The long-term contracts set forth maximum amounts of electricity and power to be supplied each year and the tariffs under the contracts entered into by Bratsk aluminium smelter and Irkutsk aluminium smelter do not apply to any electricity and power supplied to such smelters in excess of such maximum amounts. In addition, under the long-term contracts, the smelters are required to indemnify the electricity suppliers against any expenses that may arise as a result of additional tax which may be imposed by Russian tax authorities if they consider the price under the applicable contract to be significantly lower than the market price for the goods supplied.

The Group's other Siberian smelters will not benefit from long-term contracts. As a result, their electricity tariffs will not be linked to the LME price. Nonetheless, the Directors believe that the interdependence described above between electricity suppliers and smelters in Siberia should limit the impact of price increases as the regulatory regime evolves towards market pricing.

The discussion below includes a discussion of certain long-term electricity supply contracts that the Group has entered into with Krasnoyarskaya HPP and Irkutskenergo, which are subsidiaries of En+, a Controlling Shareholder of the Company. En+ has informed the Company that: En+ operates its electricity assets as a business unit referred to as EuroSibEnergo, or "ESE"; En+ has pledged shares in Krasnoyarskaya HPP and Irkutskenergo in support of certain debt facilities within the ESE business unit; En+ has pledged certain shares of Krasnoyarskaya HPP in support of a debt facility of a company under common control with Krasnoyarskaya HPP; and 25% of the shares of the holding company of the ESE business unit will be pledged to creditors of En+ in connection with the current restructuring of En+ indebtedness. If an event of default were to occur under any of the relevant debt facilities, and if the lenders were to foreclose on the interests of En+ in Krasnoyarskaya HPP and Irkutskenergo pledged under such facilities, it could result in a situation in which those entities are no longer under common control with the Company. The Company believes, however, that the long-term contracts with Krasnoyarskaya HPP and Irkutskenergo referred to below would remain enforceable even in such a situation, and that such a situation therefore would not have a material adverse effect on the Company.

Krasnoyarsk Aluminium Smelter

On 4 December 2009, the Krasnoyarsk aluminium smelter entered into a long-term contract with Krasnoyarskaya HPP, an electricity supplier controlled by En+, a Controlling Shareholder of the Company, for a duration of 11 years from 2010 to 2020.

The tariff per kWh for the Krasnoyarsk aluminium smelter is expected to be determined separately for the 50% of the consumed electricity denominated in Roubles and the 50% of the consumed electricity denominated in US$. In both cases the tariff is calculated under the long-term contract as follows:

$$Tb + (0.7 * (Pa-Pb) * V * \frac{(Tfr - Tb) * E}{(Tfr - Tb) * E + (Pa - Pb) * V}) / E$$

where Tb equals the initial (base) price (11.012 kopecks/kWh and 0.367 c/kWh for calculations in Roubles and US$, respectively);

Tfr equals the average weighted fixed-ratio price for electricity at the market in the preceding quarter (which is capped at 49.8 kopecks/kWh and 1.66c/kWh, respectively);

Pa equals the average London Metal Exchange price for aluminium in the preceding quarter (the minimum amount of which, for the purposes of calculations, is fixed at 54,000 Roubles/tonne and US$1,800/tonne, respectively);

Pb equals the basic aluminium price (54000 Roubles/tonne and US$1,800/tonne, respectively);

V equals aluminium production volume; and

E equals electricity consumption.

The tariff has a floor under the contract which increases annually as follows:

Contract floor	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Kopecks/kWh	11.32	11.90	12.46	12.99	13.54	14.11	14.71	15.34	15.99	16.67	17.38
c/kWh	0.42	0.44	0.46	0.48	0.50	0.52	0.54	0.57	0.59	0.62	0.64

The premium of the actual LME reference price against a base price of US$1,800 per tonne results in an increase in the tariff. The change in the tariff is linked to the LME price in a way that is non-linear. As a consequence, the tariff is effectively capped at c. 36 kopecks/kWh. For illustrative purposes, assuming a RUR/USD exchange rate of 30 RUR/1 USD (which is the assumption in the long term contract for the Krasnoyarsk aluminium smelter), the following table demonstrates what the LME linked tariff at different aluminium prices would be as at January 2010.

LME price (US$/t)	1800	1850	1950	2050	2150	2250	2500	3000	3500	4000
Contract price (kopecks/kWh)	11.0	16.1	22.1	25.6	27.8	29.4	31.8	34.0	35.1	35.7

Bratsk Aluminium Smelter

On 1 December 2009, the Bratsk aluminium smelter entered into a long-term contract with Irkutskenergo, an electricity supplier controlled by En+, a Controlling Shareholder of the Company, for a duration of nine years from 2010 to 2018.

The tariff per kWh for the Bratsk aluminium smelter under the long-term contract is calculated by multiplying the net cost of electricity generation by 1.125. The net cost of electricity generation (S) is calculated as follows:

$$S = \left(\frac{16{,}995 * (0.85 * S_{\text{hydropower plant}} + 0.15 * S_{CHP}) + (P_{\text{consumption}} - 16{,}995) * S_{\text{remainder}})}{P_{\text{consumption}}} \right) * \frac{CPI}{100\%}$$

where $S_{\text{hyropower plant}}$ equals the net cost of the electrical energy transmitted through the buses of the hydropower plant in the previous year;

S_{CHP} equals the net cost of the electrical energy transmitted through the buses of the CHP plant in the previous year;

$P_{\text{consumption}}$ equals the power consumption during the accounting year (within the limits set out in the contract);

$S_{\text{remainder}}$ equals $\frac{S_{\text{hydropower plant}} * 0.15 * P_{\text{hydropower plant}} + S_{CHP} * (P_{CHP} - 22{,}660 + 0.85 * P_{\text{hydropower plant}})}{P_{\text{hydropower plant}} + P_{CHP} - 22{,}660}$;

$P_{\text{hydropower plant}}$ equals the electrical energy transmitted through buses of the hydropower plant in the previous year;

P_{CHP} equals the electrical energy transmitted through buses of the CHP plant in the previous year; and

CPI equals the consumer price index in the previous year.

