

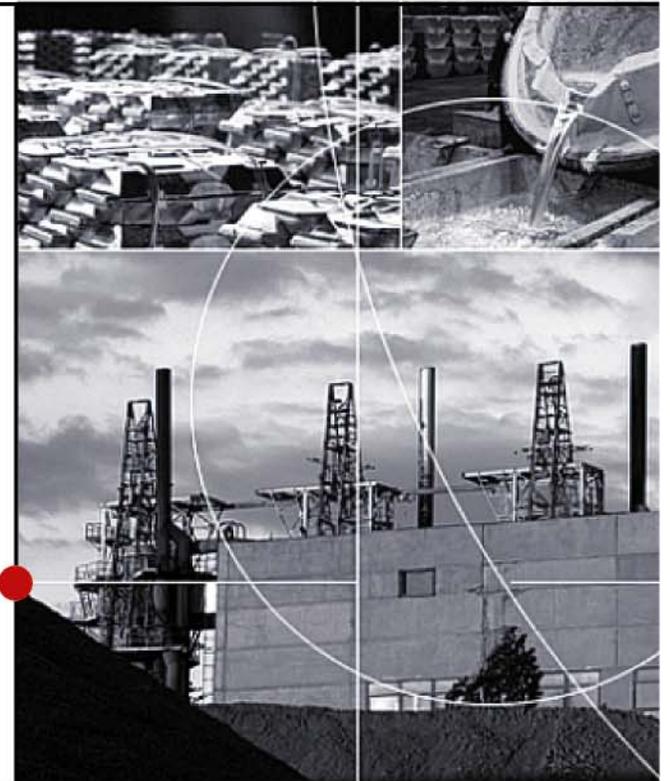
RUSAL



RUSAL

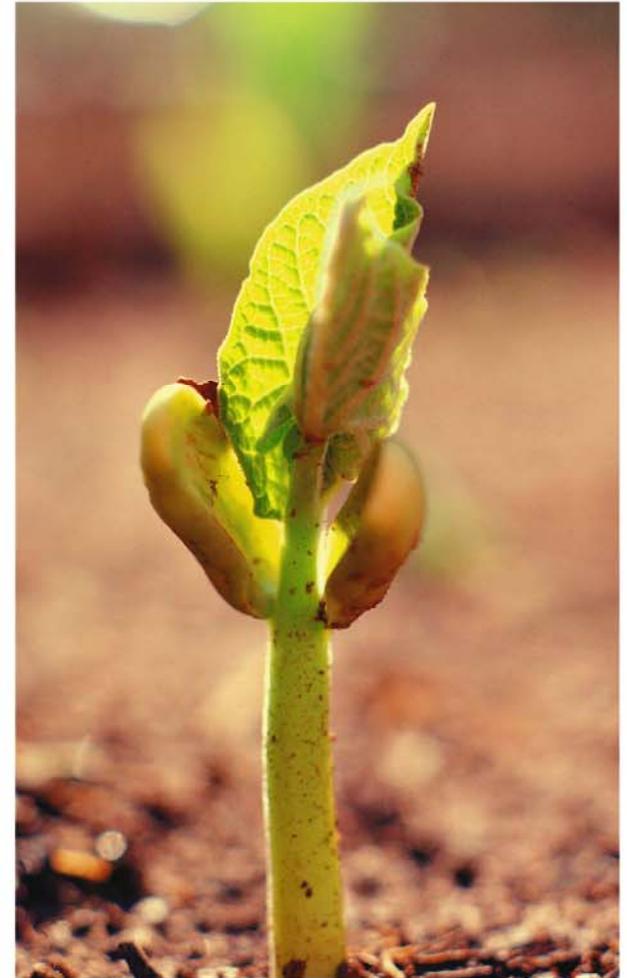
EMERGING MARKETS FOR PRIMARY ALUMINIUM AND VALUE ADDED PRODUCTS

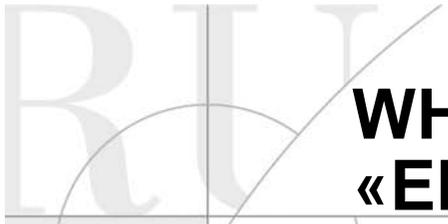
Peter Finnimore
Director, Sales and Marketing



WHAT IS AN «EMERGING MARKET»?

- no generally accepted definition
- Morgan Stanley describes 27 countries as having «emerging market» status: BRICs but also Israel, South Korea, South Africa etc...
- somewhere in between «developing» & «developed»





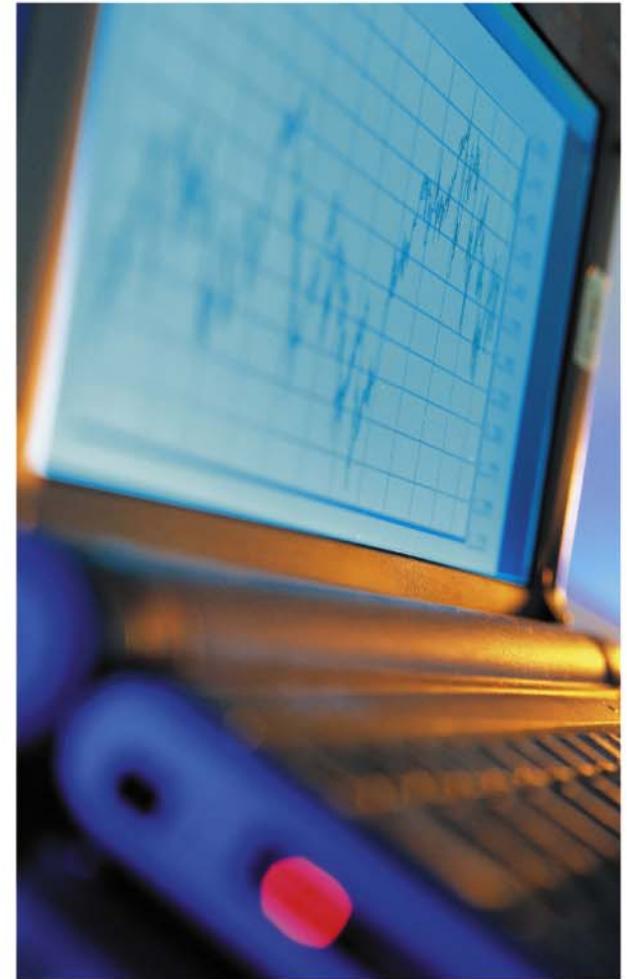
WHAT IS AN «EMERGING MARKET»?



