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Russian Aluminum Companies in the Context of the Global Aluminum Industry Development

Victor Zhirnakov
Deputy Director General
of Aluminum Business

Russian Metallurgy: Strategy and Growth Restrictions
March 29th, 2006, Moscow

Russian Metallurgy Today

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2 place among federal budget sources

2 place in terms of incoming foreign currency flow in Russia

19% of industrial output

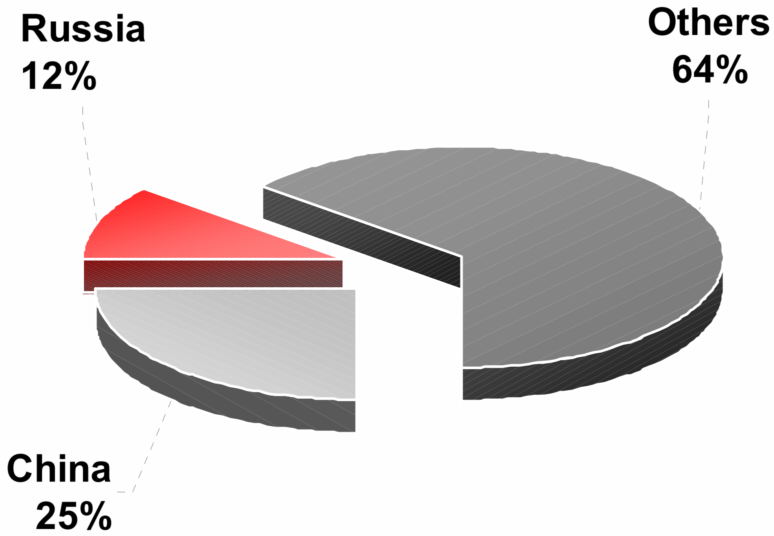
18% of exports

11% of net income in the Russian industry

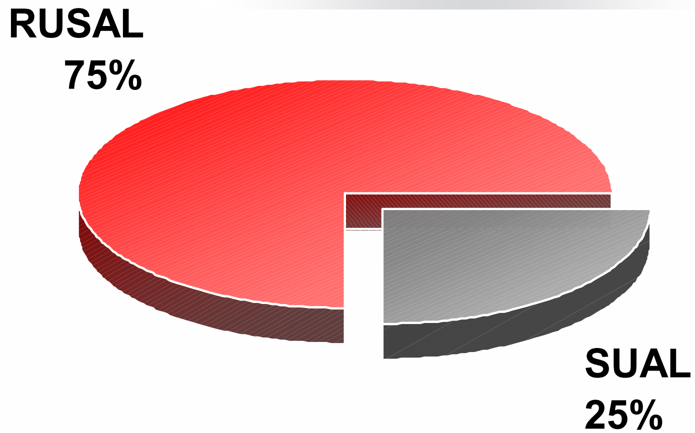
Source: Russian Federal Agency of Industry, *Successes and Problems of the Russian Metallurgical Industry* Report, May 2005

