

RUSAL

RUSSIANS ARE COMING – UNDERSTANDING EMERGING MULTINATIONALS

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RUSSIA AT GLANCE

- Population – 142.9 mln.
- Area – 17.1 mln sq. km., 11 time zones
- Urbanization – 73%, (China – 42%)
- GDP at market exchange rates – US\$763 bln. (2005)
 - Industry – 37%
 - Services – 58%
 - Agriculture – 5%
- GDP growth rate – 6.4 % (2005)

The 14th economy in the world

- The highest GDP per capita in BRICs – about 50% higher than Brazil
- A country with huge potential!

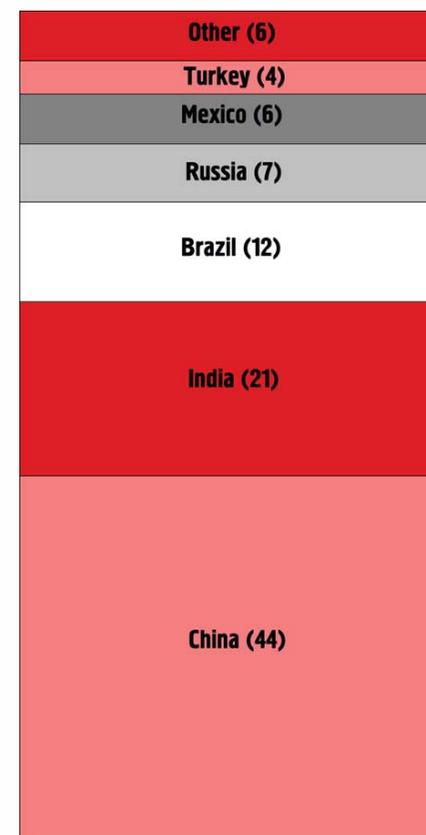
WHY COMMISSION RESEARCH?

- Independent research
- Surveyed 332 global business leaders
- Case-study examples
- Snapshot of Russian internationalisation
- Challenge to Russian business
- Challenge to Western prejudice
- Create momentum for more rapid, positive change

CONTEXT...

- **Emergence of Russian multinationals is part of broader global phenomenon**
- **Russia now ranks 3rd among emerging markets as source of outward foreign direct investment, moving up from 12th place in 2000**
- **Globalising Russian companies enjoy significant competitive advantages to drive growth**

Top 100 global challengers by country of origin



Source: Boston Consulting Group

TOP 15 DEVELOPING AND TRANSITIONAL ECONOMIES (STOCKS OF OUTWARD FDI)

