon rate, purchase price, tenor and the expected yield of the transaction, and is scheduled to be exercised on 22 February 2016.

On 26 February 2014, the Company as borrower and Sberbank entered into an agreement in order to open an additional limit of RUB2.4 billion ("Additional Limit") in connection with fulfilment of obligations under the put option of the rouble bonds issued by RUSAL Bratsk (series 07), which is due on 3 March 2014. The Additional Limit was provided on 26 February 2014 under the non-revolving credit facility agreement dated 1 December 2011 at the amount of RUB18.3 billion.

On 28 February 2014 RUSAL Bratsk announced a coupon rate in respect to the bond issue series 07 at level of 12% per annum for the 7-10 semi-annual coupon periods.

On 03 March 2014 RUSAL Bratsk successfully performed its obligations under the terms of bondholders put-option. As result of the put-option being exercised 10,947,149 rouble bonds series 07 (about 73% of the issue) were purchased back by the issuer.

#### (B) GLENCORE FACILITY

In February 2014 the Group entered into the facility agreement with Glencore AG for a prepayment of USD400 million in respect of supply of alumina from one of the Group's subsidiaries to Glencore AG in 2014-2016. Amounts of interest at 3M Libor + 4.95% and principal payable under the facility agreement will, to the extent such amounts are due, be offset against amounts due by Glencore AG under the alumina supply contract at USD40 per metric tonne for the first six months and USD286 per metric tonne thereafter. The facility is to be repaid up to 31 December 2016 in accordance with agreed amortization schedule commencing on or about 30 September 2014.

#### (C) RE-NEGOTIATION OF LOAN FACILITIES

Due to the continuing volatility and uncertainty in the international financial and commodities markets, the Group faces numerous challenges which require it to very carefully manage its obligations including those arising under its financing agreements.

Following the expiry of the covenant holiday period negotiated in 2012 and 2013 for certain of the financial covenants set out under the Group's financing agreements, the Group decided to implement further prudential measures in order to ensure compliance with its obligations under its financing agreements. Such measures include a proposed refinancing of its debt portfolio including:

- new credit facility agreements entered into between (i) RUSAL Krasnoyarsk, as borrower, and Gazprombank (with the facility amount of EUR74.7 million and USD142.7 million, respectively); and (ii) RUSAL Sayanogorsk, as borrower, and Gazprombank (with the facility amount of USD100 million) for refinancing of the 2014-2015 amortization under current Gazprombank facilities with a maturity of up to 60 months from signing of the relevant facility agreement (inclusive), but no later than 31 March 2019 (inclusive); In March 2014 the Group drew down funds in

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- amount of USD242.7 million and EUR74.7 million with a maturity of 5 years and an interest rate of 3-months Libor plus 6.5% p.a. and repaid the 2014–2015 amortization under current Gazprombank facilities
- agreements to be entered into between the Company as borrower and Sberbank in order to extend the maturity of the existing bilateral facility agreements (including credit facility agreement dated 30 September 2010 at the amount of USD4,583 million, credit facility agreement dated 30 September 2011 at the amount of USD453 million, non-revolving credit facility agreement dated 1 December 2011 at the amount of RUB20.7 billion) with Sberbank (the "Sberbank Amendment Agreement"). Extension of maturity by no more than 84 months from the date of execution of Sberbank Amendment Agreement, repayment to occur quarterly in equal installments during the 6th–7th years from the date of the execution of the relevant Sberbank Amendment Agreement; and
- a merger of the up to USD4,750 million aluminium pre-export finance facility agreement dated 29 September 2011 (as amended on 26 January 2012 and 9 November 2012) (the "2011 PXF Facility Agreement") with the up to USD400 million multicurrency aluminium pre-export finance facility agreement dated 30 January 2013 (the "2013 PXF Facility Agreement"), and together with the 2011 PXF Facility Agreement, the "PXF Facility Agreements"). On 15 November 2013, the Company sent letters setting out the proposed amendments to the PXF Facility Agreements (as updated on 12 February 2014, the "Amendment Request") to the lenders under both PXF Facility Agreements seeking their consent to such amendments. The Company intended for the Amendment Request and the refinancing to be effective by the end of March 2014.

However, given the nature of the amendments for which the Company seeks consent, the Amendment Request requires unanimous consent from the lenders under both PXF Facility Agreements. As the Company has been unable to obtain unanimous consent from the lenders to date, management decided to pursue an alternative solution. On 19 March 2014, the Company requested the lenders under both PXF Facility Agreements to agree to certain forbearances and undertakings not to exercise their rights (the "Forbearance") arising in connection with any potential failure by the Company to comply with its obligations under the PXF Facility Agreements, providing the Company with additional time to persuade the remaining lenders to approve the Amendment Request.

The Company obtained consent from its Lenders (the "Forbearing Lenders") to be bound by the terms of a forbearance request letter (the "Forbearance Request Letter") which became effective on 8 April 2014 following the satisfaction of certain conditions precedent. Pursuant to the terms of the Forbearance Request Letter, the Forbearing Lenders have agreed not to take any actions against the Group resulting from certain potential defaults described in the Original PXF Facility Agreements. The principal terms of the Forbearance Request Letter are as follows:

- Each Forbearing Lender agrees that, during the forbearance Period, it will not seek any action against any member of the Group and will forbear from exercising its rights resulting from payment or certain other potential defaults. In particular, it will not (i) accelerate any amounts outstanding under the relevant Original PXF Facility Agreements; (ii) exercise rights under guarantees or security documents (including by way of blocking various collection accounts); (iii) take any steps to commence any insolvency proceedings against any member of the Group.
- The Forbearance Request Letter is effective until the earlier of (i) 7 July 2014; (ii) the date on which the renegotiated PXF facilities become effective and (iii) the date on which an early termination event occurs. (the "Forbearance Period") The Forbearance Request Letter may terminate early if any of the creditors take enforcement actions, any new defaults occur or if, after 9 June 2014, a requisite majority of the Lenders decide that there is no reasonable prospect of the renegotiated PXF facilities becoming effective.
- During the Forbearance Period, the Obligors will be required to continue to pay any and all accrued interest on the loans outstanding under the Original PXF Facility Agreements as and when due.

If the PXF facilities are not renegotiated during the Forbearance Period, each of the Forbearing Lenders will, after the expiry of the Forbearance Period, be able to exercise any of their rights that have been previously forborn.

Waivers were additionally obtained in respect to other material financing arrangements for cross defaults which may arise from breach of the Original PXF Facility Agreements.

## 38 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.



# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

## 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 JOINT VENTURES – RECOVERABLE AMOUNT

In accordance with the Group's accounting policies, each investment in an associate or joint venture is evaluated every reporting period to determine whether there are any indications of impairment after application of the equity method of accounting. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an investment in an associate or joint venture 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 joint venture. 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

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

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.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

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.

