

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **UNITED COMPANY RUSAL PLC**

*(Incorporated under the laws of Jersey with limited liability)*

**(Stock Code: 486)**

### **PRICE-SENSITIVE INFORMATION ANNOUNCEMENT**

#### **UC RUSAL'S 2011 INDUSTRY VIEW AND OUTLOOK**

The Company is pleased to announce its review of the outlook for the global aluminium industry in 2011.

##### Key highlights

- Global demand for aluminium is expected to increase by 8% to 43.8 million tonnes in 2011.
- Aluminium prices are forecast to be between US\$2,400-2,500 per tonne.
- China is expected to become a net importer of aluminium in 2011.
- RUSAL is well positioned to support the improving outlook for the global aluminium industry.

**Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.**

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

United Company RUSAL Plc (the “**Company**” or “**RUSAL**”) is pleased to announce its review of the outlook for the global aluminium industry in 2011.

## **Global aluminium consumption**

Based on continuing robust demand for aluminium from China and the recovery of physical demand in the USA, Europe and Japan, global demand for aluminium is expected to rise by around 8% from 2010 levels to 43.8 million tonnes in 2011. Importantly, growth in aluminium demand in regions other than China is expected to be strong, indicating that Western markets appear to have rebounded positively from the financial crisis.

China has continued to experience significant year-on-year growth in floor space under construction and there is a strong outlook based on continuing trends in urbanization. As a result aluminium consumption in China in 2011 is forecast to grow by 12% and reach 18.5 million tonnes. Looking further forward, RUSAL forecasts that China will increase its imports of primary aluminium to reach 3-4 million tonnes by 2015.

It is estimated that more than 20% of China's domestic aluminium producers are unprofitable at the current aluminium price due to the increase in domestic electricity tariffs, higher raw material costs and wage inflation. Curtailment expectations have been further fuelled by Chinese government restrictions on outdated facilities and a strengthening currency. RUSAL anticipates that this will lead to a reduction in production of up to 2 million tonnes in 2010 and further expected cuts in 2011.

RUSAL expects strong rebound in US aluminium consumption in 2011 based on a fast recovery from the financial crisis and the government fiscal stimulus. More strong growth is expected in the automotive, transport and packaging industries and moderate rebound is expected in construction activities. 2011 aluminium consumption in the US is expected to grow by 4.5% to 5.4 million tonnes.

The Japanese aluminium market may also show a continuation of growth in 2011, with consumption expected to grow by 4% in 2011 to 1.98 million tonnes on strong demand from the automotive and transport sectors as the weakening Yen will contribute to an increase in car exports.

Western European growth in aluminium consumption in 2011 is expected to be moderate as compared to other regions based on the recent financial problems experienced by several European Union members and the continuing high levels of unemployment in the Eurozone. However, a weaker Euro/US Dollar rate of exchange in 2011 may assist European exports and, in particular, car producers in Germany, France and Italy to increase export sales, therefore increasing aluminium consumption. RUSAL expects aluminium consumption in the European Union to grow by 2% to 6.2 million tonnes in 2011.

## **Russian aluminium consumption**

RUSAL expects its Russian and CIS market sales to grow by about 22% to 928 thousand tonnes in 2011, mainly driven by a strong rebound in the machinery, construction and packaging industries. Looking further ahead, infrastructure spending for the construction of roads, buildings and transportation facilities is expected to support further aluminium growth in the medium to longer term together with large-scale projects such as the 2014 Winter Olympic Games and the hosting of the 2018 Football World Cup recently awarded to Russia.

The Company expects Russia's cumulative annual compound growth rate for aluminium consumption between 2011 and 2015 to be 8%.

## **Aluminium price and premiums**

Looking forward to 2011, RUSAL expects aluminium prices to sustain a level of US\$2,400-2,500 per tonne supported by a positive underlying demand, while the continuing weakness in the US Dollar supports the investment in physical assets by investors.