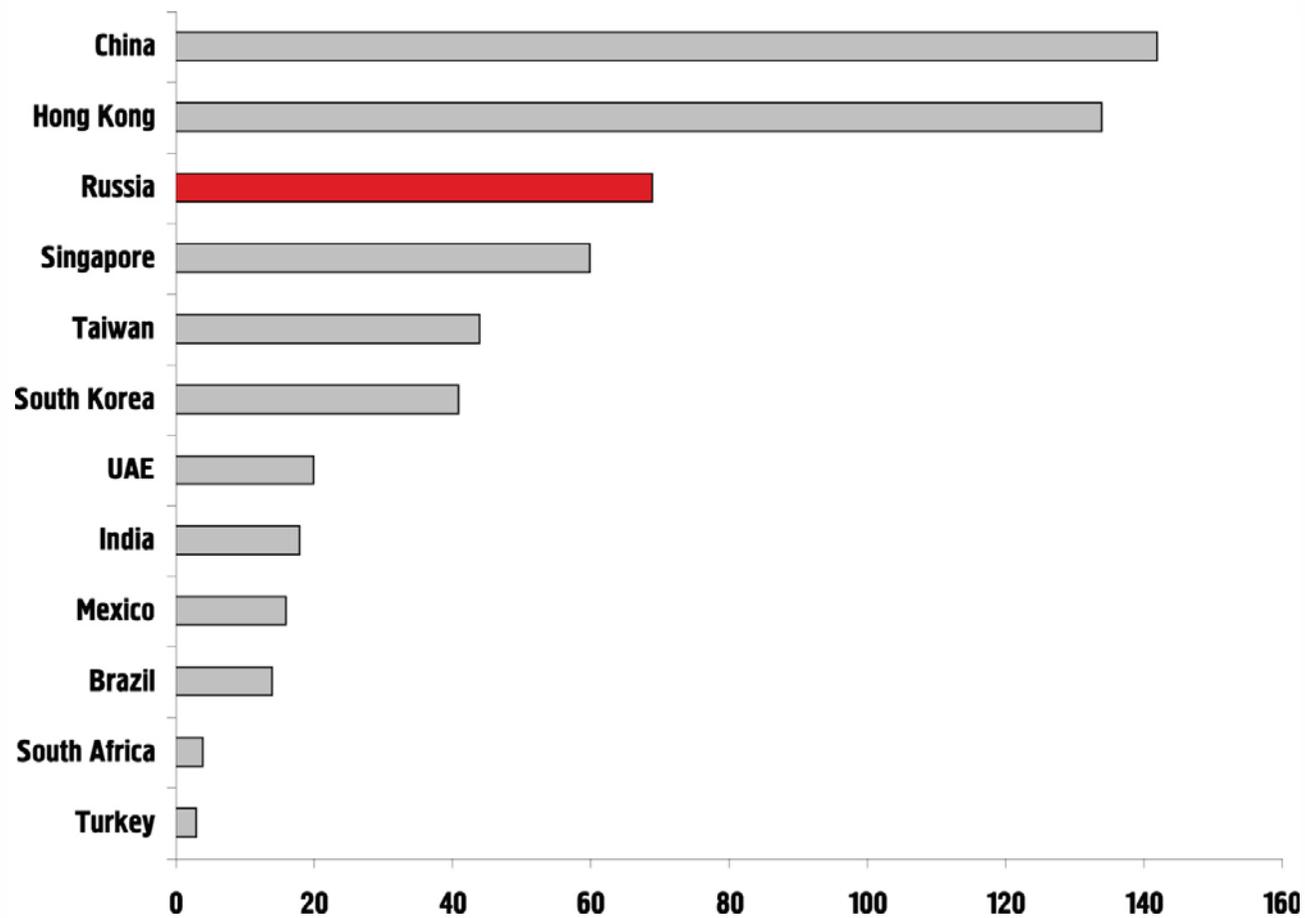


Economy	2005	Rank 2000
1 Hong Kong	470 458	1
2 British Virgin Islands	123 167	3
3 Russia	120 417	12
4 Singapore	110 932	4
5 Taiwan	97 293	2
6 Brazil	71 556	5
7 China	46 311	7
8 Malaysia	44 480	9
9 South Africa	38 503	6
10 South Korea	36 478	8
11 Cayman Islands	33 747	11
12 Mexico	28 040	15
13 Argentina	22 633	10
14 Chile	21 286	14
15 Indonesia	13 735	na

Source: Unctad, World Investment Report, 2006

OUTWARD INVESTMENT

Growth in outward investment stock, forecasts 2005-2010, \$bn



Source: Economist Intelligence Unit, World investment prospects to 2010

CONTEXT

- Emerging Russian multinationals vary from state-owned giants to privately owned conglomerates holding former state assets and newly established companies with international shareholders
- Expansion limited to a handful of companies in the oil & gas, metals & mining, and telecoms sectors
- Most Russian multinationals still have regional bias towards CIS

MAJOR FOREIGN ACQUISITIONS BY RUSSIAN COMPANIES 2004-06



Company	Acquired company	Country	Sector
Altimo	Turkcell	Turkey	Telecoms
Amtel	Vredestein	Netherlands	Tyres
Evrax Holding	Vitkovice Steel	Czech Republic	Steel
Evrax Holding	Palini e Bartoli	Italy	Steel
Evrax Holding	Strategic Minerals Corporation	United States	Steel
Evrax Holding	Highveld Steel	South Africa	Steel
Lukoil	Nelson Resources	Canada/Kazakhstan	Oil & gas
Lukoil	Teboil & Suomen Petrooli	Finland	Oil & gas
Lukoil	Mobil	US	Oil & gas
MTS	Uzdunorbita	Uzbekistan	Telecoms
Norilsk Nickel	Gold Fields	South Africa	Mining
OMZ	Skoda Steel and Skoda JS	Czech Republic	Heavy engineering
Renova	United Manganese of Kalahari	South Africa	Mining
Rusal	Queensland Alumina	Australia	Aluminium
Rusal	Alumina Company of Guinea	Guinea	Aluminium
Rusal	Alscon	Nigeria	Aluminium
Rusal	AMC	Guyana	Aluminium
Severstal	Rouge Steel	US	Steel
Severstal	Lucchini Group	Italy	Steel
Vimpelcom	Kar-Tel	Kazakhstan	Telecoms
Vimpelcom	URS	Ukraine	Telecoms
Vimpelcom	Mobitel	Georgia	Telecoms