## 39 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.

# Notes To The Consolidated Financial Statements

For the year ended 31 December 2013

	Effective for accounting periods beginning on or after
Amendments to IFRS 10, IFRS 12 and IAS 27: <i>Investment entities</i>	1 January 2014
Amendments to IAS 32, Financial Instruments: <i>Presentation - Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to IAS 39, Financial Instruments: <i>Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
Amendments to IFRS 9, Financial Instruments: <i>Classification and measurement model</i>	1 January 2015
IFRIC 21, Levies	1 January 2014



bALanced approach

# Statement of responsibility for this Annual Report

# Statement of responsibility for this Annual Report

I, Oleg Deripaska, declare, to the best of my knowledge, that the financial statements contained in this Annual Report have been prepared in accordance with applicable accounting principles and give a true and fair view of the business, results of operations and financial condition of the Company and the other entities to which the financial statements apply, and that the management report (comprising the Business Overview, Management Discussion and Analysis, Directors' Report and Corporate Governance Report sections) of this

Annual Report presents a fair review of developments in the business, results of operations and financial conditions of the Company and the other entities to which the financial statements apply, as well as a description of the main risks and uncertainties that they are facing.

**OLEG DERIPASKA**

CHIEF EXECUTIVE OFFICER

17 April 2014

# Forward Looking Statements

This Annual Report contains certain statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "seeks", "expects", "intends", "may", "will" or "should", "could" or, in each case, their negative or other variations, or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and include, but are not limited to, statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's business, results of operations, financial position, liquidity, prospects, growth, strategies and the bauxite, alumina and aluminium industries.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and of the actual results of the Group's operations, financial position and liquidity, and the development of the markets and the industries in which the Group operates may differ materially from the development of those same industries as described in, or suggested by, the forward-looking statements contained in this Annual Report. In addition, even if the Group's results of operations, financial position and liquidity, and the development of the markets and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Annual Report, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- materially adverse changes in economic or industry conditions generally or in the markets served by the Group;
- changes in the supply and demand for and the price of aluminium, alumina, aluminium products and other products;
- fluctuations in inflation, interest rates and exchange rates;
- the Group's ability to comply with the terms of its credit facility agreements, or obtain further financing, refinancing or otherwise waiver of

- forbearance in respect of the Group's payment obligations under its facility of financing;
- changes in the costs of the materials required for the Group's production of aluminium;
- changes in the Group's operating costs, including the costs of energy and transportation;
- changes in the Group's capital expenditure requirements, including those relating to the Group's potential environmental liabilities or the ability of the Group to fund its capital expenditure requirements through borrowing or otherwise;
- the Group's ability to successfully and timely implement any of its business strategies;
- the Group's ability to obtain or extend the terms of the licences necessary for the operation of the Group's business;
- developments in, or changes to, laws, regulations, governmental policies, taxation or accounting standards or practices affecting the Group's operations;
- the Group's ability to recover its reserves or develop new resources and reserves;
- the Group's success in accurately identifying future risks to its business and managing the risks of the aforementioned factors; and
- other further events, risks, uncertainties and factors discussed in the consolidated financial statements and other sections of the Annual Report.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Annual Report reflect the Group management's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's business, results of operations, financial position, liquidity, prospects, growth, strategies and the bauxite, alumina and aluminium industries. Investors should specifically consider the factors identified in this Annual Report, which could cause actual results to differ, before making any investment decision. Subject to the requirements of the Listing Rules and except as may be required by applicable law, the Company undertakes no obligation to revise any forward-looking statements that appear in this Annual Report to reflect any change in the Company's expectations, or any events or circumstances, that may occur or arise after the date of this Annual Report.

All forward-looking statements in this Annual Report are qualified by reference to this cautionary statement.

# Glossary

**"1C Enterprise"** means a comprehensive suite which includes Accounting, Contact Management, Inventory Management, Document Management, Web Client, and more.

**"Achinsk Alumina Refinery", "AGK", "RUSAL Achinsk" or "OJSC RUSAL Achinsk"** means OJSC RUSAL Achinsk, a company incorporated under the laws of the Russian Federation, which is a wholly-owned subsidiary of the Company.

**"Adjusted EBITDA"** for any period means the results from operating activities adjusted for amortisation and depreciation, impairment charges and loss on disposal of property, plant and equipment.

**"Adjusted Net Profit"** for any period is defined as the net profit adjusted for the net effect from share in the results of Norilsk Nickel, the net effect of embedded derivative financial instruments, the difference between effective and nominal interest rate charge on restructured debt and net effect of non-current assets impairment.

**"Agreed Subsidiaries"** means an agreed list of subsidiaries of the Company, as defined in the Shareholders' Agreement between Major Shareholders only.

**"Alpart"** means Alumina Partners of Jamaica, in which the Company indirectly holds a 65% interest.

**"ALSCON"** means Aluminium Smelter Company of Nigeria, a company incorporated in Nigeria and in which the Company indirectly holds a 85% interest.

**"Aluminium Division East"** means the Company's division comprising all smelters located in Siberia, Russia.

**"Aluminium Division West"** means the Company's division comprising all smelters located in the European part of Russia, the Urals and Sweden.

**"Aluminium segment cost per tonne"** means aluminium segment revenue, less aluminium segment results, less amortisation and depreciation, divided by sales volume of aluminium segment.

**"AMF"** means the French Autorit  des march s financiers.

**"Amokenga Holdings"** means Amokenga Holdings Limited, a company incorporated in Bermuda and which is a wholly owned subsidiary of Glencore and a shareholder of the Company.

**"Annual Report"** means this annual report dated 17 April 2014.

**"Articles of Association"** means the articles of association of the Company, conditionally adopted on 24 November 2009, and effective on the Listing Date.

**"Audit Committee"** means the audit committee established by the Board in accordance with the requirements of the CG Code.

**"Aughinish Alumina Refinery"** means Aughinish Alumina Limited, a company incorporated in Ireland, which is a wholly owned subsidiary of the Company.

**"Basic Element"** means Basic Element Limited, a company incorporated in Jersey, of which Mr. Oleg Deripaska is the ultimate beneficial owner.

**"BAZ" or "BAZ-SUAL"** means Bogoslovsky aluminium smelter, a branch of OJSC SUAL.

**"BEMO"** means the companies comprising the Boguchanskoye Energy and Metals Complex.

**"BEMO HPP"** means the Boguchanskaya hydro power plant.

**"BEMO Project"** means the Boguchanskoye Energy & Metals project involving the construction of the BEMO HPP and the Boguchansky aluminium smelter as described at pages 13 and 16 of this Annual Report.

**"Board"** means the board of Directors of the Company.

**"Boguchansky aluminium smelter" or "BEMO aluminium smelter"** means the aluminium smelter project involving the construction of a 588 thousand tpa greenfield aluminium smelter on a 230 hectare site, located approximately 8 km to the south-east of the settlement of Tayozhny in the Krasnoyarsk region, and approximately 160 km (212 km by road) from the BEMO HPP, as described at pages 13 and 16 of this Annual Report.

**"Bratsk aluminium smelter", "RUSAL Bratsk" or "BRAZ"** means OJSC RUSAL Bratsk, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Company.

