

*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)**

### **CONTINUING CONNECTED TRANSACTIONS**

The Board is pleased to announce that on 31 December 2010, Siberian-Urals Aluminium Company OJSC (a wholly-owned subsidiary of the Company) (“**OJSC SUAL**”) entered into four Provision of Power Contracts with TGK-5, TGK-6, TGK-7 and TGK-9 respectively (each of which is an associate of Mr. Victor Vekselberg), pursuant to which contracts:

- OJSC SUAL agreed to purchase and TGK-5 agreed to sell up to 694 MWt of electricity and capacity for the total contract sum of up to US\$21,637,831.87 from 1 January 2014 to 31 December 2024;
- OJSC SUAL agreed to purchase and TGK-6 agreed to sell up to 667.185 MWt of electricity and capacity for the total contract sum of up to US\$16,870,848.55 from 1 January 2011 to 31 December 2024;
- OJSC SUAL agreed to purchase and TGK-7 agreed to sell up to 570.544 MWt of electricity and capacity for the total contract sum of up to US\$16,037,713.26 from 1 January 2011 to 31 December 2022; and
- OJSC SUAL agreed to purchase and TGK-9 agreed to sell up to 1378.8 MWt of electricity and capacity for the total contract sum of up to US\$36,497,386.00 from 1 October 2011 to 31 December 2025

(all of which are, collectively, the “**Provision of Power Contracts**”). The contract amounts may be subject to any applicable cross-currency exchange rate adjustments.

The aggregate value of consideration payable under the Provision of Power Contracts between OJSC SUAL (a wholly-owned subsidiary of the Company and each of TGK-5, TGK-6, TGK-7 and TGK-9 (all associates of Mr. Victor

Vekselberg) for the year ending 31 December 2011 is expected to be approximately US\$721,255, which may be subject to any applicable cross-currency exchange rate adjustments.

### **The Aggregation Approach**

Pursuant to Rule 14A.25 of the Listing Rules, the Provision of Power Contracts are required to be aggregated with the Short-term Electricity and Capacity Supply Contracts with IES as they are each entered into by the Company with parties associated with Mr. Victor Vekselberg and the subject matter of each contract relates to the purchase of electricity and capacity by the Company from Mr. Victor Vekselberg or his associates for the purposes of its production.

The aggregate value of consideration payable under the Provision of Power Contracts and the Short-term Electricity and Capacity Supply Contracts with IES for the year ending 31 December 2011 is expected to be US\$63.3 million.

### **Listing Rules Implications**

Mr. Victor Vekselberg, a director of the Company, indirectly holds more than 30% of share capital of each of TGK-5, TGK-7 and TGK-9. TZ Columbus Services Limited, the trustee of the trust of which Mr. Victor Vekselberg is sole beneficiary, indirectly holds more than 30% of share capital of TGK-6. Therefore, each of TGK-5, TGK-6, TGK-7 and TGK-9 is an associate of Mr. Victor Vekselberg and a connected person of the Company under the Listing Rules.

Accordingly, the transactions contemplated under the Provision of Power Contracts constitute continuing connected transactions for the Company.

As the annual aggregate transaction amount of:

- the continuing connected transactions under the Provision of Power Contracts for the year ending 31 December 2011 is less than 0.1% under all the applicable ratios calculated in accordance with the relevant Listing Rules; and
- all of the electricity supply contracts entered into between the Company and Mr. Victor Vekselberg (and his associates), including the Provision of Power Contracts, for the year ending 31 December 2011 is more than 0.1% but less than 5% under all of the applicable ratios calculated in accordance with the relevant Listing Rules, including the assets ratio, the revenue ratio and the consideration ratio,

pursuant to Rule 14A.34 of the Listing Rules, the transactions contemplated under these agreements are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, the annual review requirements set out in Rules 14A.37 to 14A.40 and the requirements set out in Rules 14A.35(1) and 14A.35(2) of the Listing Rules. These transactions are exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An independent financial adviser will be appointed by the Company as soon as practicable to explain why longer periods for the Provision of Power Contracts are required and to confirm that it is normal business practice in Russia for contracts of this type to be of such duration.

Reference is made to the Prospectus and the Continuing Connected Transactions involving the Group.