Source: EIU

RUSSIAN COMPANIES LISTED ON MAIN MARKETS

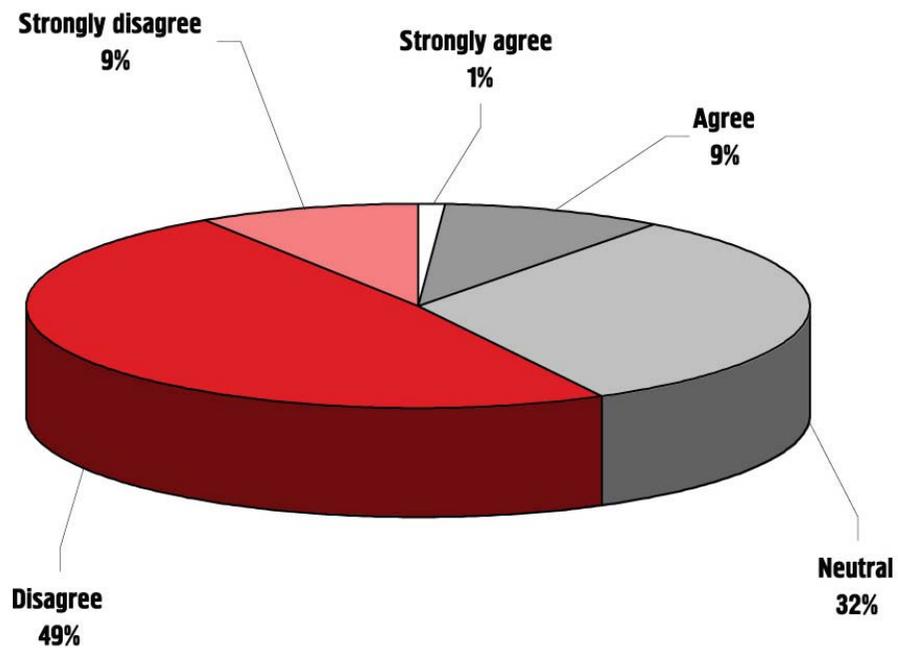


Company	Sector	Exchange	Date listed	Money raised, m
Gazprom	oil & gas	LSE	1996	na
Tatneft	oil & gas	NYSE, LSE	1996	na
VimpelCom	telecoms	NYSE	1996	na
Lukoil	oil & gas	LSE	1997	na
Rostelecom	telecoms	NYSE	1998	na
MTS	telecoms	NYSE	2000	na
OMZ	engineering	LSE	2003	na
Mechel	steel	NYSE	2004	\$335
Wimm-Bill-Dann	beverages	NYSE	2004	\$207
AFK Sistema	telecoms	LSE	2005	£718
Amtel-Vredestein	tyres	LSE	2005	£130
Evraz	metals	LSE	2005	£232
Lebedyansky	food	NYSE	2005	\$150
Novatek	oil & gas	LSE	2005	£531
Novolipetsk Steel	metals	LSE	2005	£353
Pyaterochka	retail	LSE	2005	£312
Cherkizovo	retail	LSE	2006	£129
Comstar	telecoms	LSE	2006	£564
Trader Media East	media	LSE	2006	£316
Rosneft	oil & gas	LSE	2006	£3580

Source: LSE

HOW COMPETITIVE?