**"Boksitogorsk Alumina Refinery" or "BGZ"** means OJSC RUSAL Boksitogorsk, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Group.

**"CEAC"** means the Central European Aluminium Company.

**"CG Code"** means the Code setting out the principles of good corporate governance practices as set out in Appendix 14 to the Listing Rules (as amended from time to time).

**"Century Aluminium Company"** means Century Aluminium Company, a company incorporated under the laws of Delaware and the common stock of which is traded on the NASDAQ, in which Glencore AG has a 46.4% interest.

**"CEO" or "Chief Executive Officer"** means the chief executive officer of the Company.

**"Chairman" or "Chairman of the Board"** means the chairman of the Board.

**"CIS"** means the Commonwealth of Independent States.

**"CJSC Kremniy" or "JSC Kremniy"** means CJSC



## Glossary

Kremniy, a company incorporated under the laws of the Russian Federation and a subsidiary of the Company.

"**Code for Securities Transactions**" means the Code for Securities Transactions by Directors of the Company adopted by the Board on 9 April 2010 and based on Appendix 10 to the Listing Rules.

"**Columbia Falls aluminium smelter**" means the Columbia Falls Aluminium Smelter which is owned and operated by Columbia Falls Aluminium Company LLC, a company incorporated under the laws of Delaware, the sole member of which is Glencore USA LLC, a wholly-owned subsidiary of Glencore AG.

"**Company**" or "**UC RUSAL**" means United Company RUSAL Plc.

"**Connected transaction(s)**" has the meaning ascribed to such expression in the Listing Rules.

"**Controlling Shareholder**" has the meaning ascribed to such expression in the Listing Rules.

"**Corporate Governance and Nomination Committee**" means the corporate governance and nomination committee established by the Board in accordance with the requirements of the CG Code.

"**Covenant EBITDA**" has the meaning given to it in the PXF Facility Agreement.

"**Crispian**" means Crispian Investment Limited, a company incorporated in Cyprus, to the best knowledge information and belief of the Directors is affiliated with Mr. Roman Abramovich.

"**Directors**" means the directors of the Company.

"**DOZAKL**" means Open Joint Stock Company "Dmitrov Aluminium Rolling Mill", a company incorporated under the laws of the Russian Federation.

"**EBITDA**" means earnings before interest, taxes, depreciation, and amortisation.

"**ECD**" means the Engineering and Construction Division of the Company.

"**En+**" means En+ Group Limited, a company incorporated in Jersey and which is a shareholder of the Company.

"**Energoprom Management**" means Joint-stock company «ENERGOPROM MANAGEMENT» (closed type), a company incorporated under the laws of the Russian Federation.

"**EPCM**" means Engineering, Procurement, Construction and Management.

"**EUR**" means Euros, the lawful currency of the relevant member states of the European Union that have adopted the Euro as their currency.

"**Euronext Paris**" means the Professional Segment of NYSE Euronext Paris.

"**Eurallumina**" means the alumina refinery located in Portoscuso, on the southwest coast of Sardinia, Italy. During the year ended 31 December 2006, the Group entered into an agreement with Rio

Tinto Aluminium Ltd and acquired a 56.2% interest in Eurallumina, the remaining 43.8% interest in Eurallumina was owned by Glencore and was acquired by the Group as part of the acquisition of SUAL and Glencore Businesses during the year ended 31 December 2007.

"**financial year**" means the financial year ended 31 December 2013.

"**Friguia Alumina Refinery**" means Friguia S.A., a company incorporated in Guinea, which is a wholly owned subsidiary of the Company.

"**Gazprombank**" means OJSC Gazprombank.

"**GBP**" means Pounds Sterling, the lawful currency of the United Kingdom.

"**Glencore**" means Glencore International Plc, a public company incorporated in Switzerland and listed on the London Stock Exchange, with a secondary listing on the Hong Kong Stock Exchange, which is an indirect shareholder of the Company.

"**Glencore Businesses**" means the alumina and aluminium businesses of Glencore.

"**Glencore Call Option**" means a deed dated 25 July 2008 between En+, SUAL Partners and Glencore whereby Glencore granted En+ and SUAL Partners an option to acquire certain Shares held by Glencore.

"**Global Depositary Shares**" or "**GDS**" means global depositary shares evidenced by global depositary receipts, each of which represents 20 Shares.

"**GWh**" means gigawatts hours.

"**Group**" or "**UC RUSAL Group**" means UC RUSAL and its subsidiaries from time to time, including a number of production, trading and other entities controlled by the Company directly or through its wholly owned subsidiaries.

"**Hawesville aluminium smelter**" means the Hawesville Aluminium Smelter, which is owned and operated by Century Kentucky, Inc., a company incorporated under the laws of Delaware, which is a wholly-owned subsidiary of Century Aluminium Company, an entity in which Glencore AG holds a 46.4% interest.

"**HK\$**" means Hong Kong dollars, the lawful currency of Hong Kong.

"**Hong Kong Companies Ordinance**" means the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time).

"**Hong Kong Stock Exchange**" means the Main Board of The Stock Exchange of Hong Kong Limited.

"**IFRS**" means the International Financial Reporting Standards.

"**Indicated Mineral Resource**" or "**Indicated**" means the part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information

## Glossary

gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

**"Inferred Mineral Resource"** or **"Inferred"** means a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

**"International Override Agreement"** means the international override agreement entered into by the Company and certain members of the Group on 7 December 2009 with certain international banks.

**"Irkutsk aluminium smelter"** or **"IrKAZ"** means Irkutsk Aluminium Smelter, a branch of OJSC SUAL.

**"IPO"** means the initial public offering of UC RUSAL on the Hong Kong Stock Exchange and Euronext Paris.

**"Jersey Companies Law"** means the Companies (Jersey) Law 1991, as amended.

**"JORC"** means Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists & the Minerals Council of Australia.

**"kA"** means kilo-amperes.

**"Kandalaksha aluminium smelter"** or **"KAZ"** means Kandalaksha Aluminium Smelter, a branch of OJSC SUAL.

**"Khakas aluminium smelter"** or **"KhAZ"** means Khakas Aluminium Smelter Limited, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Company.

**"Koppers"** means Koppers Australia Pty Limited, a 100% subsidiary of Koppers Inc. (KI) of Pittsburgh, PA, USA. The company is involved in the manufacture and distribution of coal tar chemicals, carbon black, preserved timber and timber preservation chemicals.

**"KPIs"** means key performance indicators.

**"KraMZ"** means Krasnoyarsk Metallurgical Plant, a company incorporated in the Russian Federation.

**"KraMZ-Auto"** means KraMZ-Auto LLC, a company incorporated in the Russian Federation.

**"Krasnoyarsk aluminium smelter"**, **"RUSAL Krasnoyarsk"** or **"KraZ"** means OJSC RUSAL Krasnoyarsk, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Company.