For our «narrow» purposes can be defined as market with:

- significant upside potential
- acceptable risk / return balance

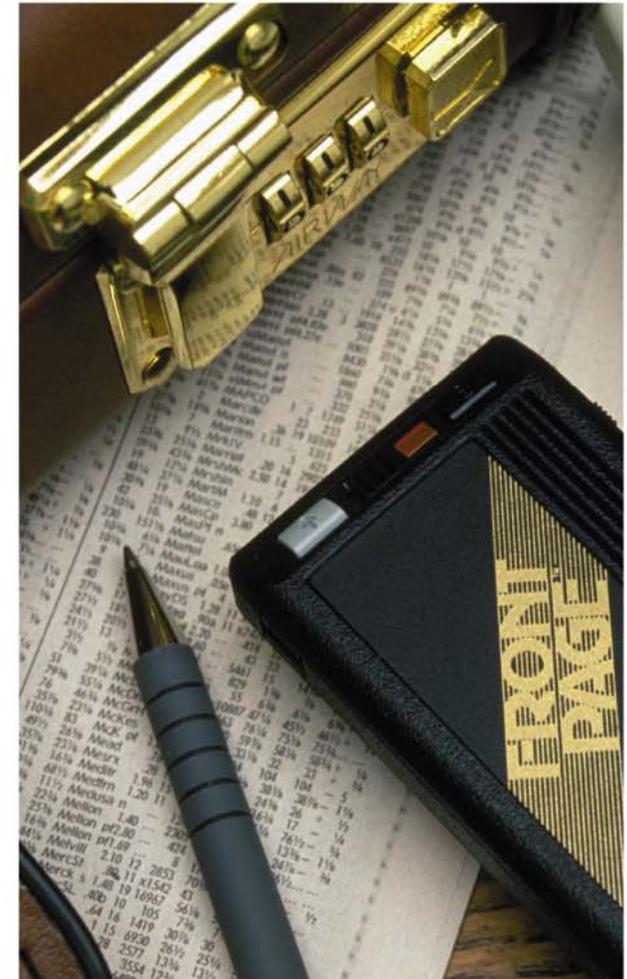
It is for you to decide!



CHARACTERISTICS OF AN «EMERGING MARKET»

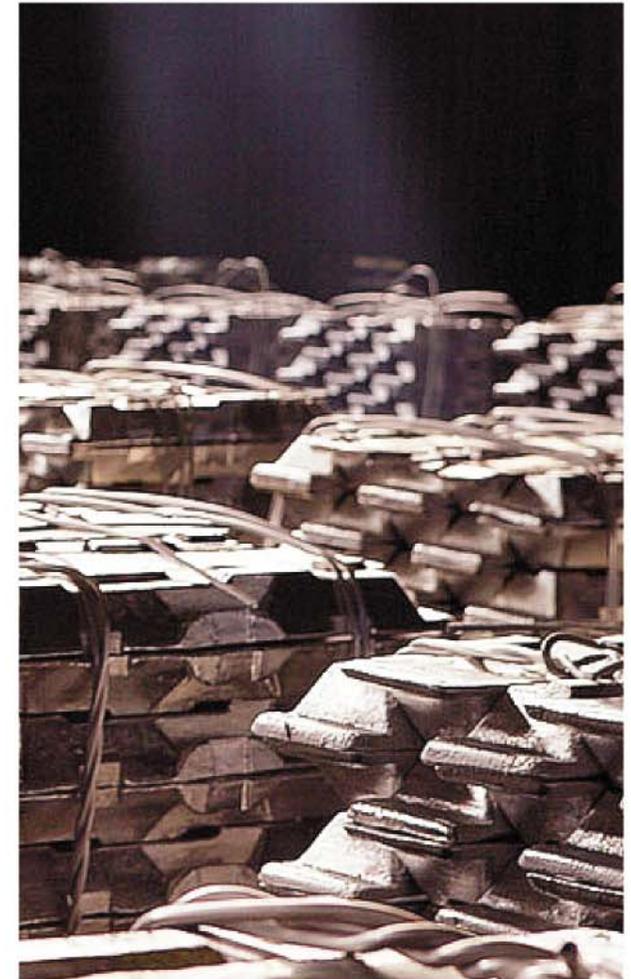


1. Growing middle class
2. Political stability (relatively speaking)
3. Low cost but skilled labour force
4. Natural advantages (e.g. energy, location, etc...)