### **Provision of Power Contracts**

The Board is pleased to announce that on 31 December 2010, Siberian-Urals Aluminium Company OJSC (a wholly-owned subsidiary of the Company) (“**OJSC SUAL**”) entered into four Provision of Power Contracts with TGK-5, TGK-6, TGK-7 and TGK-9 respectively (each of which is an associate of Mr. Victor Vekselberg), pursuant to which contracts:

- OJSC SUAL agreed to purchase and TGK-5 agreed to sell up to 694 MWt of electricity and capacity for the total contract sum of up to US\$21,637,831.87 from 1 January 2014 to 31 December 2024;
- OJSC SUAL agreed to purchase and TGK-6 agreed to sell up to 667.185 MWt of electricity and capacity for the total contract sum of up to US\$16,870,848.55 from 1 January 2011 to 31 December 2024;
- OJSC SUAL agreed to purchase and TGK-7 agreed to sell up to 570.544 MWt of electricity and capacity for the total contract sum of up to US\$16,037,713.26 from 1 January 2011 to 31 December 2022; and
- OJSC SUAL agreed to purchase and TGK-9 agreed to sell up to 1378.8 MWt of electricity and capacity for the total contract sum of up to US\$36,497,386.00 from 1 October 2011 to 31 December 2025

(all of which are, collectively, the “**Provision of Power Contracts**”). The contract amounts may be subject to any applicable cross-currency exchange rate adjustments.

The Provision of Power Contracts are entered into in accordance with the Regulations requiring all participants in the power wholesale market to purchase electricity and

capacity by entering into standard form provision of power contracts, the terms (including the mechanics of price determination and the supply volumes) of which are determined by the Supervisory Board of the Non-Commercial Partnership Market Council, an independent industry body which is responsible for the rules and regulations of the electricity market.

As a participant in the power wholesale market, if OJSC SUAL did not enter into the Provision of Power Contracts, it would be considered to be in breach of the Regulations. A consequence of such breach is that OJSC SUAL would be excluded from the list of participants in the power wholesale market. If that were to be the case, OJSC SUAL would be prohibited from purchasing electricity and capacity on the wholesale market and would be required to purchase electricity and capacity from the retail market at a higher price, substantially increasing the costs of power supply for the Group. The terms of the standard form Provision of Power Contracts are non-negotiable by the parties to the Provision of Power Contracts.

At the same time, the Company has discussed the terms and conditions governing the purchase of energy on the wholesale market by the Company's smelters with the Ministry of Energy of the Russian Federation.

The Ministry of Energy of the Russian Federation undertook to submit to the Government of the Russian Federation and to take all possible measures for the approval before 31 March 2011 by the Russian Government of the amendments to the list of objects that are included in contracts for the power supply. The new list is expected to include objects under construction that will be built by the Company in line with its strategy and/or by a third party appointed by the Company, with a total capacity up to 2.3 GWt.

In addition, the Ministry of Energy of the Russian Federation is committed to ensure changes to the rules of the wholesale market of electric energy that are to assure the demand for generating capacity, introduced in the framework of energy providing agreements, by entering into direct long-term sales contracts of electricity and capacity with qualified consumers, as well as providing major energy-intensive consumers with the opportunity to participate in the energy providing agreements as a supplier of power and enabling the binding of these consumers to their own generation facilities.

The aggregate value of consideration payable under the Provision of Power Contracts between OJSC SUAL (a wholly-owned subsidiary of the Company and each of TGK-5, TGK-6, TGK-7 and TGK-9 (all associates of Mr. Victor Vekselberg) for the year ending 31 December 2011 is expected to be approximately US\$721,255, which may be subject to any applicable cross-currency exchange rate adjustments. At this stage, the Company is unable to estimate the annual aggregate transaction amount for the year ending 31 December 2012 under the Provision of Power Contracts and the Company will issue a further announcement in accordance with the Listing Rules in this regard as and when appropriate.

Payment under the Provision of Power Contracts shall be satisfied by cash via wire transfer.

### **The Aggregation Approach**

Pursuant to Rule 14A.25 of the Listing Rules, the Provision of Power Contracts are required to be aggregated with the Short-term Electricity and Capacity Supply Contracts with IES as they are each entered into by the Company with parties associated with Mr. Victor Vekselberg and the subject matter of each contract relates to the purchase of electricity and capacity by the Company from Mr. Victor Vekselberg or his associates for the purposes of its production.

The aggregate value of consideration payable under the Provision of Power Contracts and the Short-term Electricity and Capacity Supply Contracts with IES for the year ending 31 December 2011 is expected to be US\$63.3 million.

The annual aggregate transaction amount mentioned above is estimated by the Directors based on the maximum amount of consideration paid/payable under the terms of the Provision of Power Contracts and the Short-term Electricity and Capacity Supply Contracts with IES.