**"kt"** means kilotonnes.

**"Kubikensborg aluminium smelter"** or **"KUBAL"** means Kubikensborg Aluminium AB, a company incorporated in Sweden, which is a wholly owned subsidiary of the Company.

**"kWh"** means kilowatt hour.

**"Latest Practicable Date"** means 10 April 2014, being the latest practicable date prior to the printing of this Annual Report for ascertaining certain information in this Annual Report.

**"LIBOR"** means in relation to any loan:

(a) the applicable screen rate (being the British Bankers' Association Interest Settlement Rate for dollars for the relevant period, displayed on the appropriate page of the Reuters screen); or

(b) (if no screen rate is available for dollars for the interest period of a particular loan) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the agent at its request quoted by the reference banks to leading banks in the London interbank market, as of the specified time (11:00 a.m. in most cases) on the quotation day (generally two business days before the first day of that period unless market practice differs in the Relevant Interbank Market, in which case the quotation day will be determined by the agent in accordance with market practice in the Relevant Interbank Market) for the offering of deposits in dollars and for a period comparable to the interest period for that loan.

**"Listing"** means the listing of the Shares on the Hong Kong Stock Exchange.

**"Listing Date"** means the date on which the Shares were listed on the Hong Kong Stock Exchange, being 27 January 2010.

**"Listing Rules"** means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time).

**"LLC GAZ"** means LLC Torgovo-Zakupchnaya Kompaniya GAZ, being a member of the group of companies which also include "GAZ Group Autocomponents" LLC, J-S.C. AVTODIZEL (YaMZ) and others, collectively, the "GAZ Group", of which OJSC "GAZ" being the holding company, is controlled by Mr. Deripaska as to more than 30%.

**"LLP Bogatyr Komir"** means the joint venture described at page 17 of this Annual Report.

**"LME"** means the London Metal Exchange.

**"LTIFR"** means the Lost Time Injury Frequency Rate which was calculated by the Group as a sum of fatalities and lost time injuries per 200,000 man-hours.

**"LTIP"** means the Company's Long-Term Incentive Plan, adopted on 11 May 2011.

## Glossary

"**LTIP Rules**" means the LTIP implementation rules adopted on 11 May 2011, or as amended from time to time in accordance with their provisions.

"**Major Shareholders**" means En+, SUAL Partners, Glencore and Onexim.

"**Major Shareholders' Shares**" means the Shares held by the Major Shareholders and their respective wholly owned subsidiaries.

"**Management Company**" or "**RUSAL Management Company**" means a subsidiary of the Group retained for accounting, general management, administration and secretarial functions.

"**Market Council**" means the non-commercial organisation formed as a result of a non-commercial partnership, which is intended to unite energy market participants and major consumers of electrical energy through membership of that body. The council is intended to ensure the proper functioning of commercial market infrastructure and effective exchanges between the wholesale and retail electrical energy markets. Additionally, it is intended to promote investment in the electrical energy industry by creating a healthy market and even playing field for participants of both the wholesale and retail electrical energy markets, when drafting new rules and regulations concerning the electrical energy industry, and facilitate self-regulation of the wholesale and retail trade in electrical energy, power and other products and services which is permissible in the wholesale and retail electrical energy markets. The council's aim is to ensure the security of energy supply in the Russian Federation, unity within the economic space, economic freedom and competition in the wholesale and retail electrical energy markets, by striking a balance between the interests of suppliers and buyers and the needs of society in general in terms of having a reliable and stable source of electrical energy.

"**Measured Mineral Resource**" or "**Measured**" means a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

"**Memorandum**" means the memorandum of association of the Company conditionally adopted on 26 December 2009, and effective on the Listing Date.

"**MICEX**" means the MICEX Stock Exchange.

"**Mineral Resource**" means a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form,

quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are subdivided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

"**Model Code**" means the Model Code for securities transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

"**mt**" means million tonnes.

"**MW**" means megawatt.

"**Mt. Holly aluminium smelter**" means the Mt. Holly Aluminium Smelter in which, pursuant to its ownership structure, Century Aluminium Company, an entity in which Glencore AG holds a 46.4% interest, holds a 49.67% interest through its wholly owned subsidiary Berkeley Aluminum, Inc.

"**Natixis**" means the investment bank listed on the Paris stock exchange, and a party to the International Override Agreement.

"**Net Debt**" is calculated as Total Debt less cash and cash equivalents as at 31 December 2013.

"**Nadvoitsy aluminium smelter**" or "**NAZ**" means Nadvoitsy Aluminium Smelter, a branch of OJSC SUAL.

"**Nikolaev Alumina Refinery**" or "**NGZ**" means Nikolaev Alumina Refinery Company Limited, a company incorporated under the laws of the Ukraine, which is a wholly owned subsidiary of the Company.

"**Norilsk Nickel**" means OJSC MMC NORILSK NICKEL, a company incorporated under the laws of the Russian Federation.

"**Novokuznetsk aluminium smelter**" or "**NkAZ**" means OJSC RUSAL Novokuznetsk, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Company.

"**OHSAS 18001**" means Occupational Health and Safety Specification (OHSAS) 18001.

"**OJSC KUMZ**" means Kamensk-Uralsky Metallurgical Works Joint-Stock Company, a company owned by certain shareholders of SUAL Partners.

"**OJSC SUAL**" means OJSC "Siberian-Urals Aluminium Company", a company incorporated under the laws of the Russian Federation.

"**Onexim**" means Onexim Holdings Limited, a company incorporated in Cyprus and which is a shareholder of the Company.

"**Ore Reserves**" means the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically

## Glossary

assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.

**"Probable Ore Reserve"** means the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

**"Production System"** means the system developed and implemented at all of the Company's production facilities by the Company's Production Development Directorate business unit, for the purposes of introducing best practices to increase efficiency and the standardising of production processes.

**"Proved Ore Reserve"** means the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

**"Prospectus"** means the Company's prospectus for the Listing dated 31 December 2009. The Prospectus is available on the Company's website under the link <http://www.rusal.ru/investors/EWP101.pdf>.

**"PXF Facility Agreement"** means the up to USD4,750 million aluminium pre-export finance term facility agreement dated 29 September 2011 between, among others, the Company, as the borrower, and BNP Paribas (Swiss) SA, as the facility agent.

**"QAL"** means Queensland Alumina Limited, a company incorporated in Queensland, Australia, in which the Company indirectly holds a 20% equity interest.

**"RA"** means OJSC Russian Aluminium.

**"Ravenswood aluminium smelter"** means the Ravenswood Aluminium Smelter, which is owned and operated by Century Aluminium of West Virginia,

Inc., which is a wholly owned subsidiary of Century Aluminium Company, an entity in which Glencore AG holds a 46.4% interest.