Are Russian companies world-class competitors?
% of total respondents



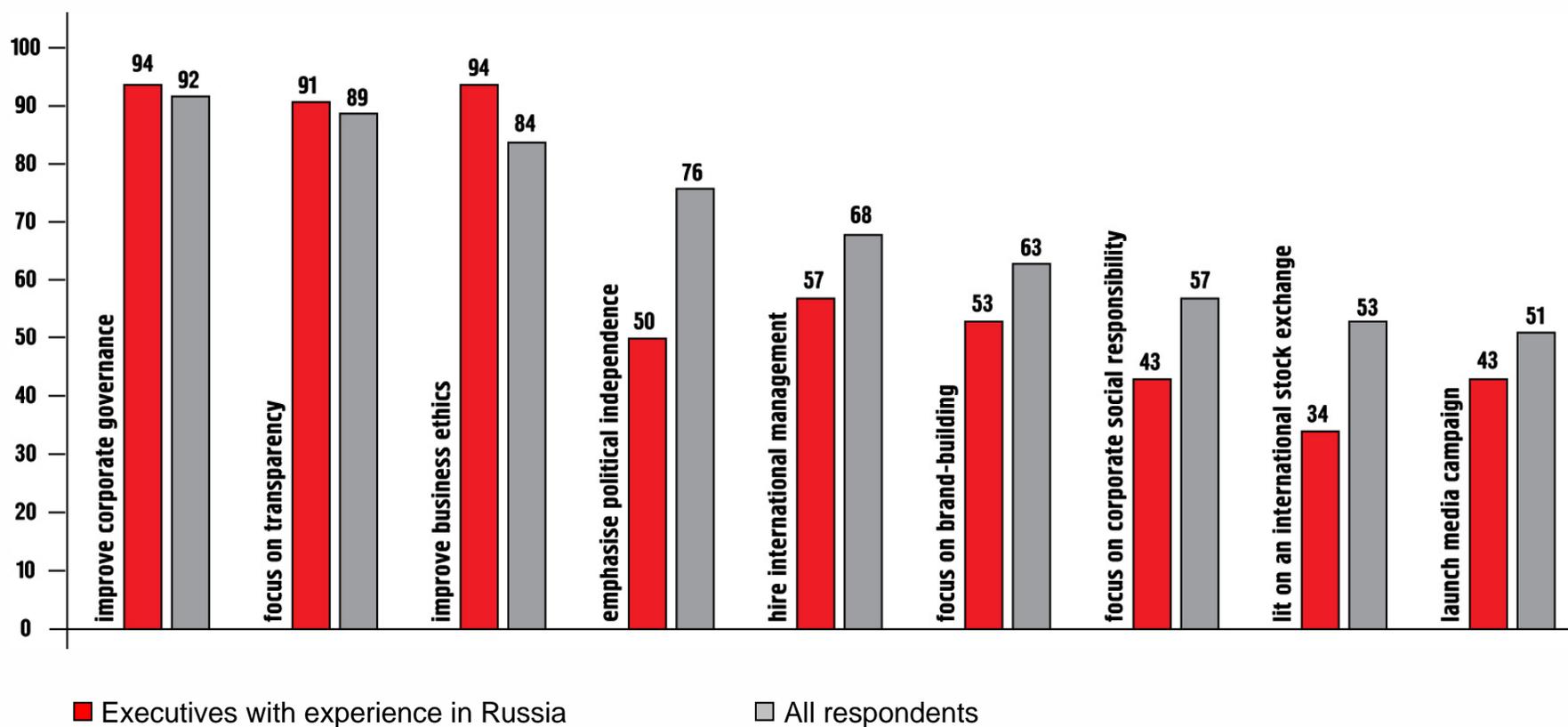
CHALLENGES

Perception of Russia in the West comparable with that of other BRIC countries:

- Complicated ownership structures
 - Lack of transparency
 - Shallow management capacities
 - Poor understanding of modern environmental, health & safety standards
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- **Reputation legacy from the 1990s**
 - **Post-Soviet cold war prejudice**

OVERCOMING BARRIERS...

How can Russian companies improve their image abroad? % of respondents

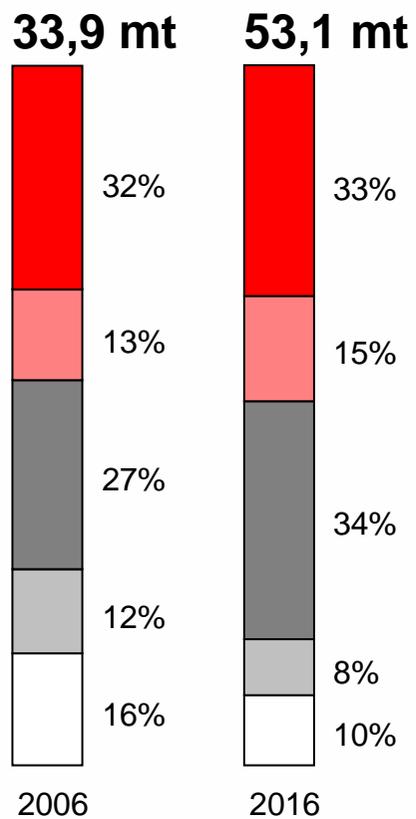


STRENGTHS

- **Emerging markets know-how**
 - In-depth knowledge of some of the world's largest and most difficult markets
 - Low-cost resources
 - Efficient models to push down costs
- **Financial strength (liquidity/cash-flow)**
 - Enormously ambitious expansion strategies due to rising commodity prices, domestic economic growth, and access to low-cost resources
- **Strong but flexible structures: high concentration of ownership**
 - Critical mass
 - Extremely quick strategic decision-making
 - Operating on the basis of long-term competitive advantage vs quarterly results