Russia as a Part of the Global Aluminum Industry

Worldwide

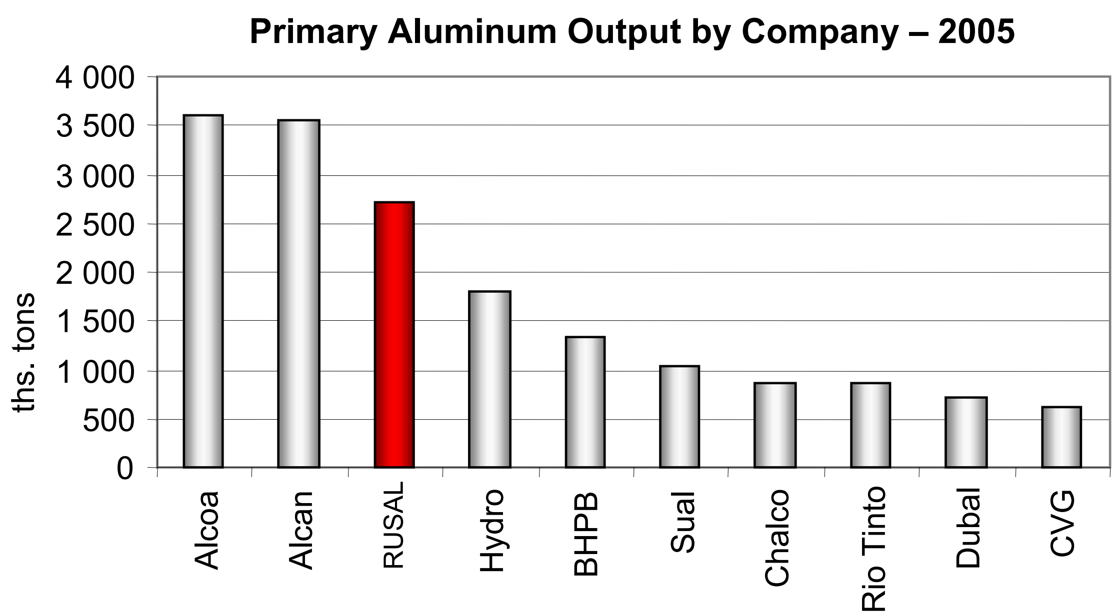


Russia



RUSAL's Position in the Industry

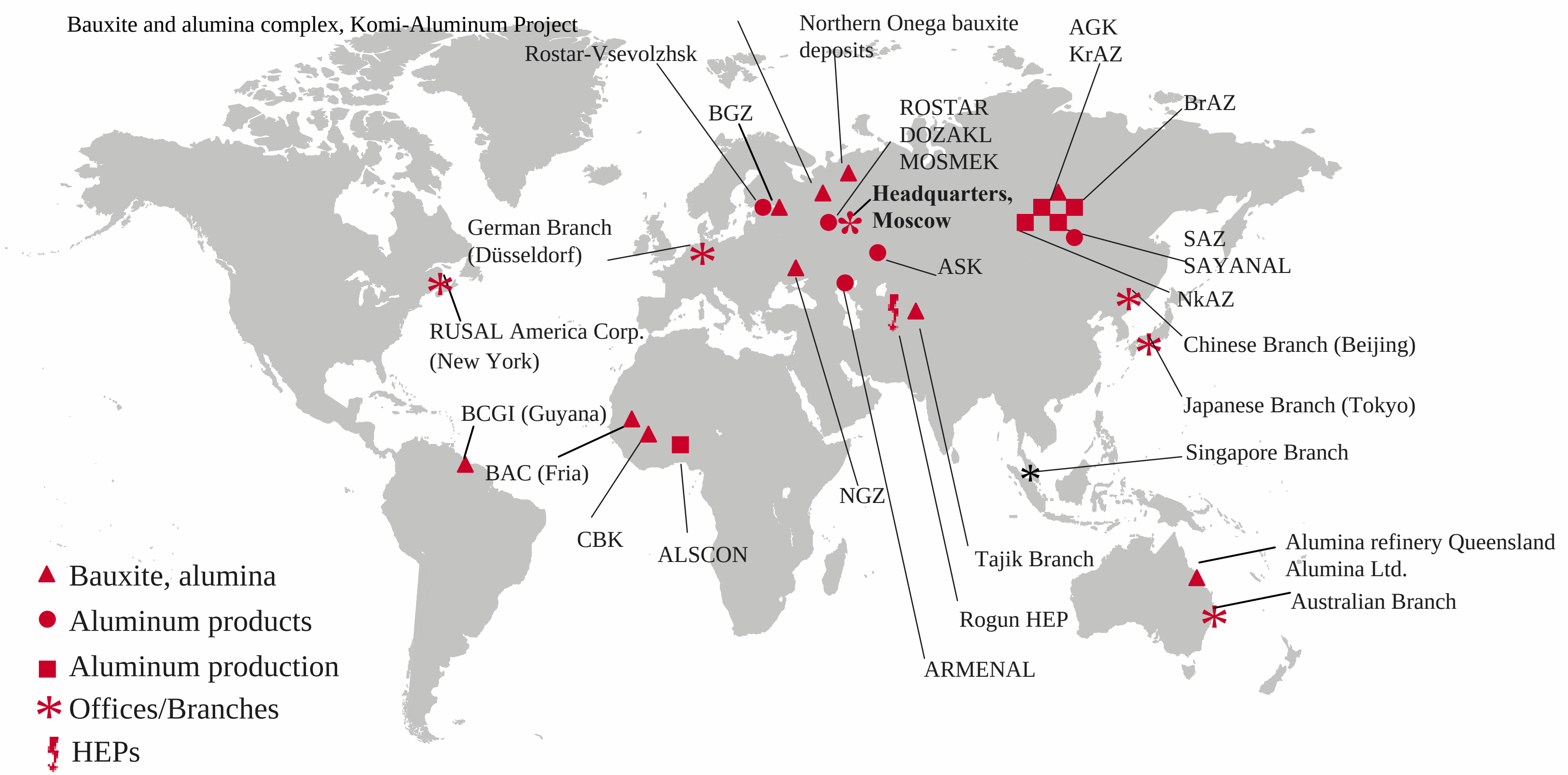
- RUSAL was established in 2000 as a result of consolidation of the largest domestic aluminum smelters
- Third place in the world in terms of aluminum and alloys output
- Company turnover in 2005 – USD 6.1 bln.
- Investments into production development in 2005 – USD 1.5 bln.
- 80% of the output is exported