**"RDR"** means Russian Depository Receipts.

**"related party"** of an entity means a party who is:

- (a) directly, or indirectly through one or more intermediaries, a party which:
  - i. controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - ii. has an interest in the entity that gives it significant influence over the entity; or
  - iii. has joint control over the entity;
- (b) an associate of the entity;
- (c) a joint venture in which the entity is a venturer;
- (d) a member of the key management personnel of the entity or its parent;
- (e) a close member of the family of any individual referred to in (a) or (b) above;
- (f) an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e) above;
- (g) a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

**"related party transaction"** means a transfer of resources, services or obligations between related parties, regardless of whether the price is charged.

**"Recurring Net Profit"** for any period means Adjusted Net Profit plus the Company's effective share of Norilsk Nickel's profits, net of tax.

**"Relevant Officer"** means any employee of the Company or a director or employee of a subsidiary of the Company.

**"Relevant Officers Code"** means the code for Securities Transactions by Relevant Officers of the Company.

**"Remuneration Committee"** means the remuneration committee established by the Board in accordance with the requirements of the CG Code.

**"Review Period"** means the period commencing from 1 January 2013 and ending on 31 December 2013.

**"RSPP"** means the Russian Union of Industrialists and Entrepreneurs.

**"RTS"** means OJSC "Russian Trading System" Stock Exchange.

**"RUB", "RUR" or "Ruble"** means Rubles, the lawful currency of the Russian Federation.

**"RUSAL"** means RUSAL Limited, a company incorporated under the laws of Jersey and which is a wholly-owned subsidiary of the Company.

## Glossary

"**RUSAL Global**" means "RUSAL Global Management B.V.", a company incorporated under the laws of the Netherlands.

"**RUSAL RESAL**" means RUSAL RESAL Limited Liability Company, an indirect wholly-owned subsidiary of the Company.

"**RUS-Engineering**" means RUS-Engineering LLC, an indirect wholly-owned subsidiary of the Company.

"**RusHydro**" means JSC RusHydro (Federal Hydrogenation Company), a company organised under the laws of the Russian Federation, which is an independent third party.

"**R&D**" means research and development or the Research and Development Centres operated by the Company, as the context requires.

"**Samruk-Energo**" means Samruk-Energo, a company incorporated in Kazakhstan, which is an independent third party.

"**Samruk-Kazyna**" means the Kazakhstan state controlled national welfare fund.

"**Sayanogorsk aluminium smelter**", "**RUSAL Sayanogorsk**" or "**SAZ**" means OJSC RUSAL Sayanogorsk, a company incorporated under the laws of the Russian Federation, which is a wholly owned subsidiary of the Company.

"**Sberbank**" means Sberbank of Russia.

"**SFO**" means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

"**Share(s)**" means the ordinary share(s) with nominal value of USD0.01 each in the share capital of the Company.

"**Shareholder(s)**" means the holders of Shares.

"**Shareholders' Agreement between Major Shareholders only**" means the shareholders' agreement dated 22 January 2010 between the Major Shareholders.

"**Shareholders' Agreement with the Company**" means the shareholders' agreement dated 22 January 2010 between the Major Shareholders and the Company.

"**Sherwin Alumina Refinery**" means the Sherwin Alumina Refinery which is owned and operated by Sherwin Alumina Company LLC, the sole member

of which is Allied Alumina Inc., a wholly-owned subsidiary of Glencore AG.

"**Skolkovo foundation**" means the principal agency responsible for the Russian Skolkovo Innovation Center, a scientific and technological centre for the development and commercialisation of advanced technologies.

"**Standing Committee**" means the standing committee of the Company.

"**STIP**" means the Company's Short-Term Incentive Program.

"**SUAL**" means SUAL International Limited, a company incorporated in the British Virgin Islands which is a wholly-owned subsidiary of the Company.

"**SUAL-Kremniy-Ural**" means SUAL-Kremniy-Ural LLC, an indirect non wholly-owned subsidiary of the Company.

"**SUAL Partners**" means SUAL Partners Limited, a company incorporated under the laws of the Bahamas, which is a shareholder of the Company.

"**SUBR**" means OJSC Sevuralboksitruda, a company incorporated in Russia, which is a wholly-owned subsidiary of the Company.

"**Taishet**", "**Taishet aluminium smelter**" or "**TAZ**" means the new aluminium smelter which is an active project currently being implemented around 8 km from the centre of the town of Taishet in the Irkutsk region of the Russian Federation, as described on page 14 of this Annual Report.

"**total attributable alumina output**" is calculated based on pro rata share of the Group's ownership in corresponding alumina refineries.

"**total attributable aluminium output**" is calculated based on pro rata shares of the Group's ownership in corresponding aluminium smelters.

"**total attributable bauxite output**" is calculated based on pro rata shares of the Group's ownership in corresponding bauxite mines and mining complexes, including the total production of Timan and Bauxite Co. De Guyana., notwithstanding that minority interests in these subsidiaries are held by third parties.

## Glossary

"**Total Net Debt**" has the meaning given to it in the PXF Facility Agreement.

"**tpa**" means tonnes per annum.

"**TPS**" means Toyota Production System

**JSC "TSA"** means Joint-stock company "Trading System Administrator of Wholesale Electricity Market Transactions" a company incorporated under the laws of the Russian Federation.

"**Urals aluminium smelter**", "**Urals Alumina Refinery**", "**UAZ**", or "**Urals smelter**" means Urals Aluminium Smelter, a branch of OJSC SUAL.

"**USD**" or "**US dollar**" means United States dollars, the lawful currency of the United States of America.

"**VAP**" means value added products.

"**VAT**" means value added tax.

"**VEB**" means State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)".

"**Volgograd aluminium smelter**" or "**VgAZ**" means Volgograd Aluminium Smelter, a branch of OJSC SUAL.

"**Volkhov aluminium smelter**" or "**VAZ**" means Volkhov Aluminium Smelter, a branch of OJSC SUAL.

"**Wholesale Electricity Market**" means the wholesale market for the sale of electrical energy and power within the confines of the "Russian United Energy System" in the unified economic space of the Russian Federation. Large suppliers and purchasers of electrical energy and power participate in this market, as well as other participants which have obtained the status of wholesale market participants and act in accordance with the Wholesale Electricity Market Rules.

"**Wholesale Electricity Market Rules**" means the regulatory act (passed by the government of the Russian Federation as specified in the law "On the Electric Energy Industry"), which regulates the sale of electrical energy and power in the Wholesale Electricity Market.

"**Winalco**" means West Indies Alumina Company, a company incorporated in Jamaica, in which the Company indirectly holds a 93% interest.

"**Working Capital**" means trade and other receivables and inventories less trade and other payables.