GLOBAL ALUMINIUM INDUSTRY

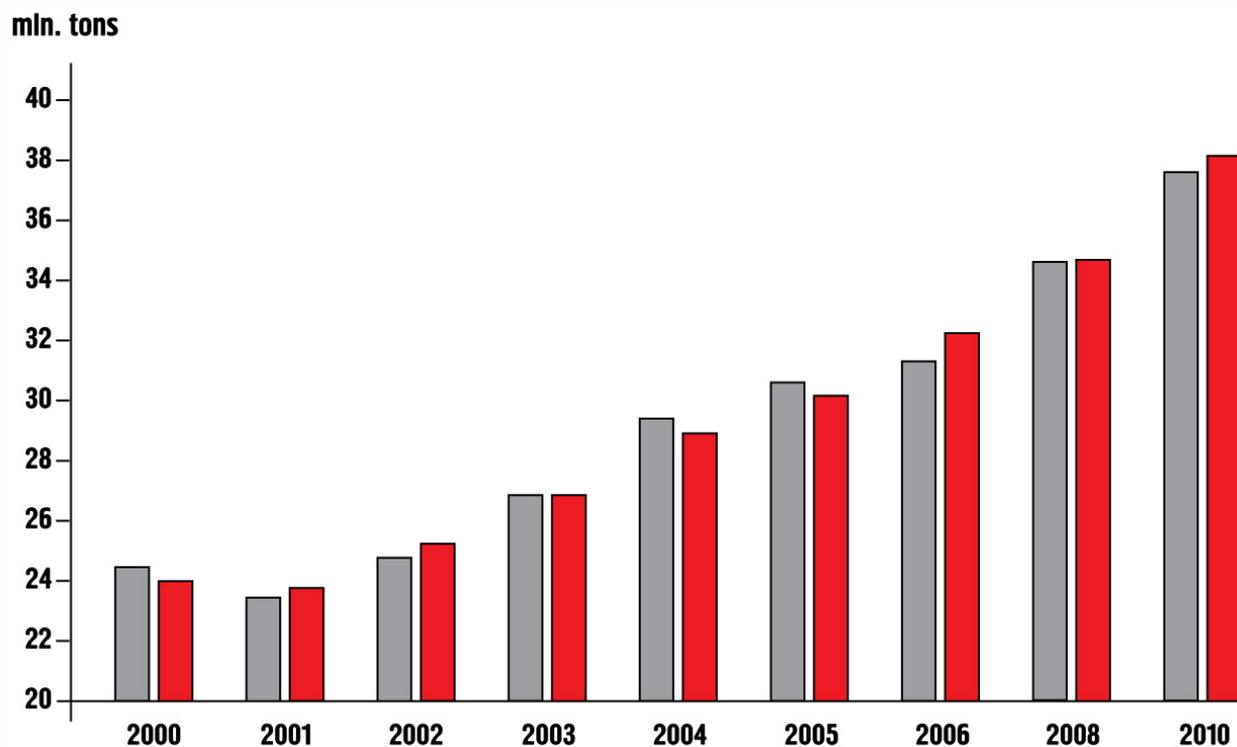
GLOBAL PRIMARY ALUMINIUM PRODUCTION



■ Other ■ CIS ■ China

■ Western Europe □ North America

ALUMINIUM DEMAND AND SUPPLY ON THE GLOBAL SCALE



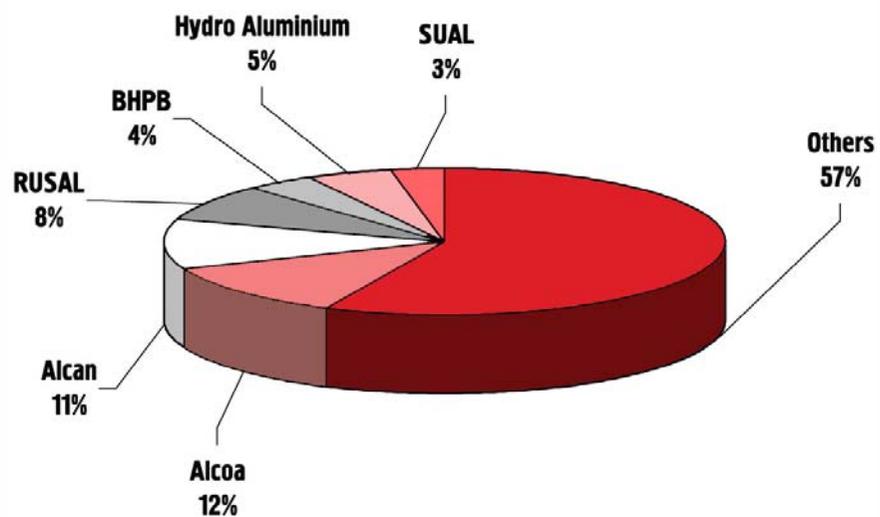
■ Global demand ■ Global supply

Source: Brook Hunt, RUSAL estimates

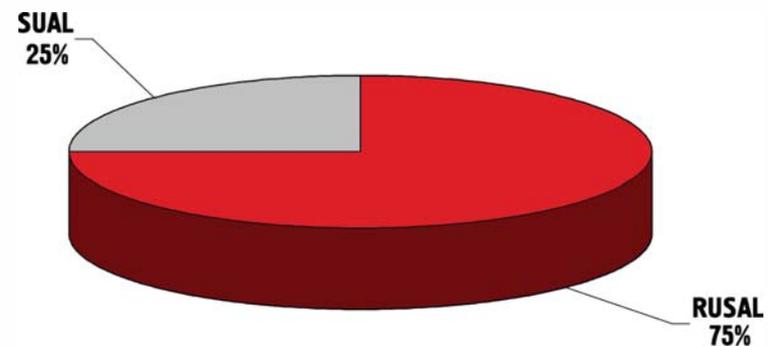
INDUSTRY CONSOLIDATION



WORLD



RUSSIA



MARKET DRIVERS

- **Ascending global demand for aluminium:** fuelled by the growth of emerging markets
- Need for better economies of scale due to:
 - **rising energy prices**
 - **increased competition for access to bauxites/ alumina**
- The **China** factor – predicted by 2015 to:
 - consume one third of global aluminium output
 - account for half of growing global demand