Source: Companies' press releases

RUSAL: from Siberia to Global Economy

We have our locations in 13 countries of the world and 9 regions of Russia, our products are exported to 50 different countries



Basic Trends in the Global Aluminum Market

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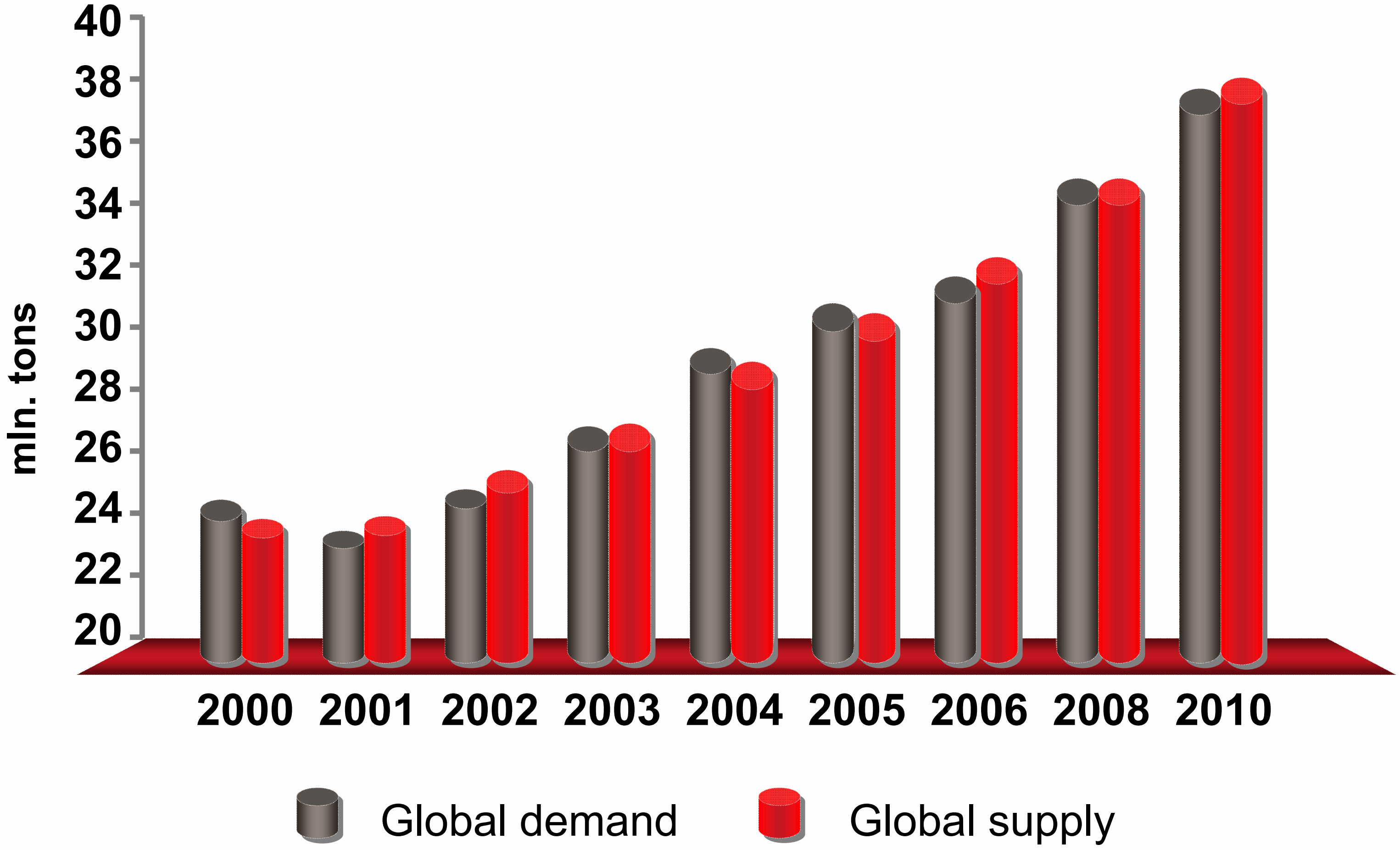
- Demand for aluminum growing worldwide
- Prices on energy resources rising
- Competition for access to raw materials
- Consolidation in the industry
- Inefficient facilities close down
- The “Chinese factor”