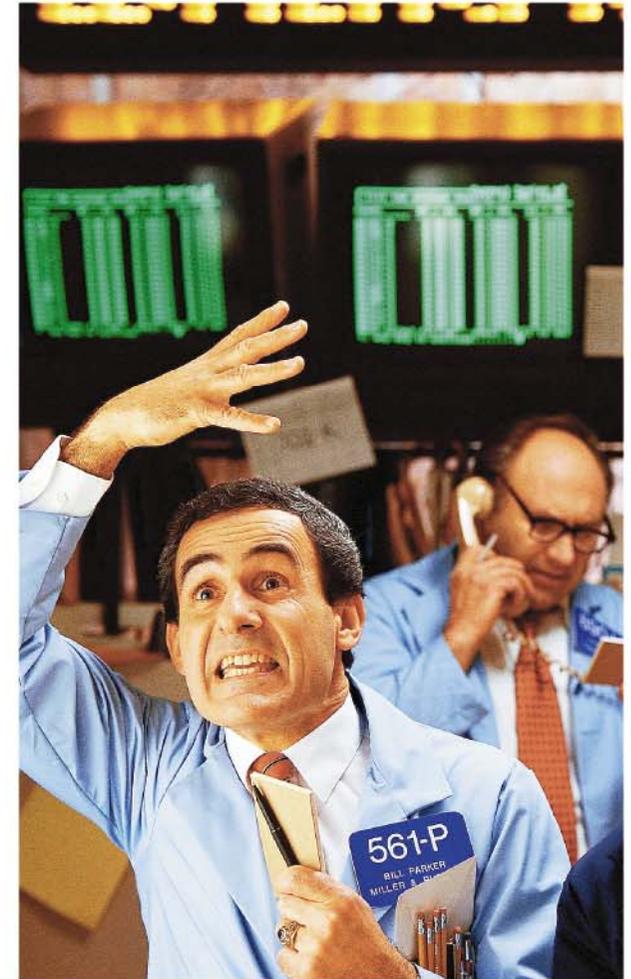
WHY ARE THEY INTERESTING?

- Simple: this is where growth in aluminium usage will come from
 - eg infrastructure, increased consumer demand
- Mature markets can expect 2-3% annual growth in consumption
 - compare developing countries such as Russia at 10% p.a.



BUT THERE ARE RISKS..!

- Political risks
- Commercial risks
- Volume risks
- Can become a «battleground»

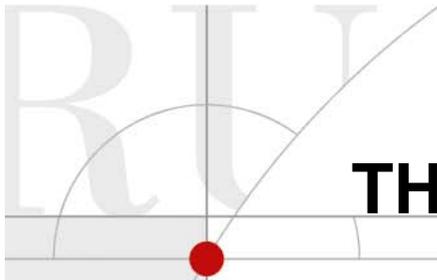


TWO QUICK CASE STUDIES

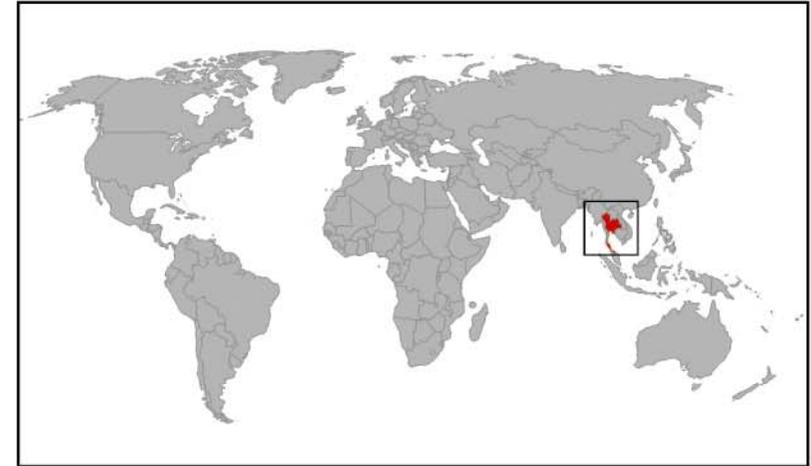
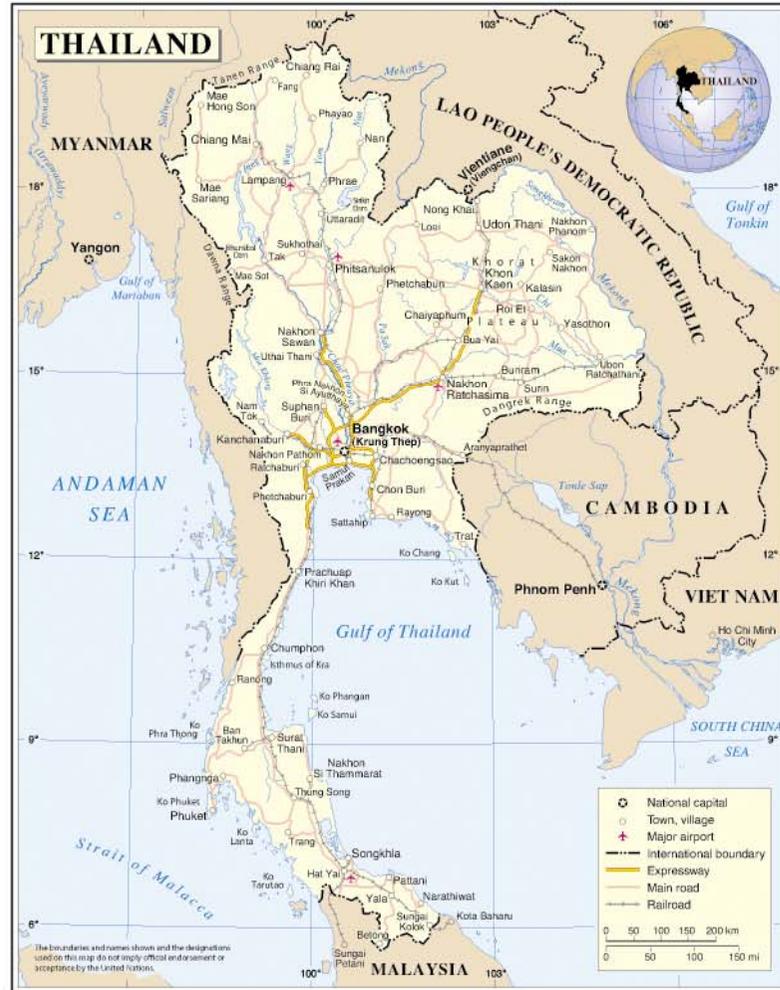
- Thailand
- Russia