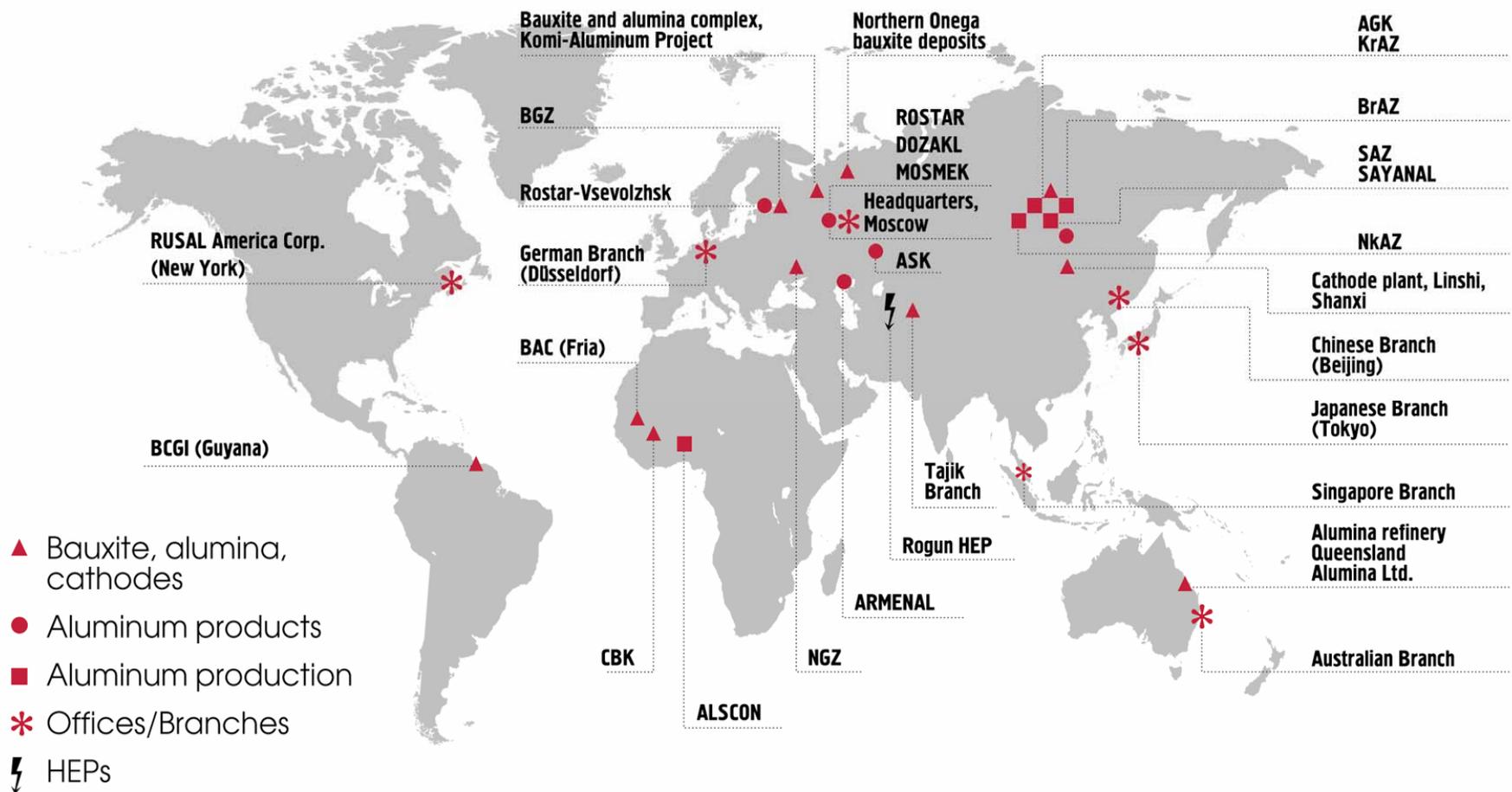
Global consolidation in the industry – a natural move forward