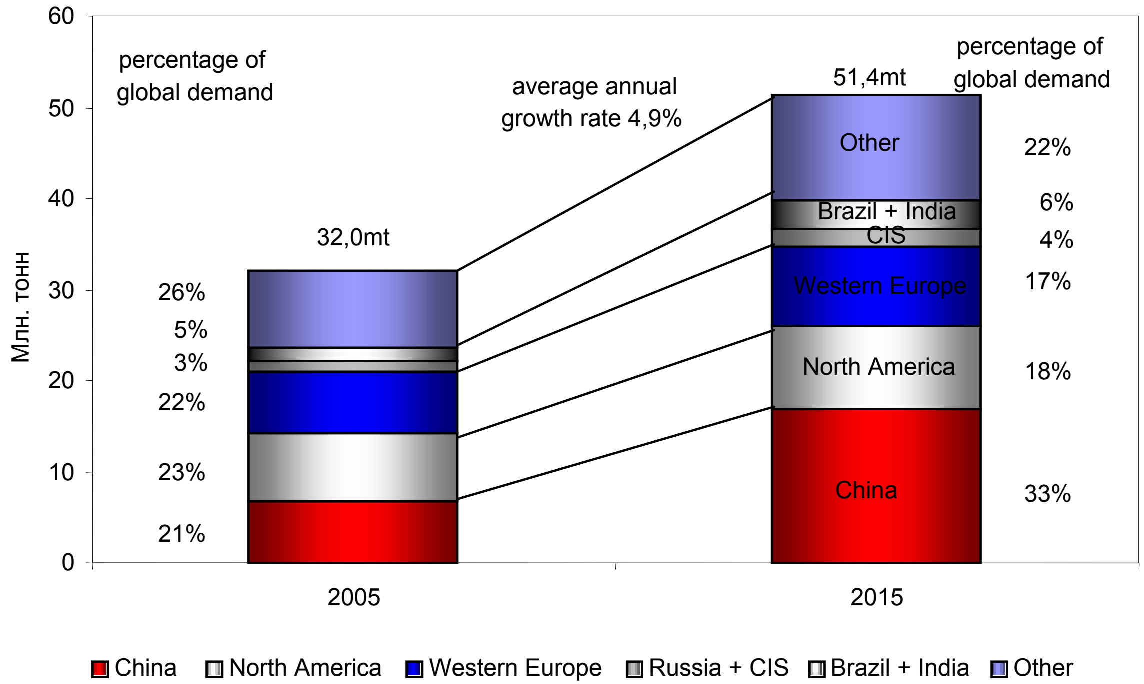
Aluminum Demand and Supply on the Global Scale



Increasing Demand by Regions

- By 2015 China will be consuming 33% of the global aluminum output (vs. 21% today)
- In the next 10 years, China will be responsible for 52% of the growing global demand for aluminum
- The demand in Brazil and CIS countries will be growing just as fast yet the starting point is much lower
- India is likely to surprise with unpredictable demand growth rate

Demand (breakdown by region, 2005 – 2015)