With a focus on the auto industry

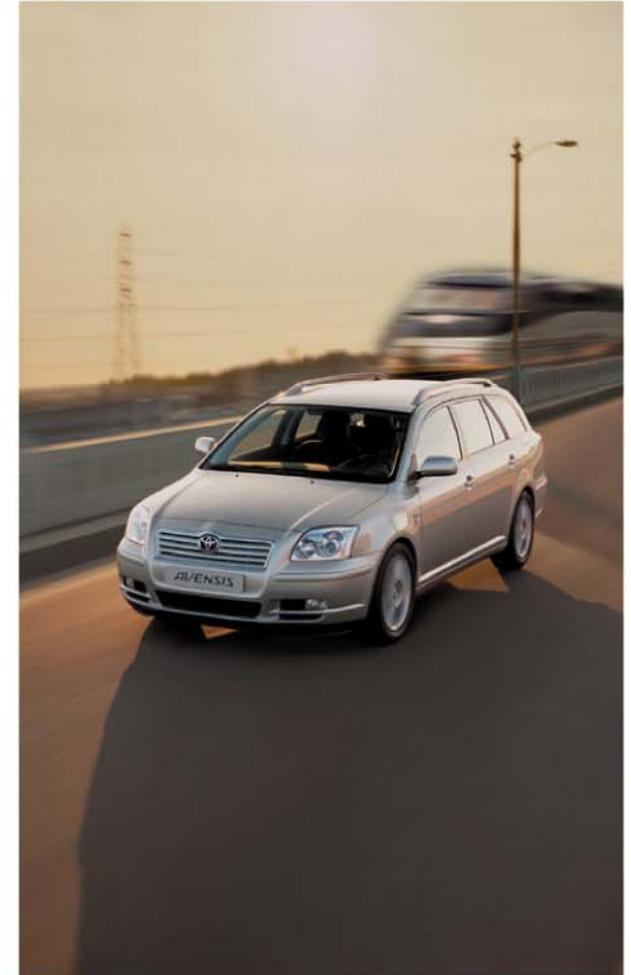


THAILAND IN THE WORLD



TOYOTA IN THAILAND

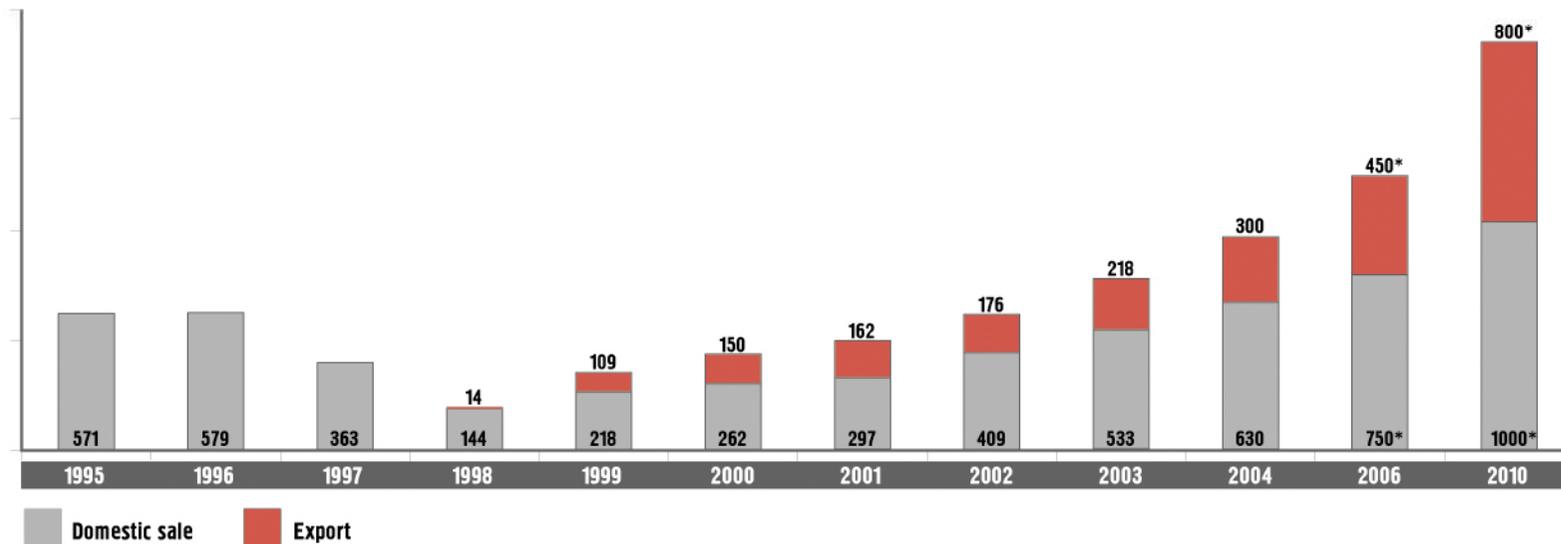
- First plant established in 1964 !
 - *Japanese taking long-term view of market potential*
- In 2005 – capacity of 350,000 units – 28% of production capacity
- 10% of Toyota’s overseas production
- And the competition has followed:
 - Mitsubishi
 - Nissan
 - GM
 - BMW etc



WHY ARE THEY THERE?