### **Annual Cap for 2011**

Prior to the execution of the Provision of Power Contracts, the Company calculated the Annual Cap for 2011. The amount of the Annual Cap for 2011 so calculated does not exceed the amount of the annual cap disclosed on page 308 of the Prospectus (being the amount of US\$812 million). This is because notwithstanding that OJSC SUAL (a wholly-owned subsidiary of the Company) is entering into additional electricity and capacity supply contracts with each of TGK-5, TGK-6, TGK-7 and TGK-9 (all associates of Mr. Victor Vekselberg) (i.e. the Provision of Power Contracts), when it calculated the Annual Cap for 2011, the Company took into account that:

- certain existing electricity and capacity supply contracts between the Company and IES (i.e. the Short-term Electricity and Capacity Supply Contracts with IES) will terminate on or before 31 December 2010; and
- certain quantity of electricity and capacity which was intended to be purchased under the Short-term Electricity and Capacity Supply Contracts with IES will be decreased and replaced by purchasing the same amount of electricity and capacity under the Provision of Power Contracts for the purposes of complying with the Regulations.

## **Reasons for and Benefits of the Transactions**

The Directors consider that the transactions contemplated under the Provision of Power Contracts are for the benefit of the Company because if the Provision of Power Contracts are not executed, OJSC SUAL would be required to purchase electricity and capacity from the retail electricity market at a higher price, substantially increasing the costs of power supply for the Group. On the contrary, if the Provision of Power Contracts are executed, OJSC SUAL would be able to purchase electricity and capacity on the wholesale electricity market at a lower price and the Provision of Power Contracts would help secure a stable source of supply of electricity and capacity for the aluminium smelters of the Company.

As noted above, the terms of the Provision of Power Contracts were prescribed by the Supervisory Board of the Non-Commercial Partnership Market Council pursuant to the Regulations. The consideration payable under each of the Provision of Power Contracts has been determined in accordance with price determination mechanisms prescribed by the Supervisory Board of the Non-Commercial Partnership Market Council in the standard form of the provision of power contracts with no negotiation possible of the price to be paid by the Company under the contracts.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Provision of Power Contracts are fair and reasonable and are generally in the interests of the Company and its Shareholders as a whole, particularly taking into account certain agreement achieved with the Ministry of Energy of the Russian Federation.

None of the Directors has a material interest in the transactions contemplated by the Provision of Power Contracts save for Mr. Victor Vekselberg who is indirectly beneficially interested in more than 30% of the share capital in each of TGK-5, TGK-6, TGK-7 and TGK-9 as at the date of this announcement. Accordingly, Mr. Victor Vekselberg has abstained from voting at the board meeting at which the board resolutions to approve the entering into by the Group of the Provision of Power Contracts were considered.

## **Listing Rules Implications**

Mr. Victor Vekselberg, a director of the Company, indirectly holds more than 30% of share capital of each of TGK-5, TGK-7 and TGK-9. TZ Columbus Services Limited, the trustee of the trust of which Mr. Victor Vekselberg is sole beneficiary, indirectly holds more than 30% of share capital of TGK-6. Therefore, each of TGK-5, TGK-6, TGK-7 and TGK-9 is an associate of Mr. Victor Vekselberg and a connected person of the Company under the Listing Rules.

Accordingly, the transactions contemplated under the Provision of Power Contracts constitute continuing connected transactions for the Company.

As the annual aggregate transaction amount of:

- the continuing connected transactions under the Provision of Power Contracts for the year ending 31 December 2011 is less than 0.1% under all the applicable ratios calculated in accordance with the relevant Listing Rules; and
- all of the electricity supply contracts entered into between the Company and Mr. Victor Vekselberg (and his associates), including the Provision of Power Contracts, for the year ending 31 December 2011 is more than 0.1% but less than 5% under all of the applicable ratios calculated in accordance with the relevant Listing Rules, including the assets ratio, the revenue ratio and the consideration ratio,

pursuant to Rule 14A.34 of the Listing Rules, the transactions contemplated under these agreements are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, the annual review requirements set out in Rules 14A.37 to 14A.40 and the requirements set out in Rules 14A.35(1) and 14A.35(2) of the Listing Rules. These transactions are exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An independent financial adviser will be appointed by the Company as soon as practicable to explain why longer periods for the Provision of Power Contracts are required and to confirm that it is normal business practice in Russia for contracts of this type to be of such duration. The Company is unable to obtain such explanation from the independent financial adviser before the date of this announcement because the Company has not been able to appoint an independent financial adviser to provide its explanation in time prior to the prescribed execution date of the Provision of Power Contracts (it is a requirement imposed by the Government of the Russian Federation that the Provision of Power Contracts be signed before the end of December 2010). The Company will issue a supplementary announcement making available the independent financial adviser's advice in relation to the Provision of Power Contracts once it is made available to the Company.