Despite the current volatility in the forward aluminium price curve, RUSAL expects physical aluminium stocks tightness to remain for the foreseeable future, with evidence of financing transactions occurring for metal placed on warrant. Premiums are therefore expected to be supported at current levels, assuming the same level of regional economic activity.

RUSAL expects European Union premiums in the US\$180-195 per tonne range, US\$118-120 per tonne in Japan and US\$130-150 per tonne in the USA.

## **Aluminium stocks**

Aluminium stocks are forecast to be stable in 2011 as financing transactions are still allowing investments in aluminium. Currently, most LME stocks are covered by financing transactions and will not be available until the end of 2011.

RUSAL foresees a number of physically-backed aluminium Exchange Traded Funds to be established in 2011. If introduced, they are expected to have a significant impact on demand for aluminium and balancing supply by locking up to 2-3 million tonnes of aluminium stocks for several years. RUSAL remains committed to supporting the creation of an Exchange Traded Fund for aluminium through the supply of metal to such a fund, subject to investor interest.

RUSAL believes that producers and consumers alike will continue to exercise strong control over inventories and capital tied up in stocks. This will define the structure of new contracts in the immediate future.

### **Alumina market**

RUSAL expects strong growth in alumina prices in 2011 as more third party alumina sales are tracking spot market prices as global producers try to de-link the alumina price from aluminium.

The alumina spot market price may reach US\$400 per tonne level based on strong Chinese and other regions' demands.

In August, RUSAL commenced selling its free alumina at prices formed by a basket of indices including Metal Bulletin, CRU and Platts. RUSAL believes that alumina contract prices and the LME aluminium price should be de-linked as they do not fully reflect growing production costs and capital expenditure. De-linking the alumina price from the aluminium price should promote fair pricing for this raw material and create new investment opportunities.

### **RUSAL's response to consumption growth**

RUSAL is well placed to support the improving outlook for the global aluminium industry. The Company's Cost Efficiency Leader Programme has resulted in RUSAL ranking in the top 10% of most cost effective aluminium producers in the world.

RUSAL is expected to benefit across all regions through the resurgence of the automotive and transportation segments, which have been particularly supportive of aluminium extrusion and cast product output. Flat rolled products in Europe have been supportive of RUSAL's expansion of alloys in this segment and medium term demand is forecast to remain strong.

To meet increased demand, during 2010 RUSAL increased production at existing, low cost facilities, as well as at the modernised Irkutsk smelter.

With 85% of RUSAL's aluminium production capacity located within 500 kilometres of the Chinese border, RUSAL is ideally located to meet the ongoing strong demand from China.

RUSAL will continue the BEMO and the Taishet aluminium smelter construction projects, its large-scale investment projects. Once completed, they are expected to add 1 million tonnes of aluminium capacity on an attributable basis.

## **Forward-looking statements**

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

**Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.**

By Order of the board of directors of  
**United Company RUSAL Plc**  
**Tatiana Soina**  
*Director*

16 December 2010

*As at the date of this announcement, our executive directors are Mr. Oleg Deripaska, Mr. Vladislav Soloviev, Mr. Petr Sinshinov, Ms. Tatiana Soina, Mr. Alexander Livshits and Ms. Vera Kurochkina, our non-executive directors are Mr. Victor Vekselberg (Chairman), Mr. Dmitry Afanasiev, Mr. Len Blavatnik, Mr. Ivan Glasenberg, Mr. Alexander Popov, Mr. Dmitry Razumov, Mr. Anatoly Tikhonov and Mr. Artem Volynets, and our independent non-executive directors are Dr. Peter Nigel Kenny, Mr. Philip Lader, Mr. Barry Cheung Chun-Yuen and Ms. Elsie Leung Oi-sie.*

*All announcements and press releases published by the Company are available on its website under the links [http://www.rusal.ru/en/stock\\_fillings.aspx](http://www.rusal.ru/en/stock_fillings.aspx) and <http://www.rusal.ru/en/press-center.aspx>, respectively.*