# Appendix A - Principal terms of the Shareholders' Agreement with the Company

<sup>1</sup> Pursuant to a deed dated 25 July 2008 between En+, SUAL Partners and Glencore, Glencore granted En+ and SUAL Partners the option (the "Glencore Call Option") to acquire all ordinary shares in the Company held by Glencore on the date of exercise of the Glencore Call Option that were also (i) held by Glencore on 26 March 2007 or (ii) issued to Glencore by the Company after 26 March 2007 but before exercise of the Glencore Call Option (both of which, for the avoidance of doubt, exclude any shares in the Company acquired by Glencore on an arms length basis from anyone other than the Company following an initial public offering or any shares in the Company sold by Glencore to any third party in compliance with the shareholders' agreement then in force in relation to the Company) (the "Glencore Option Securities"). The Glencore Call Option may only be exercised by En+, but following exercise, SUAL Partners has the right to participate in proportion to their holding of Shares at that time vis-à-vis En+. The Glencore Call Option is exercisable until 26 March 2017. The exercise price of the option will be determined by an investment bank as 120% of the higher of (i) market value of Glencore option securities, which is determined by reference to the enterprise value of the Group on the relevant option exercise date or after an initial public offering, the volume weighted average price of an ordinary share over the preceding five trading days; and (ii) a valuation calculated by reference to the cumulative aggregate EBITDA of the Group for the preceding 12 quarters and the discounted enterprise value/EBITDA multiple at which certain of the Group's competitors trade.

The principal terms of the Shareholders' Agreement with the Company are described below. Unless otherwise stated, references to En+, SUAL Partners, Glencore and Onexim are deemed to include reference to other entities controlled by those Major Shareholders (other than any member of the Group).

## RIGHT OF FIRST REFUSAL – BAUXITE, ALUMINA, ALUMINIUM

The Major Shareholders must offer the Company a right of first refusal in respect of any assets or development opportunities related to the production of bauxite, alumina or aluminium ("Industrial Assets") that they wish to acquire where such Industrial Asset or a group of related Industrial Assets has a value in excess of an amount determined by reference to the prevailing LME (high grade premium aluminium three month offer side) price of aluminium at the time of the proposed acquisition. If that LME price is US\$1,500 per tonne or less then the trigger value is \$500 million, if it is US\$4,500 or more than the trigger price is US\$1 billion and if it is between these two prices then the trigger price is pro-rated on a straight line basis.

Each Major Shareholder must disclose to the Company any opportunity which has come to their (or their associates') respective attentions to acquire Industrial Assets of whatever value.

## RELATIONSHIP BETWEEN THE COMPANY AND THE MAJOR SHAREHOLDERS

Each Major Shareholder must ensure that any contract between it or any of its associates and any member of the Group is entered into on an arms' length commercial basis and on terms that are not unfairly prejudicial to the interests of any Major Shareholder or the Group.

If there is a dispute between a Major Shareholder or any of its associates and the Company, that Shareholder will not, and will procure that any Directors appointed by it will not, do anything to prevent or hinder the Company's handling of the dispute.

The Major Shareholders agree to act in good faith in relation to the Group and in a manner that is not unfairly prejudicial to the interests of the Shareholders generally, and that the Group will be operated in accordance with the corporate governance standards set out in the CG Code.

## TERMINATION FOR PARTICULAR SHAREHOLDERS

The Shareholders' Agreement with the Company shall terminate in respect of the relevant Major Shareholder in the following circumstances:

- Upon completion of the Glencore Call Option<sup>1</sup> or the put option granted by Glencore under the deed described in footnote 1.
- Upon Onexim ceasing to hold a minimum shareholding of 5% of the total Shares in issue, other than as a result of dilution on a further share issue, it shall lose all of its rights and obligations under the Shareholders' Agreement with the Company.
- If Onexim holds less than 5% of the total Shares in issue, but still has any rights under the Shareholders' Agreement with the Company, it shall lose all of its rights and obligations under the Shareholders' Agreement with the Company upon any subsequent disposal by it of Shares or entry into derivative contracts or arrangements in relation to Shares.
- Upon any Major Shareholder ceasing to hold at least 3% of the total Shares in issue, for whatever reason, it shall lose all of its rights and obligations under the Shareholders' Agreement with the Company.
- Subject to certain exceptions, if there is a change of control of Glencore or a third party acquires all or substantially all of Glencore's assets, it shall lose its rights and obligations of first refusal outlined above.
- If there is a change of control of Onexim or a third party acquires all or substantially all of Onexim's assets, it shall lose all rights and its obligations under the Shareholders' Agreement with the Company

# Appendix B - Principal terms of the Shareholders' Agreement between Major Shareholders

The principal terms of the Shareholders' Agreement between Major Shareholders are described below. Unless otherwise stated, references to En+, SUAL Partners, Glencore and Onexim are deemed to include reference to other entities controlled by those Major Shareholders (other than any member of the Group).

## BOARD OF THE COMPANY

For as long as En+ holds at least 30% of the Major Shareholders' Shares, the Major Shareholders have agreed to use their respective voting and other rights to procure, so far as they are able, that the Board shall consist of a minimum of 16 and a maximum of 18 Directors and that Directors proposed for nomination or removal under the Articles of Association or otherwise by the shareholders of the Company will be appointed to or removed from the Board to achieve the following:

- For as long as En+ holds at least 40% of the Major Shareholders' Shares, Directors representing at least 50% of the Board shall be directors proposed by En+ (excluding independent Directors), one of whom shall be the Vice Chairman of the Board. For as long as En+ holds at least 30% of the Major Shareholders' Shares, En+ shall have the right to nominate for appointment and removal the CEO. The appointment of the CEO will be subject to approval by a majority of the Board and the Board will retain the ability to remove the CEO. The number of Directors (other than independent Directors) that En+ is entitled to propose for nomination to and removal from the Board shall reduce by one for as long as its shareholding, as a percentage of the Major Shareholders' Shares, is between 35% and 40%, and by two for as long as such percentage is between 30% and 35%. In addition, En+ shall be entitled to propose for nomination and removal two independent Directors for as long as it holds at least 40% of the Major Shareholders' Shares and one independent Director for as long as that percentage remains between 10% and 40%. En+ shall have the right to veto the appointment of any independent Director nominated by SUAL Partners or Onexim on the grounds set out in the Shareholders' Agreement between Major Shareholders only.
- For as long as Glencore holds at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue), Glencore shall have the right to propose for nomination and removal as a Director the chief executive officer of Glencore and to veto the appointment of any independent Director nominated by En+, SUAL Partners or Onexim on the grounds set out in the Shareholders' Agreement between Major Shareholders only.
- For as long as SUAL Partners holds at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue), SUAL Partners shall have the right to propose for nomination and removal three Directors, one of whom shall be independent, and to veto the appointment of any independent Director nominated by En+ or Onexim on the grounds set out in the Shareholders' Agreement between Major Shareholders only.
- For as long as Onexim holds at least 5% of the total Shares in issue, Onexim shall have the right to propose for nomination and removal one Director and to veto the appointment of any independent Director nominated by En+ or SUAL Partners on the grounds set out in the Shareholders' Agreement between Major Shareholders only. In addition, following Mr. Barry Cheung Chun-yuen's resignation as a Director, Onexim is entitled to propose for nomination and approval one independent Director.
- For as long as En+ holds less than 30% of the Major Shareholders' Shares, the Major Shareholders have agreed to use their respective voting and other rights to procure, so far as they are able, that the Board shall consist of between 15 and 19 directors comprising:
  - four independent Directors, to be nominated in accordance with the rights of proposal of En+, SUAL Partners and Onexim described above (if relevant) and, to the extent required, by the Corporate Governance and Nomination Committee;
  - one director proposed by VEB, if required; and
  - Directors (other than independent Directors) who shall be proposed for nomination and removal by the Major Shareholders in proportion to their respective holdings of Shares from time to time.