Details of the Provision of Power Contracts and the Short-Term Electricity and Capacity Supply Contracts with IES will be included in the next annual report and accounts of the Company in accordance with Rule 14A.46 of the Listing Rules.

### **Principal business activities of the Company, TGK-5, TGK-6, TGK-7 and TGK-9**

The Company is principally engaged in the production of aluminum and alumina. The Company's assets include bauxite and nepheline ore mines, alumina refineries, aluminium smelters, casthouse business for alloys production, aluminium foil mills and production of aluminium packaging materials as well as power-generating assets. Spread across 19 countries in 5 continents, the operations and offices of the Company employ over 72,000 people.

TGK-5 is principally engaged in generating electricity (capacity).

TGK-6 is principally engaged in generating electricity (capacity).

TGK-7 is principally engaged in generating electricity (capacity).

TGK-9 is principally engaged in generating electricity (capacity).

## **Definitions**

In this announcement, the following expressions have the following meanings, unless the context otherwise requires:

|                                     |   |
|-------------------------------------|---|
| “accounts”                          | has the meaning given to it in the Listing Rules  |
| “Annual Cap for 2011”               | the annual cap required to be set under Rule 14A.35(2) of the Listing Rules comprising of the annual transaction amount of each of electricity and capacity supply contracts between the Group and its connected persons for 2011 (which at the time of the issue of the Prospectus was set by the Company utilizing the transaction amounts for 2011 for all electricity and capacity supply arrangements between the Group and each of the companies controlled by En+ and power generating plants controlled by IES) |
| “assets ratio”                      | has the meaning given to it in the Listing Rules  |
| “associates”                        | has the meaning given to it in the Listing Rules  |
| “Board”                             | the board of Directors  |
| “Company”                           | United Company RUSAL Plc, a limited liability company incorporated in Jersey, the shares of which are listed on the main board of the Stock Exchange  |
| “consideration ratio”               | has the meaning given to it in the Listing Rules  |
| “continuing connected transactions” | has the meaning given to it in the Listing Rules  |
| “Continuing Connected Transactions” | the continuing connected transactions under the Disclosed Contracts   |
| “Director(s)”                       | the director(s) of the Company  |

|                                |   |
|--------------------------------|---|
| “Disclosed Contracts”          | all the electricity and capacity supply contracts between members of the Group and associates of En+ and power generating plants which are controlled by IES as set out under the sub-section headed “Electricity and Capacity Supply Contracts” on page 305 to page 307 of the Prospectus, including the Short-term Electricity and Capacity Supply Contracts with IES |
| “En+”                          | En+ Group Limited, a substantial shareholder of the Company   |
| “Group”                        | the Company and its subsidiaries  |
| “IES”                          | CJSC Integrated Energy Systems, more than 30% of the share capital of which is indirectly held by Mr. Victor Vekselberg, one of the ultimate beneficial owners of SUAL Partners   |
| “Listing Rules”                | The Rules Governing the Listing of Securities on the Stock Exchange   |
| “Mr. Victor Vekselberg”        | a non-executive director of the Company   |
| “OJSC SUAL”                    | Siberian-Urals Aluminium Company OJSC, a wholly-owned subsidiary of the Company   |
| “Prospectus”                   | the prospectus of the Company dated 31 December 2009  |
| “Provision of Power Contracts” | the power capacity contracts entered into between OJSC SUAL and TGK-5, TGK-6, TGK-7 and TGK-9 respectively as further referred to on pages 3 and 4 of this announcement   |
| “Regulations”                  | the decree of the Government of the Russian Federation No. 89 dated 24 February 2010 “On Some Issues related to the Organisation of Long Term Consumption of Electric Power on a Competitive Basis in the Wholesale Electricity (Power) Market” as amended in accordance with the direction of the Prime Minister of the Russian Federation                             |
| “revenue ratio”                | has the meaning given to it in the Listing Rules  |
| “Shareholder(s)”               | holder(s) of Shares   |

|   |  |
|---|--|
| “Share(s)”  | ordinary share(s) with a nominal value of US\$0.01 each in the share capital of the Company  |
| “Short-term Electricity and Capacity Supply Contracts with IES” | Short-term electricity and capacity supply contracts entered into between the Company and the power generating plants which are controlled, either through equity ownership or management arrangements, by IES |
| “Stock Exchange”  | The Stock Exchange of Hong Kong Limited  |
| “SUAL Partners”   | SUAL Partners Limited, a substantial shareholder of the Company  |
| “substantial shareholder”                                       | has the meaning ascribed thereto in the Listing Rules  |
| “US\$”  | US dollars, the lawful currency of the United States   |

For the purpose of this announcement, the exchange rate of US\$1 = RUB31.00 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.

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

3 January 2011

*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.*