CREATING THE GLOBAL ALUMINIUM LEADER

RUSAL TODAY: FROM SIBERIA TO THE WORLD



RUSAL has operations in 5 continents, 13 countries of the world and 9 regions of Russia, exporting products to 50 countries worldwide



RUSAL MERGER

On October 9, RUSAL announced outright merger with SUAL, Russia's second largest aluminium company, and the alumina business of Glencore, the Swiss commodities group



RATIONALE FOR THE DEAL

- **Emergence of Global Leader**

- #1 producer of alumina and aluminium in the world
- Geographically diversified with significant presence in high growth markets
- Access to energy
- 100% vertical integration in bauxite and alumina

- **Supports ongoing strategy**

- Enhances vertical integration - increase in primary aluminium output supported by own alumina
- Opportunity to increase share in key market segments
- Provides platform to further international expansion
- Access to world class technology and management practice in alumina

- **Considerable synergy potential**

- Commercial synergies
- Manufacturing and process optimization synergies
- Purchasing synergies
- Leadership premium

- **Enhanced financial flexibility**

- Strong pro forma balance sheet
- Substantial additional debt capacity
- Supports ability to pursue expansion projects and participate in further industry consolidation

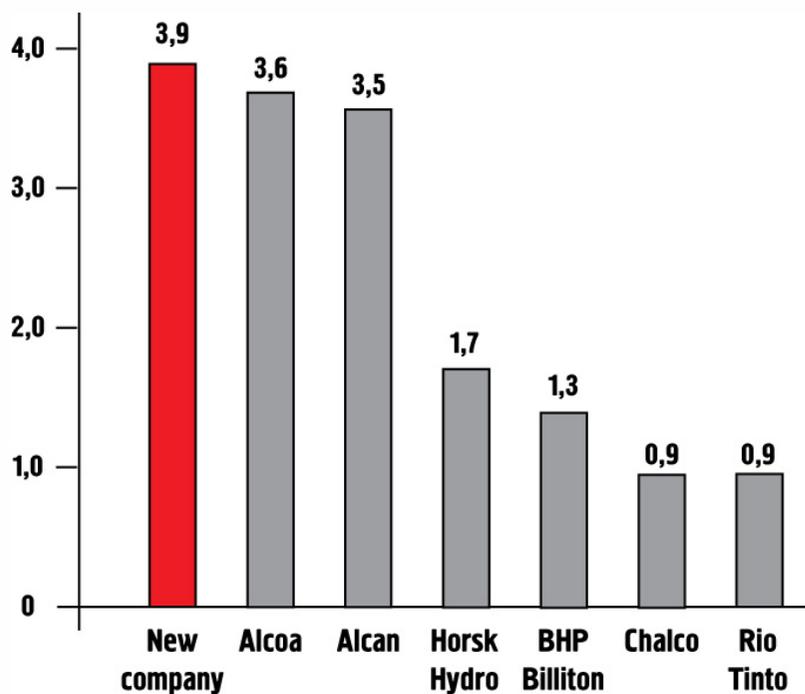
NATURAL SYNERGY

Why these three?

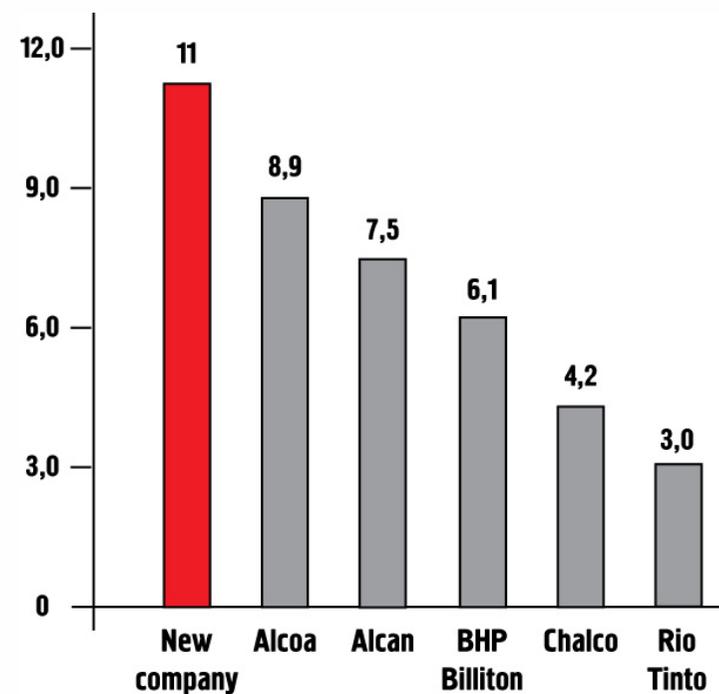
- **RUSAL**: strength in primary aluminium production, access to vast energy resources and development of advanced technology
- **SUAL**: strength in excess alumina refining capacity in the Urals
- **Glencore**: international spread of high quality alumina assets