## Appendix B - Principal terms of the Shareholders' Agreement between Major Shareholders

- The Major Shareholders have agreed to exercise their respective voting and other rights to procure that, for as long as the Company is able to appoint between two and five Directors to the board of Norilsk Nickel, Onexim is entitled to propose one Director for appointment to that board, and for as long as the Company is able to appoint six or more directors, Onexim is entitled to propose two directors for appointment to that board.

### BOARDS OF SUBSIDIARIES

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

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

8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue).

### COMMITTEES OF THE BOARD

**The Major Shareholders have agreed to procure, so far as they are able, that certain committees of the Board are to be established, as follows:**

- An audit committee, remuneration committee and corporate governance and nomination committee, each to be established in accordance with the requirements of the CG Code. The audit committee shall consist of five members, of whom three shall be independent Directors (as approved by the Board), one shall be appointed by En+ and one by Onexim. The remuneration committee shall consist of five members, of whom three shall be independent Directors (as approved by the Board), one shall be appointed by En+ and one by SUAL Partners. The Corporate Governance and Nomination Committee shall consist of five members, of whom three shall be independent Directors (as approved by the Board), one shall be appointed by En+ and one by Glencore. Summaries of the functions of these committees are set out in "Directors and Senior Management – Committees".
- A health, safety and environmental committee, whose composition, functions and terms of reference are to be determined from time to time by the Board.
- A standing committee consisting of five members who may or may not be Directors, one proposed for appointment by each of En+, SUAL Partners, Glencore and Onexim and one independent Director. The standing committee shall have authority to take certain decisions in relation to the Group without further approval of the Board or the shareholders of the Company.

### EXERCISE OF VOTING RIGHTS BY ONEXIM

At general meetings of the Company, with respect to certain agreed matters customarily reserved to shareholders, Onexim has undertaken to exercise its voting rights in the same manner as En+ exercises its voting rights, provided that in no event shall Onexim be required to vote its holding of Shares:

## Appendix B - Principal terms of the Shareholders' Agreement between Major Shareholders

(A) in a manner that would contravene applicable law; (B) in a manner that would be directly and materially adverse to the interests of Onexim in its capacity as a direct or indirect holder of Shares; (C) if Onexim shall have exercised a right of "veto" (as described below) in respect of the relevant matter; or (D) if and for so long as En+ is in material breach of the Shareholders' Agreement between Major Shareholders only or the Shareholders' Agreement with the Company.

### VETO RIGHTS

- The Major Shareholders have agreed to exercise their voting rights with a view to giving the Major Shareholders effective veto rights as set out below, by procuring that Directors proposed by them for appointment vote against any resolution in respect of which a Major Shareholder has exercised its "veto":
  - Each of En+, Glencore, SUAL Partners and Onexim is given an effective right of veto in relation to any related party transaction (or amendment to or renewal of an existing related party transaction).
  - Each of En+, Glencore and SUAL Partners and Onexim is given an effective right of veto in respect of any matter proposed to be undertaken by the Company or any of its subsidiaries which would require a special resolution were the Company or the relevant subsidiary incorporated in England and Wales (e.g., alteration of Articles of Association; change of name; re-registration of a private company as a public company; re-registration of an unlimited company as limited; re-registration of a public company as a private company; offer to issue shares or rights to subscribe for shares other than pro rata to existing shareholders by disapplying statutory pre-emption rights; reduction of share capital; to give, revoke, renew or vary the authority for the Company to purchase (off market) shares in itself; and to redeem or purchase own shares out of capital).
- The Company does not believe that these veto rights will have any material impact on the operation of the Company.

### MATTERS INCONSISTENT WITH THE SHAREHOLDERS' AGREEMENT BETWEEN MAJOR SHAREHOLDERS ONLY

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

### KRAMZ/OJSC KUMZ SUPPLY AGREEMENTS AND AGREEMENTS WITH GLENCORE

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

### DIVIDEND POLICY

The Major Shareholders have agreed to procure compliance by the Group with a dividend policy, to the extent permissible under the terms of the credit facility agreements, under which not less than 50% of the annual consolidated net profits of the Group in each financial year are distributed to Shareholders within four months after the end of the relevant financial year, subject to any applicable legislation.

## Appendix B - Principal terms of the Shareholders' Agreement between Major Shareholders

### ENCUMBRANCES OVER SHARES

- Until 26 March 2012, and subject to the exception stated below, En+ agreed not to encumber Shares comprising 40% of the Major Shareholders Shares. Notwithstanding the foregoing, En+ would be entitled to encumber Shares equal to a maximum of 17% of the total Shares in issue from time to time in favour of a finance provider as bona fide security for indebtedness of En+ or its subsidiaries.
- Glencore and SUAL Partners have agreed not to encumber any Shares except for (i) pursuant to certain Glencore security agreements; (ii) a pledge as set out below; and (iii) the same proportion of their holding of Shares as the proportion which En+ is entitled to encumber as stated above.
- There will be no restrictions on Onexim encumbering its Shares.

### RIGHTS OF FIRST REFUSAL – SUAL PARTNERS SHARES

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

### RIGHTS OF FIRST REFUSAL – GLENCORE'S SHARES

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

### ONEXIM TAG ALONG RIGHTS

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

### SHARE PLACING

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

### NO MANDATORY OFFER

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

## Appendix B - Principal terms of the Shareholders' Agreement between Major Shareholders

### LICENCES

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

### TERMINATION FOR PARTICULAR SHAREHOLDERS

The Shareholders' Agreement between Major Shareholders only shall terminate in respect of the relevant Major Shareholder in the following circumstances:

- Upon completion of the Glencore Call Option described in footnote 1 above.
- Upon either Glencore or SUAL Partners ceasing to hold at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue) Glencore or SUAL Partners (as the case may be) shall lose their rights to propose Directors for nomination to the Board, and upon such shareholdings falling below 50% of the relevant minimum shareholding stated above they shall lose their respective veto rights as described above.
- Upon En+ ceasing to hold at least 8.6% of the total Shares in issue (or such lesser percentage as results from dilution on a further share issue), it shall lose any rights to propose Directors for nomination to the Board, and upon such shareholding falling below 50% of the relevant minimum shareholding stated above, it shall lose its veto rights as described above.
- Upon Onexim ceasing to hold at least 5% of the total Shares in issue, other than as a result of dilution on a further share issue, it shall lose all of its rights and obligations under the Shareholders' Agreement between Major Shareholders only.
- If Onexim holds less than 5% of the total Shares in issue, but still has any rights under the Shareholders Agreement between Major Shareholders only, it shall lose all of its rights and obligations under the Shareholders' Agreement between Major Shareholders only upon any subsequent disposal by it of Shares or entry into derivative contracts or arrangements in relation to Shares.
- Upon any Major Shareholder ceasing to hold at least 3% of the total Shares in issue, for whatever reason, it shall lose all of its rights and obligations under the Shareholders' Agreement between Major Shareholders only.
- Subject to certain exceptions, if there is a change of control of Glencore or a third party acquires all or substantially all of Glencore's assets, it shall lose its rights to propose Directors for nomination to the Board and the veto rights described above.
- If there is a change of control of Onexim or a third party acquires all or substantially all of Onexim's assets, it shall lose all rights and its obligations under the Shareholders' Agreement between Major Shareholders only.