Vehicle production in Thailand (Unit)

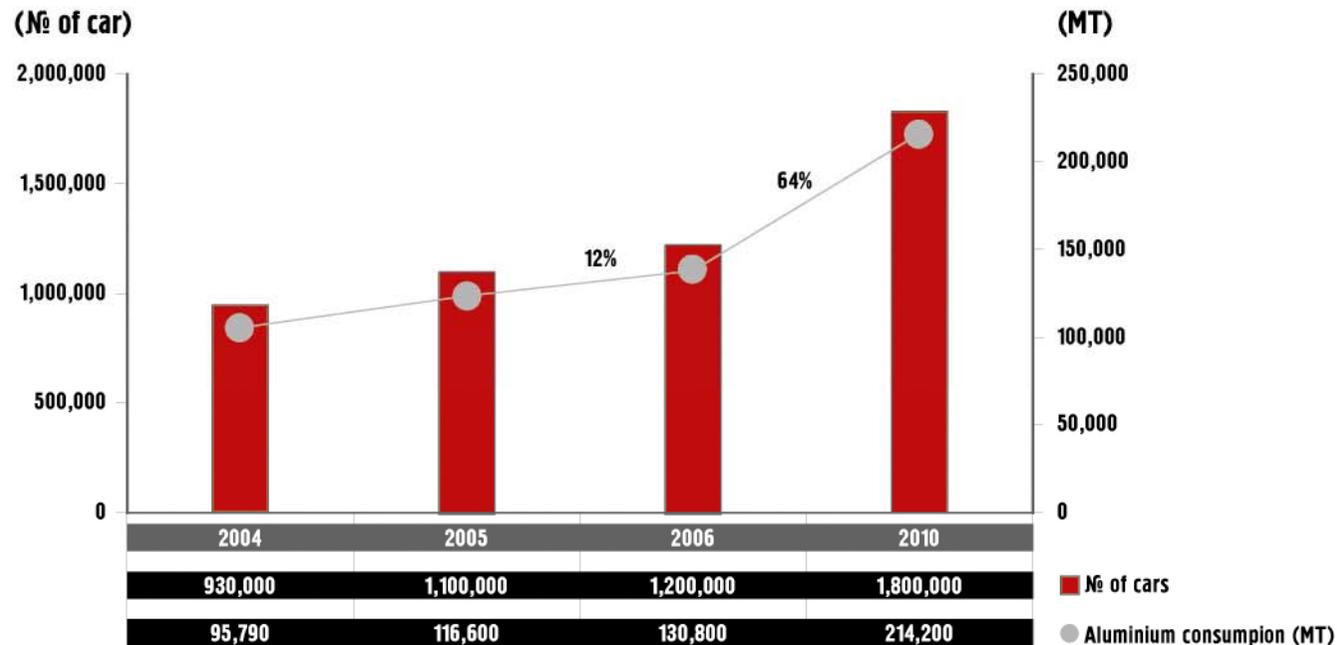
50% growth projected Thailand's automotive production



Source: Thailand Auto Institute

«The Detroit of Asia»

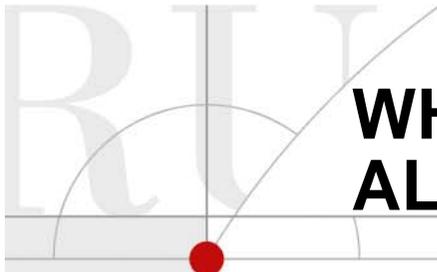
ALUMINIUM DEMAND FORECAST



Source: Thailand SCT

Demand assumption:

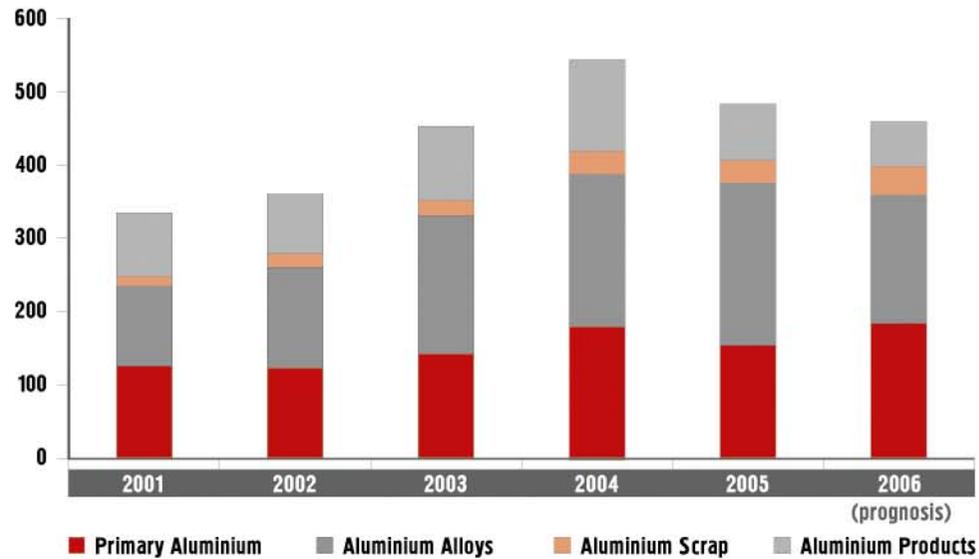
Avg aluminium weight / car = 109kg x 1.2 million production car
 in 2006 = Estimate market size 130,800MT



WHAT IT MEANS FOR THE ALUMINIUM PRODUCER?



Thailand aluminium imports 2001-2006 (,000 MT)



RUSAL

AS FOR RUSSIA...!