Source: RUSAL data

Russia in Focus

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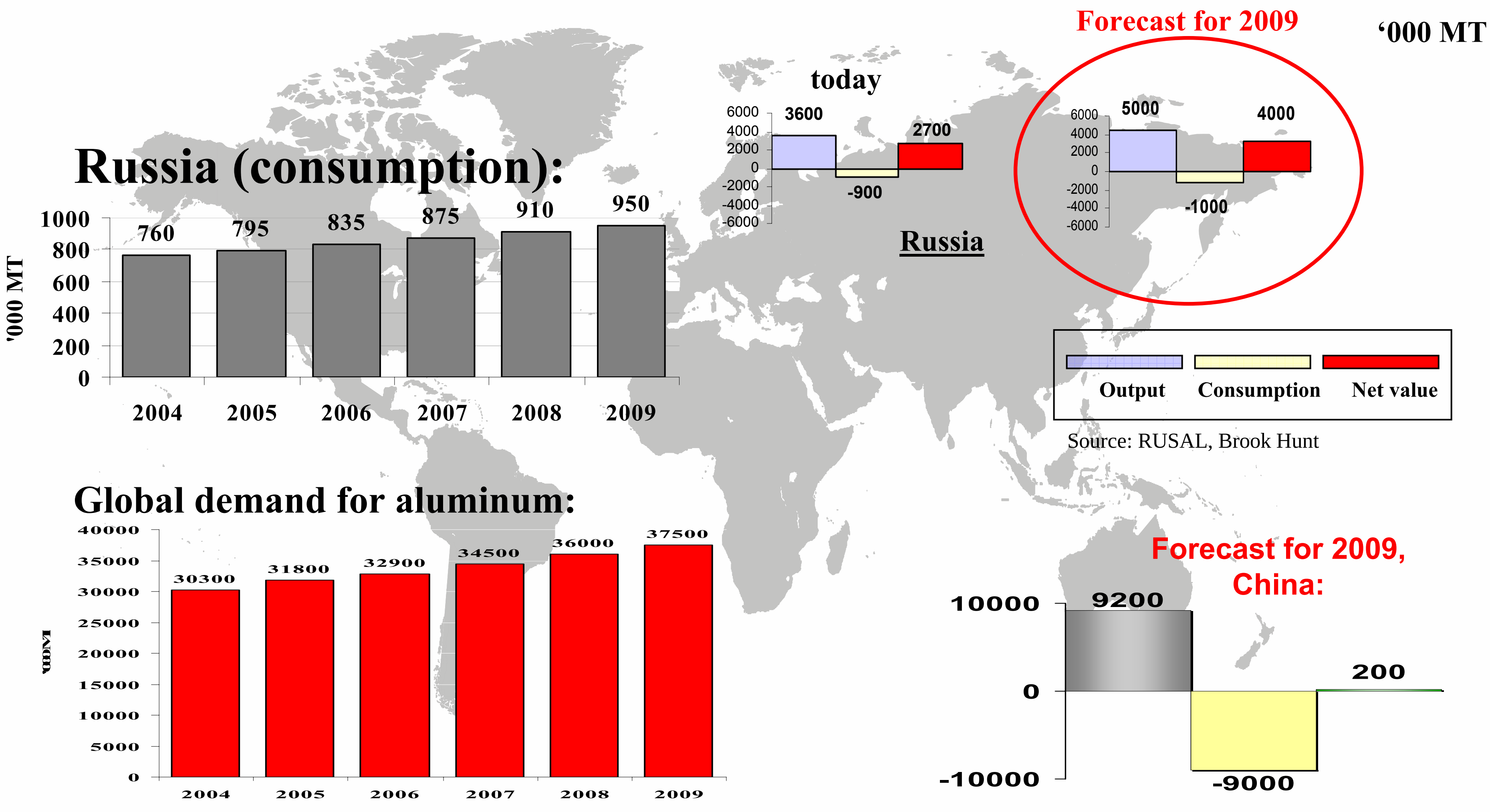

Establishing New Production Capacities

Khakas Aluminum Smelter

- Capacity 300 ths. tons per annum
- Cost USD 710 mln., the first newly built aluminum smelter in Russia in the last 20 years
- The first stage should be completed by 2006 creating over 1000 new jobs in the region
- Capital investments into the regional infrastructure – over USD 21 mln.
- New production and environmental standards

Smelter in Irkutsk Region

- Capacity 600 ths. tons
- Investments up to USD 2 bln.
- First output of metal in 2009
- Creating about 1700 jobs at the smelter and about 500 more jobs in auxiliary facilities

Modernization of the Operating Production Capacities

- **To reduce the environmental load and increase the output of primary aluminum**
  - Modernization of KrAZ, BrAZ, NkAZ (2005-2010)
    - Aluminum output increased by 300 ths. tons
    - Significant improvement of the environmental situation
    - Reduced production costs

Those who Have Access to Power and Raw Materials Rule the World

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- 2 major components in the production cost of aluminum:
  - Electric power costs – (25% - 40%)
  - Raw materials (alumina) - (40%-60%)

Power Factor

- 150% - average power tariffs growth rate for aluminum companies worldwide in the last 4 years
- 514 ths. tons – reduction of aluminum output in 2005 due to the close-down of unprofitable facilities in the USA and Europe
- 765 ths. tons – expected reduction due to the unprofitability of production in 2006
- Search for new projects in regions rich with power resources