If the LME price exceeds the levels stated in the following table, the tariff will be increased by A, where A equals 0.035 * max (0; (Pr_m - Pr_t)); Pr_m equals the average weighted LME price for aluminium in the quarter preceding the accounting quarter and Pr_t equals the maximum LME price in the respective year as follows:

US$/t	2010	2011	2012	2013	2014	2015	2016	2017	2018
Pr_t	1,949	1,990	2,002	1,998	1,987	1,976	2,000	2,000	2,000

The tariff has a floor under the contract of c. 15.57 kopecks/kWh and a ceiling of c. 34.89 kopecks/kWh, which is adjusted annually for the consumer price index in the previous year. For every US$1 that the LME reference rate exceeds the thresholds specified in the table above, the tariff per kWh will increase by 0.035 kopecks. If the reference LME price per tonne is US$100 higher than the threshold, the Aluminium Cash Operating Cost increases by approximately US$19.12 per tonne (at the exchange rate of the Central Bank of Russia as of 30 June 2009).

Irkutsk Aluminium Smelter

On 15 November 2009, SUAL entered into a long-term contract for supply of electricity to Irkutsk aluminium smelter with Irkutskenergo, an electricity supplier controlled by En+, a Controlling Shareholder of the Company, which is for a duration of nine years from 2010 to 2018.

The tariff per kWh for the Irkutsk aluminium smelter under the long-term contract is calculated by multiplying the net cost of electricity generation by 1.125. The net cost of electricity generation (S) is calculated as follows:

$$S = \left(\frac{5{,}665 * (0.85 * S_{\text{hydropower plant}} + 0.15 * S_{CHP}) + (P_{\text{consumption}} - 5{,}665) * S_{\text{remainder}})}{P_{\text{consumption}}} \right) * \frac{CPI}{100\%}$$

where $S_{\text{hyropower plant}}$ equals the net cost of the electrical energy transmitted through the buses of the hydropower plant in the previous year;

S_{CHP} equals the net cost of the electrical energy transmitted through the buses of the CHP plant in the previous year;

$P_{\text{consumption}}$ equals the power consumption during the accounting year (within the limits set out in the contract);

$S_{\text{remainder}}$ equals $\frac{S_{\text{hydropower plant}} * 0.15 * P_{\text{hydropower plant}} + S_{CHP} * (P_{CHP} - 22{,}660 + 0.85 * P_{\text{hydropower plant}})}{P_{\text{hydropower plant}} + P_{CHP} - 22{,}660}$;

$P_{\text{hydropower plant}}$ equals the electrical energy transmitted through buses of the hydropower plant in the previous year;

P_{CHP}	equals the electrical energy transmitted through buses of the CHP plant in the previous year; and
CPI	equals the consumer price index in the previous year.

If the LME price exceeds the levels stated in the following table, the tariff will be increased by A, where A equals 0.035 * max (0; (Pr_m - Pr_t)); Pr_m equals the average weighted LME price for aluminium in the quarter preceding the accounting quarter and Pr_t equals the maximum LME price in the respective year as follows:

US$/t	2010	2011	2012	2013	2014	2015	2016	2017	2018
Pr_t	1,949	1,990	2,002	1,998	1,987	1,976	2,000	2,000	2,000

The tariff has a floor under the contract of c. 15.57 kopecks/kWh and a ceiling of c. 43.30 kopecks/kWh, which is adjusted annually for the consumer price index in the previous year. For every US$1 that the LME reference rate exceeds the thresholds specified in the table above, the tariff per kWh will increase by 0.035 kopecks. If the reference LME price per tonne is US$100 higher than the threshold, the Aluminium Cash Operating Cost increases by approximately US$18.53 per tonne (at the exchange rate of the Central Bank of Russia as of 30 June 2009).

Urals-based smelters

With respect to its Urals-based smelters, which accounted for approximately 7% of the Group's aggregate aluminium production in 2008, the Group plans to hedge its exposure to increases in the tariffs charged by local independent electricity producers through its interest in the LLP Bogatyr Komir in Kazakhstan, which supply coal to the Urals region. For further information concerning the LLP Bogatyr Komir, see "— Norilsk Nickel and Material Joint Ventures".

Other smelters

Smelters in other regions of the CIS, which accounted for less than 20% of the Group's aggregate aluminium production in 2008, such as those in Russia's northwest, Volgograd and Ukraine, operate in a more challenging environment, as demand is significant and forecast to grow. At present the Group is evaluating captive gas- or coal-fired power generation as an alternative source of power for these smelters.

The Kubikenborg aluminium smelter has a long-term power contract valid until 2016. ALSCON in Nigeria has its own gas-fired power plant, and the Group has concluded a 20-year take or pay gas contract with the Nigerian Gas Company, effective from February 2007. According to the contract the Group agreed to take or pay for a specific amount of gas at a price fixed for the first year and escalating annually based on LME prices for aluminium.

Moreover, the Group is working to improve its energy efficiency through the installation of improved production technology and the adoption of better operating methods for the Group's existing technology.

Approved Projects relating to the Energy Supply

Approved energy projects are described together with the associated aluminium smelters. See "— The Group's Operations — Aluminium Division — Approved Projects within the Aluminium Division — Boguchanskoye Energy and Metals Project (BEMO Project)".