Russia



RUSSIAN AUTO INDUSTRY

Some notable figures here as well:

- In 2005 market demand grew by 13% (to 1,5 million units)
- The 9th largest auto market in the world !
- Foreign brand penetration increased from 27% in 2004 to 50% in 2005
- By 2014 the market is expected to grow to 2,3 million units

A real opportunity



THE FOREIGNERS ARE COMING...



- Currently BMW, Ford, Renault, Kia, Hyundai, GM, Ssang Yong have assembly plants in Russia



RENAULT



HYUNDAI



SANGYONG

- Toyota, VW & Nissan have announced plans to open assembly plants

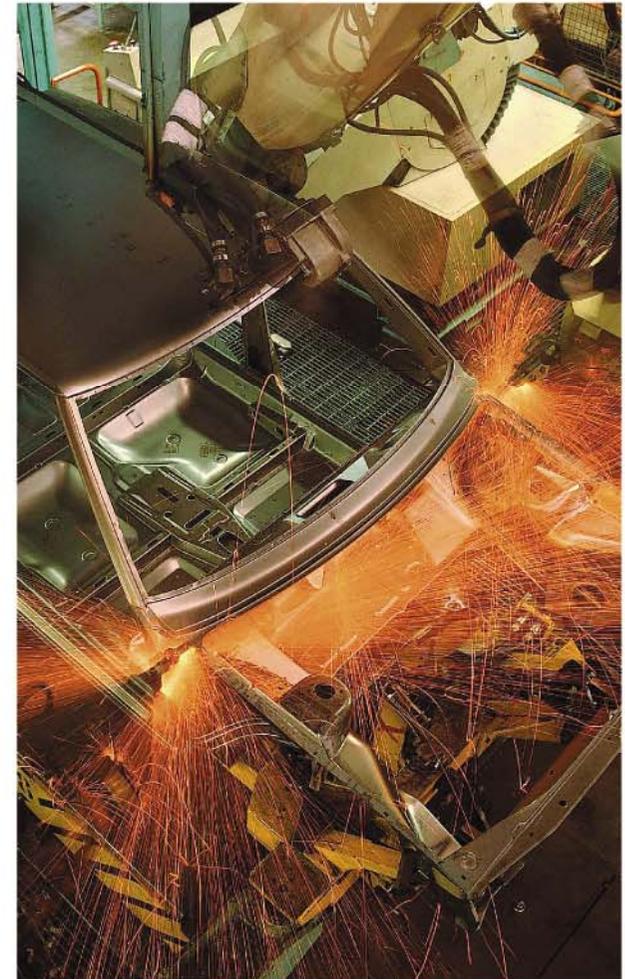


BUT WITH OPPORTUNITY COMES CHALLENGES



- Putin government has announced that domestic auto production is a «strategic industry»
- It will be key engine for growth and employment in Russia
- Russian producers of auto parts are yet to meet western standards
- Significant underinvestment in industry to date

Investment in people, plant, process required



AS THE MARKET GROWS WE EXPECT



- Foreign parts suppliers will establish operations in Russia
- Russian suppliers to JV with foreign partners to accelerate up «capability curve»

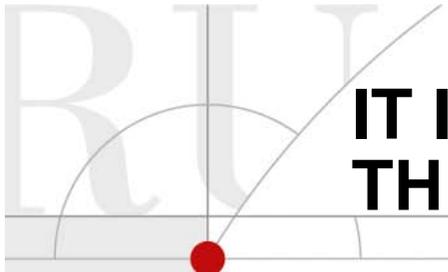


FOR THE PRIMARY PRODUCER IT WILL MEAN

- More pressure from semi-fabricators to widen product range / improve quality
 - *international standards*
- More pressure on supply chain performance (lead time, etc...)
 - *JIT programs etc*

And of course, a larger market

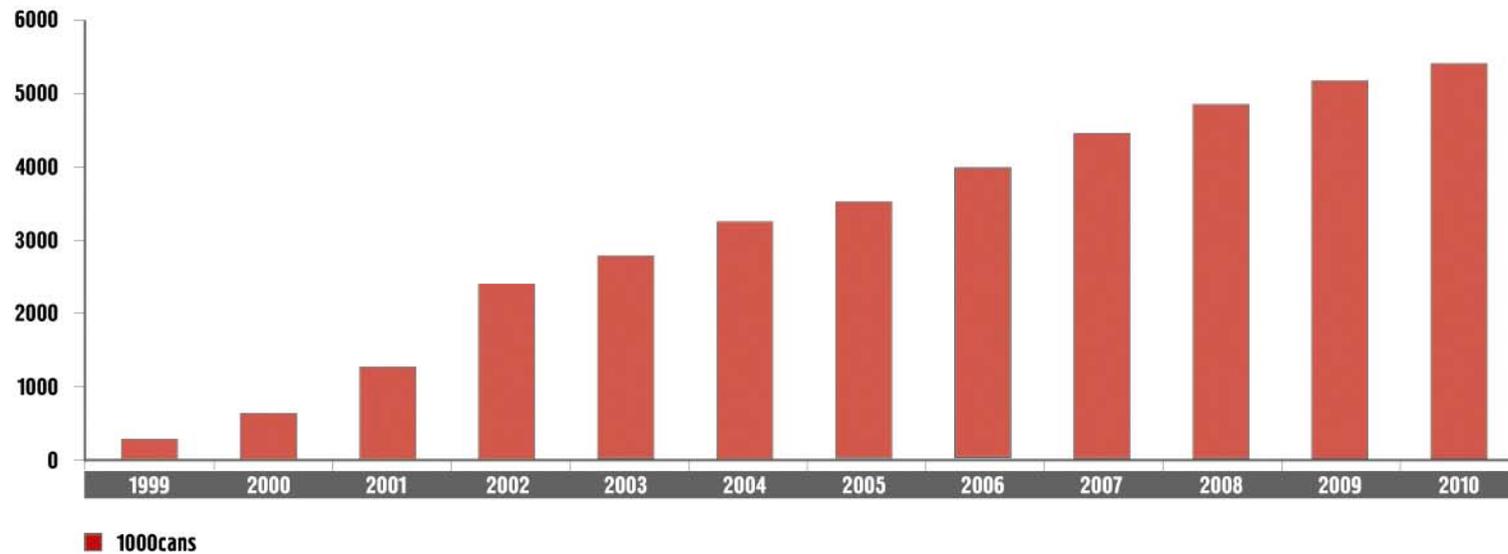




IT IS NOT ONLY THE AUTO INDUSTRY



Can market



Cable industry

To power the increases in consumer and industrial growth, currently growing on average 5-10% per year