Changes in Aluminum Production Capacities

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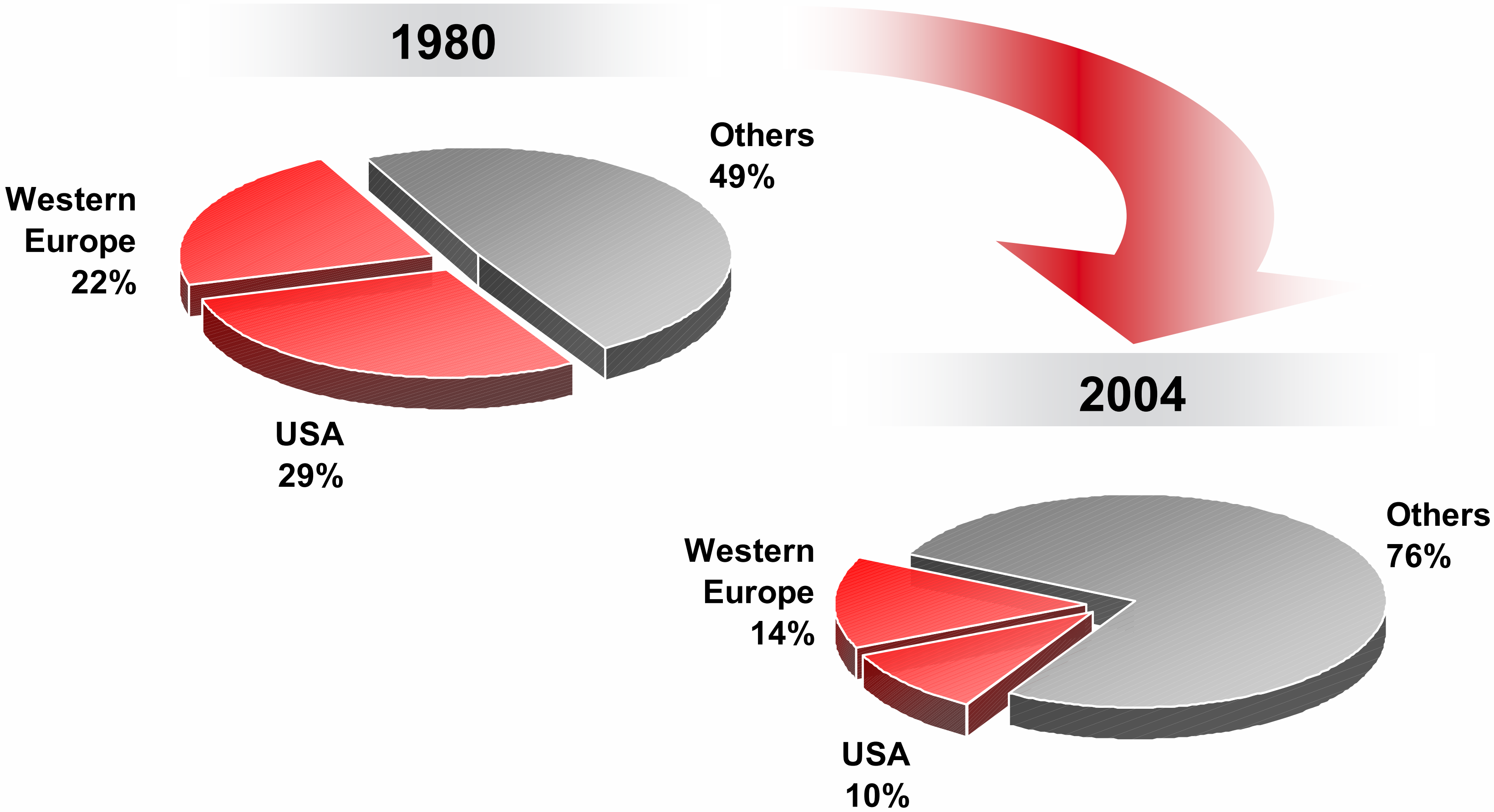