# Corporate Information

## UNITED COMPANY RUSAL PLC

(Incorporated under the laws of Jersey with limited liability)

HKEx stock code: 486  
Euronext Paris symbols: Rusal/Rual  
Moscow Exchange symbols for RDRs: RUALR/RUALRS

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

Mr. Oleg Deripaska (*Chief Executive Officer*)  
Mr. Vladislav Soloviev  
Ms. Vera Kurochkina  
Mr. Stalbek Mishakov  
(*appointed as a Director with effect from 16 August 2013*)  
Mr. Maxim Sokov

### NON-EXECUTIVE DIRECTORS

Mr. Dmitry Afanasiev  
Mr. Len Blavatnik  
Ms. Alexandra Bouriko  
(*appointed as a Director on 14 June 2013 and resigned from the same position with effect from 30 September 2013. Currently the Chief Financial Officer of the Company*)  
Mr. Christophe Charlier  
Mr. Vadim Geraskin  
(*ceased to be a Director with effect from 14 June 2013*)  
Mr. Ivan Glasenberg  
Mr. Maksim Goldman  
Ms. Olga Mashkovskaya  
(*appointed as a Director with effect from 30 September 2013*)  
Ms. Gulzhan Moldazhanova  
Ms. Ekaterina Nikitina  
(*appointed as a Director with effect from 14 June 2013*)  
Mr. Artem Volynets  
(*ceased to be a Director with effect from 27 June 2013*)  
Mr. Dmitry Yudin  
(*ceased to be a Director with effect from 14 June 2013*)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Elsie Leung Oi-sie  
Mr. Mark Garber  
(*appointed as a Director with effect from 14 June 2013*)  
Mr. Matthias Warnig (*Chairman of the Board*)  
Dr. Peter Nigel Kenny  
Mr. Philip Lader  
Mr. Barry Cheung Chun-yuen  
(*ceased to be a Director with effect from 25 May 2013*)

## REGISTERED OFFICE IN JERSEY

Ogier House  
The Esplanade  
St Helier  
Jersey  
JE4 9WG

## PRINCIPAL PLACE OF BUSINESS

Themistokli Dervi, 12  
Palais D'Ivoire House  
P.C. 1066  
Nicosia  
Cyprus

## PLACE OF BUSINESS IN HONG KONG

11th Floor  
Central Tower  
28 Queen's Road Central  
Central  
Hong Kong

## JERSEY COMPANY SECRETARY

Ogier Corporate Services (Jersey) Limited  
Ogier House  
The Esplanade  
St Helier  
Jersey  
JE4 9WG

# Corporate Information

## HONG KONG COMPANY SECRETARY

Ms. Aby Wong Po Ying  
Ogier Services (Asia) Limited  
11th Floor  
Central Tower  
28 Queen's Road Central  
Central  
Hong Kong

## AUDITORS

ZAO KPMG  
Naberezhnaya Tower Complex, Block C  
10 Presnenskaya Naberezhnaya  
Moscow, 123317  
Russia

## AUTHORISED REPRESENTATIVES

Mr. Vladislav Soloviev  
Ms. Aby Wong Po Ying  
Mr. Eugene Choi

## PRINCIPAL SHARE REGISTRAR

Ogier Corporate Services (Jersey) Limited  
Ogier House  
The Esplanade  
St Helier  
Jersey  
JE4 9WG

## HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
46th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## DEPOSITORY FOR THE GLOBAL DEPOSITARY SHARES LISTED ON Euronext PARIS

The Bank of New York Mellon  
One Wall Street,  
New York, NY 10286

## AUDIT COMMITTEE MEMBERS

Dr. Peter Nigel Kenny (*chairman*)  
Mr. Philip Lader  
Ms. Elsie Leung Oi-sie  
Mr. Christophe Charlier  
Ms. Olga Mashkovskaya  
*(appointed with effect  
from 30 September 2013)*  
Ms. Gulzhan Moldazhanova  
*(appointed with effect from 16 August 2013  
and ceased to be a member of the Audit  
Committee with effect from 30 September 2013)*  
Mr. Dmitry Yudin  
*(resigned with effect from 14 June 2013)*  
Mr. Artem Volynets  
*(appointed with effect from 14 June 2013  
and resigned with effect from 27 June 2013)*

# Corporate Information

## CORPORATE GOVERNANCE AND NOMINATION COMMITTEE MEMBERS

Mr. Philip Lader (*chairman*)  
Dr. Peter Nigel Kenny  
Mr. Ivan Glasenberg  
Mr. Mark Garber  
*(appointed with effect from 14 June 2013)*  
Ms. Ekaterina Nikitina  
*(appointed with effect from 16 August 2013)*  
Mr. Barry Cheung Chun-yuen  
*(resigned with effect from 25 May 2013)*  
Mr. Artem Volynets *(resigned with effect from 27 June 2013)*

## REMUNERATION COMMITTEE MEMBERS

Ms. Elsie Leung Oi-sie  
*(appointed as chairman with effect from 14 June 2013)*  
Mr. Philip Lader  
Dr. Peter Nigel Kenny  
Mr. Mark Garber  
*(appointed with effect from 14 June 2013)*  
Mr. Maksim Goldman  
*(appointed with effect from 16 August 2013)*  
Ms. Ekaterina Nikitina  
*(appointed with effect from 16 August 2013)*  
Mr. Barry Cheung Chun-yuen  
*(resigned with effect from 25 May 2013)*  
Mr. Artem Volynets  
*(resigned with effect from 27 June 2013)*  
Mr. Len Blavatnik  
*(ceased to be a member of the Remuneration Committee with effect from 2 July 2013)*

## PRINCIPAL BANKERS

Sberbank  
VTB Bank  
BNP Paribas  
Gazprombank

## CORPORATE BROKERS

Bank of America Merrill Lynch  
Credit Suisse

## INVESTOR RELATIONS CONTACT

MOSCOW  
Kryachko Veronika  
13/1 Nikoloyamskaya str.  
Moscow 109240  
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Veronika.kryachko@rusal.com

HONG KONG  
Dominic Li  
Suite 3301, 33rd Floor,  
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1 Connaught Place  
Central  
Hong Kong  
Dominic.Li@rusal.com

## COMPANY WEBSITE

[www.rusal.com](http://www.rusal.com)