Construction provide a unique perspective

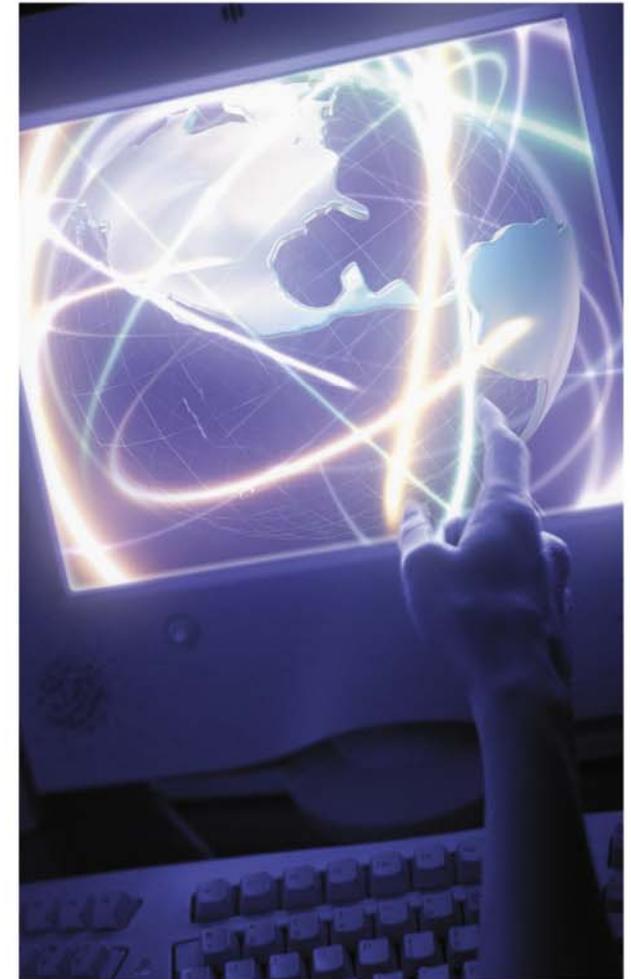


- Construction profiles experienced 25% growth from '04 to '05
 - but 35 year history describes the risks of an emerging market
- 1) *Planned economy during the socialist era (1970-1990)*
- 2) *Perestroika (ruined economic relationship, hyperinflation, redistribution of property, reduced production of extruded shapes and building components) 1991 – 1994*
- 3) *First revival: window market development, increase of import of window shapes, which at some point accounted for 75% of the total market (1995-1997)*
- 4) *Recession of 1998, reduced import, focus slightly shifted towards domestic production*
- 5) *Second revival, construction boom (from 2001 till nowadays)
 - with domestic players reaping benefits of residential/ commercial/ industrial growth plus increase in furniture & decorative applications*

WHERE ARE THE OTHER OPPORTUNITIES?



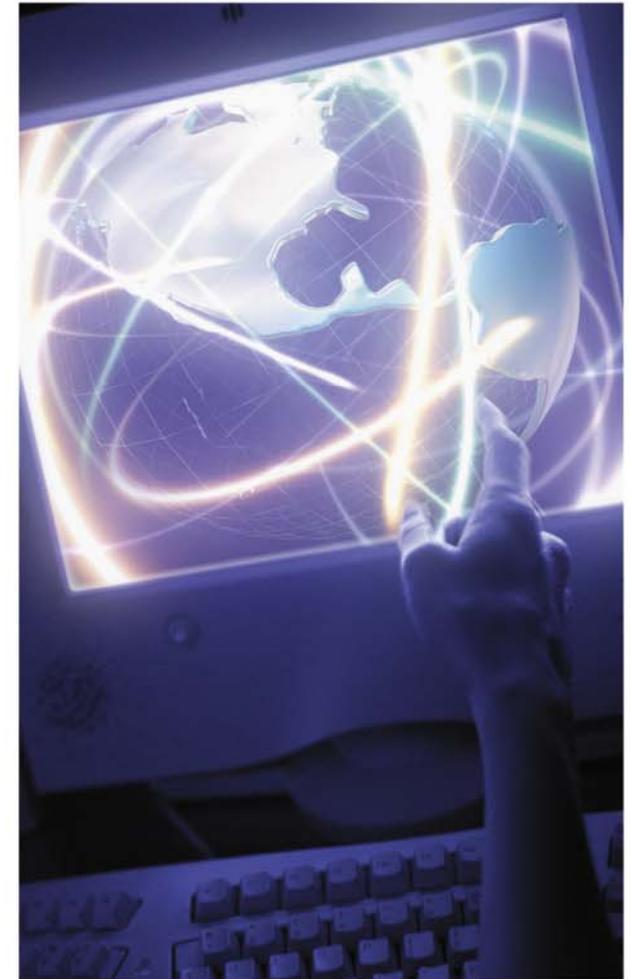
- Different countries:
 - *Vietnam*
 - *Mexico*
 - *Czech Republic*
 - *Poland*
- Different industry sectors:
 - *recycling*
 - *secondary production*



What approach should be adopted?