RUSAL – Power and Metallurgy Company

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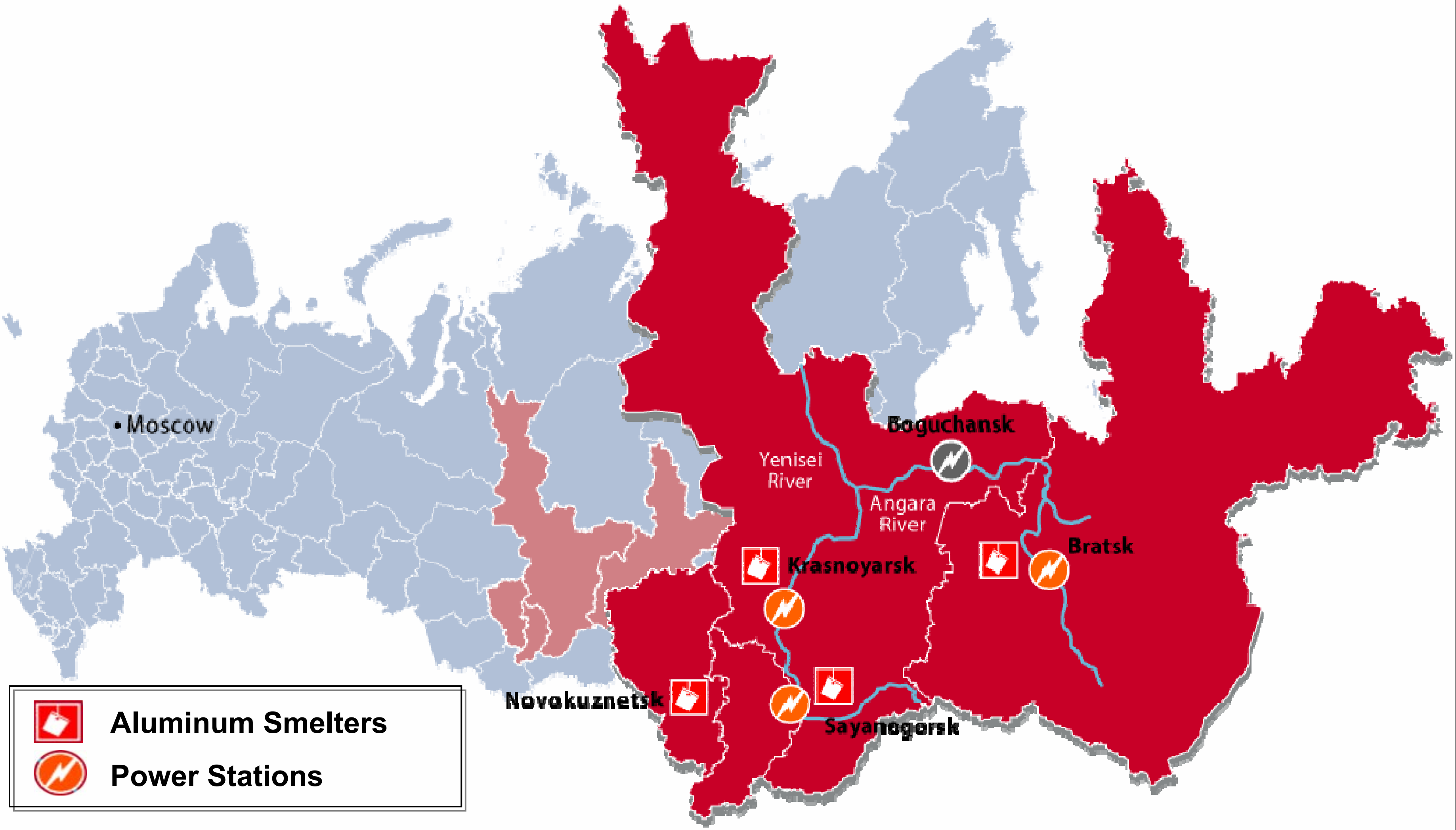

RUSAL's Investments into New Hydropower Projects

Boguchansk Power and Metallurgy Complex

- Krasnoyarsk territory
- HEP capacity 17.6 bln. KWh
- New aluminum smelter, capacity 600 ths. tons
- Building infrastructure and creating preconditions for the Downstream Angara region development

Rogun HEP

- Joint Project with the Tajik Government
- HEP capacity 4 bln KWh
- Base for industrial development of the Republic and electric power export

Access to Resources

- Up to 80% of bauxite resources belong to 5 countries - Guinea, Jamaica, Brazil, India, and Australia
- About 20 bln. tons of bauxite prospected worldwide
- The majority of deposits are in concession of large international aluminum companies
- In the last 2 years, the spot price on aluminum has increased 4 times and it keeps growing
- The main reason is the active development of the Chinese aluminum industry