ENLARGED RUSAL

Leader in aluminium production



Leader in alumina production

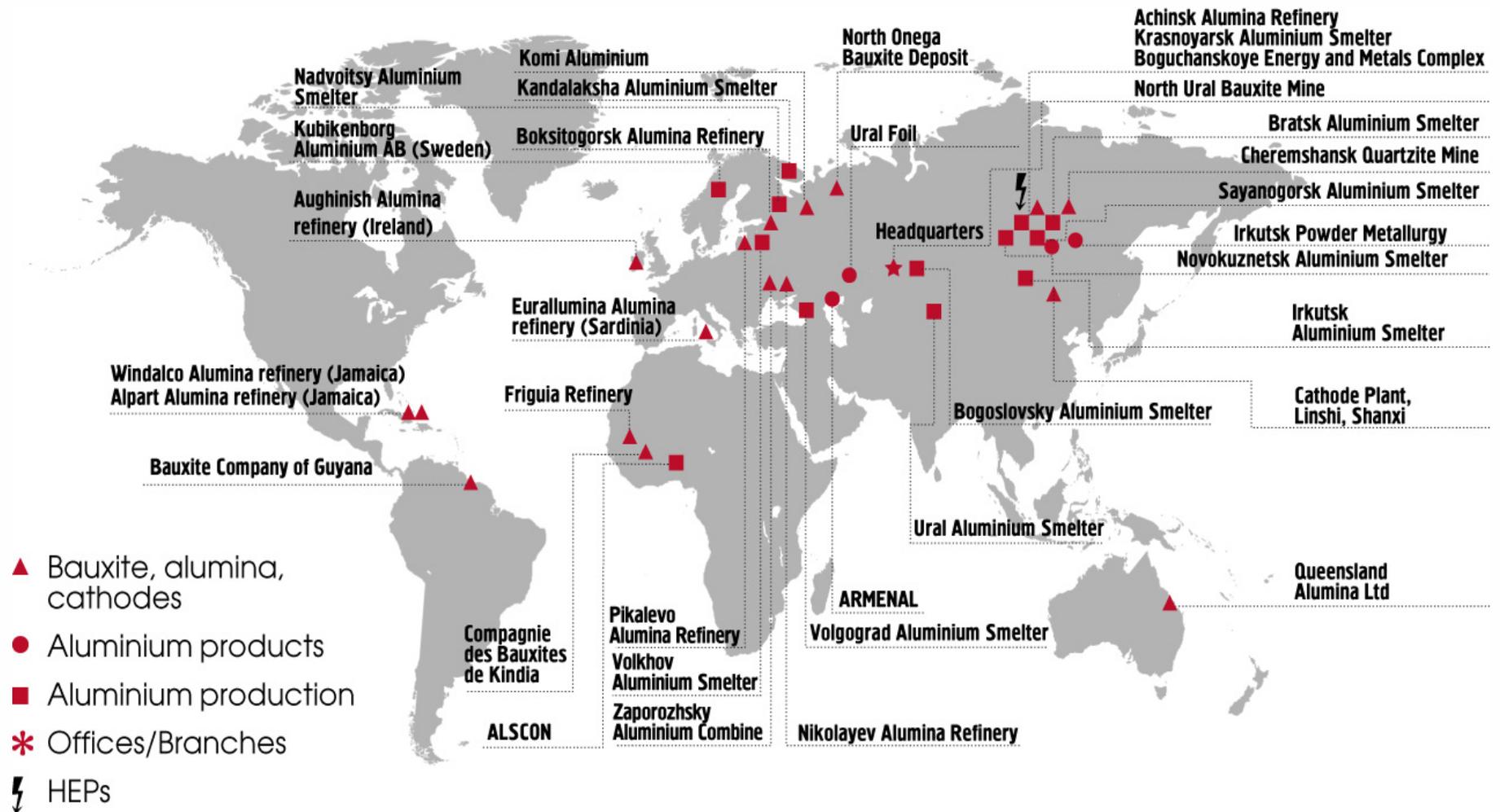


OUTCOME OF THE MERGER

New enlarged and unified RUSAL entity creates No. 1 global leader:

- Capable of producing 4 million tonnes of aluminium and 11 million tonnes of alumina a year
- Sales in excess of \$12.2 billion
- Employing 111,000 employees in 17 countries on 5 continents
- 12.5% of global aluminium production
- 16% of world alumina output

THE ENLARGED COMPANY: TRULY GLOBAL PRESENCE



THE FUTURE

- Increasing share of international aluminium production through vertical integration
- Driving higher-value products to customers
- Maintaining cost-competitiveness
- Reinforcing sustainable development
- Further acquisitions to complement and diversify the business

RUSAL



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