1. Local representation
2. Focus on distribution & logistics
3. Understand regulatory environment
4. Adapt to commercial expectations



RUSAL – AN EMERGING “PERFECT MATCH”

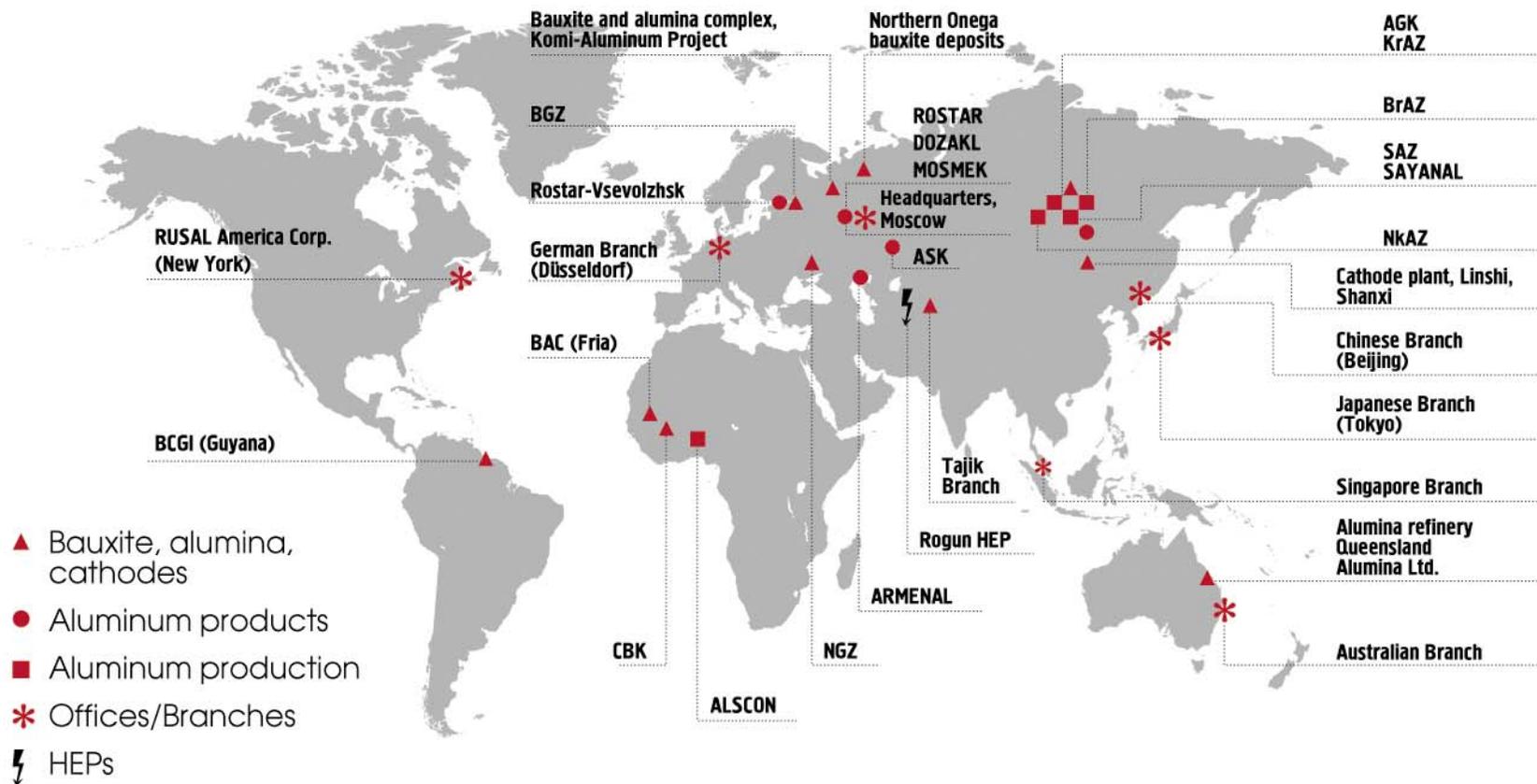


- A Top Three producer – an increasingly ‘mature’ market player with solid growth plans
- Stable production and financial base
- Skilled labour/strong technical base
- Natural advantages – location both geographic and access to energy

Our growth linked with that of emerging markets

GLOBAL REACH

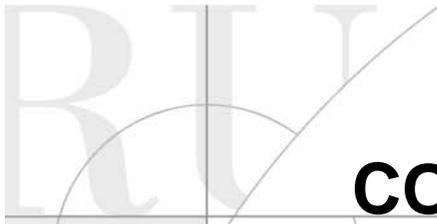
RUSAL operates in 13 countries of the world and 9 regions of Russia, and exports products to 50 countries worldwide.



RUSAL's RESPONSE – NEW 10-YEAR STRATEGY



- Transform into an integrated power & metals company
- Increase annual output of aluminum and value-added up to 5 million tonnes
- Increase the annual output of alumina up to 8 million tonnes
- Boost share of value-added to 50% of production
- Develop secondary capability (up to 400ktpa)
- Double labour productivity and enhance competitiveness
- Strengthen position of RUSAL as Employer of Choice



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RUSAL – AN EMERGING GLOBAL LEADER



- RUSAL – top three global producer of aluminium and alloys
- US\$ 6.1 billion revenues in 2005
- US\$ 1.4 billion investment in production development and expansion
- 10% of global aluminium production
- 2.7 million tonnes of aluminium produced
- 850 000 tonnes of high value-added casthouse products
- 65% of products sold directly to end-users