RUSAL's Prospects for Self-Sufficiency in Terms of Raw Materials Supply

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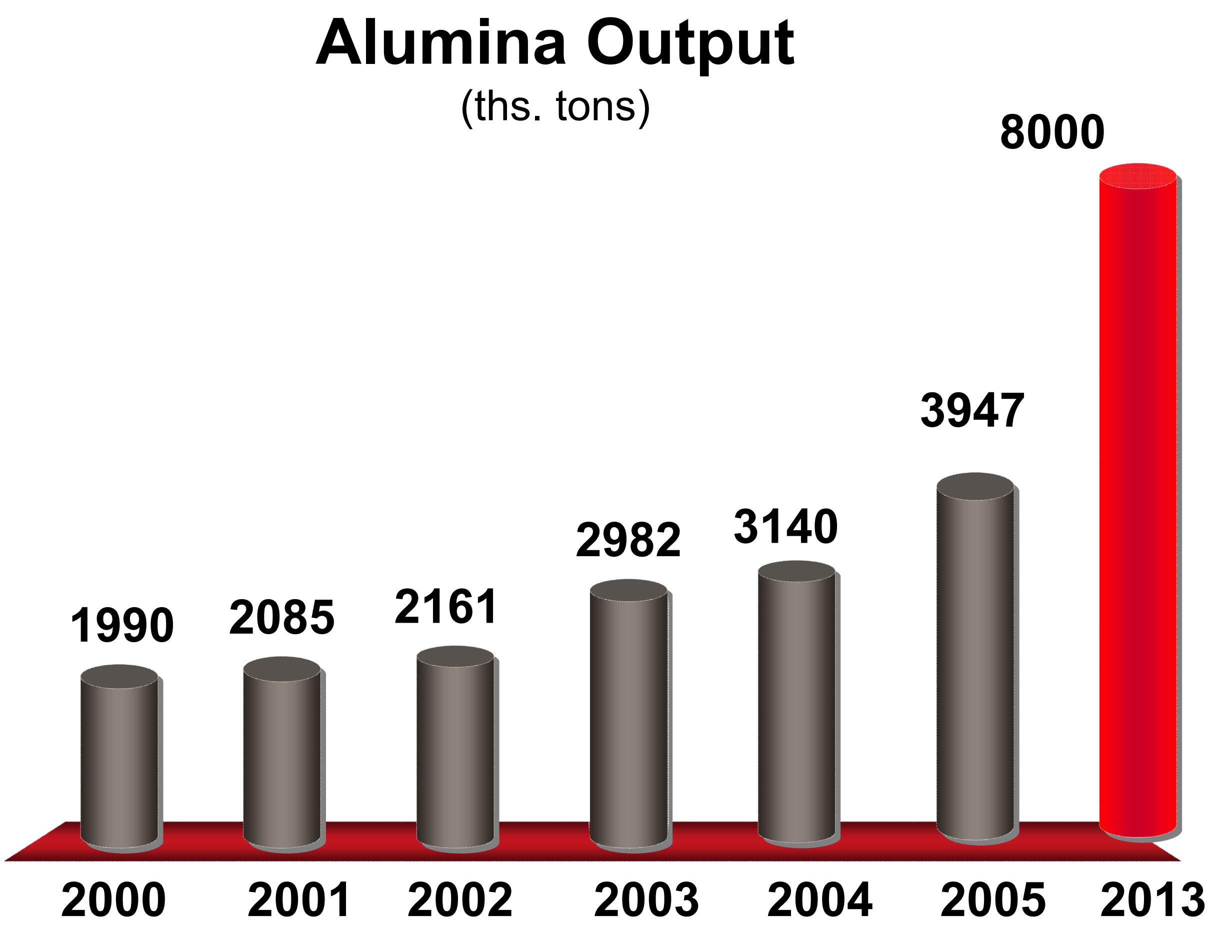

RUSAL's Investments into New Projects Related to Raw Materials

QAL Aluminum Smelter (Australia)

- Largest smelter in the world
- RUSAL's share 20%
- 22% increase of RUSAL's self-sufficiency in terms of raw materials supply

Komi-Aluminum Project

- Joint project with SUAL
- Output – 6 mtpa of bauxite, 1.4 mtpa of alumina
- The share of domestic resources increases from 40% to 80%

Pluses and Minuses of the Russian Aluminum Industry

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+	—
Abundant hydroresources	High transportation costs
Technology and domestic scientific developments	Limited resources of raw materials
Low capital investments into aluminum projects	Underdeveloped domestic market

Three Keys to Success

Tough competition for access to resources	Entering international markets, partnerships
High transportation costs and access to power	Long-term partnerships and own power resources
Low domestic consumption	Developing sales abroad and contact with end users

RUSAL Today

№ 3	in the world
№ 1	in Russia
10 %	of the global market
2,7	mln. tons of aluminum
3,9	mln. tons of alumina
$6,1	bln. turnover
2+	bln. investments in 2006
47 000	employees

RUSAL Tomorrow

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№ 1	producer of aluminum in the world
№ 1	in terms of output and performance
5	mln. tons of aluminum
8	mln. tons of alumina
$ 8	bln. of investments over 10 years

www.rusal.ru

Phone: +7 495 720 51 70

Fax: +7 495 728 49 32