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UNITED COMPANY RUSAL PLC

(Incorporated under the laws of Jersey with limited liability)

(Stock Code: 486)

CONTINUING CONNECTED TRANSACTIONS LONG-TERM CAPACITY RSE CONTRACTS

Reference is made to the announcement of the Company dated 12 November 2013 and the circular of the Company dated 13 December 2013 in relation to the Previously Disclosed E&C Contracts with En+'s Associates.

The Company announces that through the matching process (as further explained below) arranged by the TSA, five Long-Term Capacity RSE Contracts with a term of 15 years were entered into between members of the Group, as buyers (represented by the FSC), and Krasnoyarskaya HPP, an associate of En+, as seller (also represented by the FSC).

Due to inadvertent oversight, the Company did not fully comply with the announcement requirement in respect of the Long-Term Capacity RSE Contracts under Chapter 14A of the Listing Rules in a timely manner. As the Long-Term Capacity RSE Contracts are relatively new kind of capacity supply contracts with a term of 15 years and their terms are not consistent with the terms under the short-term E&C Contracts with En+'s associates or the miscellaneous E&C Contracts with En+'s associates as disclosed in the circular of the Company dated 13 December 2013, the Long-Term Capacity RSE Contracts will be proposed to be approved in a stand-alone resolution at the EGM.

BACKGROUND

Reference is made to the announcement of the Company dated 12 November 2013 and the circular of the Company dated 13 December 2013 in relation to the Previously Disclosed E&C Contracts with En+'s Associates.

The Company announces that through the matching process (as further explained below) arranged by the TSA, the following 15-year renewable-source energy contracts were entered into between members of the Group, as buyers (represented by the FSC), and Krasnoyarskaya HPP (represented by the FSC), as seller (the **“Long-Term Capacity RSE Contracts”**):

- (i) contract between OJSC RUSAL Bratsk and Krasnoyarskaya HPP dated 24 January 2014;
- (ii) contract between Joint Stock Company Rusal Novokuznetsk and Krasnoyarskaya HPP dated 24 January 2014;
- (iii) contract between Joint Stock Company RUSAL Sayanogorsk and Krasnoyarskaya HPP dated 24 January 2014;
- (iv) contract between Boguchansk Aluminium Smelter and Krasnoyarskaya HPP dated 30 June 2015; and
- (v) contract between LLC RUSAL Energo and Krasnoyarskaya HPP dated 30 March 2016.

LONG-TERM CAPACITY RSE CONTRACTS

The Long-Term Capacity RSE Contracts relate to renewable sources of energy and were entered into in accordance with the governmental regulations requiring all participants in the electric energy wholesale market to purchase capacity by entering into standard form of contracts. The terms (including the mechanics of price determination and duration of contract being 180 months) of such renewable sources of energy contracts are determined by the Market Council and are published on the website of the Market Council. The terms of the renewable sources of energy contracts are non-negotiable by the parties.

The price of capacity to be sold under the Long-Term Capacity RSE Contracts is determined by the TSA in accordance with procedures established by the rules of determination of the price of capacity of the generating facilities using renewable energy sources, approved by the Resolutions of the Russian Government and the rules of the electric energy wholesale market as follows:

Price (excl. VAT) for 1 (one) MW of the generating facility g in the month m $\Pi_{g,m}^{\text{прод_ДПМ_ВИЭ}}$ is defined as follows:

$$\Pi_{g,m}^{\text{прод_ДПМ_ВИЭ}} = (\text{COE}_{g,m}^{\text{ВИЭ}} + \text{НИ}_{g,m}^{\text{ВИЭ}} \cdot \text{Крсв}_{g,m}^{\text{ВИЭ}}) \cdot \text{Кзагр}_{g,m}^{\text{ВИЭ}} \cdot \text{Ксн}_g^{\text{ВИЭ}} \cdot \text{Ксез}_{g,m}, \quad (1)$$

where $\text{COE}_{g,m}^{\text{ВИЭ}}$ means the component of the price of capacity of the generating facility g in the month m , ensuring the monthly reimbursement of capital and operational costs;

$\text{НИ}_{g,m}^{\text{ВИЭ}}$ means the estimated corporate property tax expense that is determined for the generating facility g and the month m in accordance with the procedure stipulated by the accession contract;

$\text{Крсв}_{g,m}^{\text{ВИЭ}}$ means the share of costs reimbursed from the payment for the capacity of the generating facility g as determined by the TSA with due account to the peculiarities stipulated by the accession contract for the generating facility g and the calendar year corresponding to the month m , in accordance with the rules for determination of the price of capacity of generating facilities using renewable energy sources approved by the Resolution of the Government of the Russian Federation No 449 dated May 28, 2013 (hereinafter referred to as RSE Capacity Pricing Rules);

$\text{Кзагр}_{g,m}^{\text{ВИЭ}}$ means the capacity utilisation factor of the generating facility defined in relation to the generating facility g and the month m ;

$\text{Ксез}_{g,m}$ means the seasonal factor reflecting the distribution of consumption by month during the calendar year, determined in accordance with the accession contract for the month m and the price zone, to which the generating facility g belongs;

$\text{Ксн}_g^{\text{ВИЭ}}$ means the factor reflecting capacity consumption for its own and/or business needs of the power station equal to 1.005.

If as the result of calculation using the formula (1) the value of $\Pi_{g,m}^{\text{прод_ДПМ_ВИЭ}}$ is less than RUR 10 (ten roubles) for 1 MW per month, it is accepted as RUR 10 (ten roubles) for 1 MW per month.

The calculation of $COEX_{g,m}^{ВИЭ}$ is performed as follows:

$$COEX_{g,m}^{ВИЭ} = (R_{Y,g,m}^{ВИЭ} \cdot HD_{X-1,g}^{ВИЭ} / (1 - НП_{X,g}^{ВИЭ}) + r_{Y,g,m}^{ВИЭ}) / 12 + K_{рсв}_{g,m}^{ВИЭ} \cdot ЭР_{X,g}^{ВИЭ}, \quad (2)$$

where Y means the number of the year of supply corresponding to the month m;

$R_{Y,g,m}^{ВИЭ}$ means the size of the capital invested at the beginning of the year with the number Y with regards to the generating facility g, determined for the calculation of capacity prices in the month m;

$HD_{X-1,g}^{ВИЭ}$ means the rate of return of the capital invested in the generating facility using renewable energy sources, in respect of the generating facility g and the calendar year preceding the calendar year X;

$НП_{X,g}^{ВИЭ}$ means the corporate income tax rate, determined in respect of the generating facility g and the calendar year X according to the accession contract;

$r_{Y,g,m}^{ВИЭ}$ means the amount of return of the invested capital in order to calculate the prices of capacity in month m in respect of the generating facility g in the year if supply Y;

$ЭР_{X,g}^{ВИЭ}$ means the amount of unit operating costs determined for the generating facility g and the calendar year X.

The amount of unit operating costs $ЭР_{X,g}^{ВИЭ}$ for the generating facility g in the calendar year X is determined by adjustment for the period from January 1, 2012 year to January 1 of the calendar year X in accordance with the change of consumer price index determined and published by the federal executive body responsible for the preparing of official statistical information, the amount of operating costs

$K_{сн}_g^{ВИЭ}$, determined by RSE Capacity Pricing Rules for the type of generating facility specified in respect to the generating facility g:

$$ЭР_{X,g}^{ВИЭ} = ЭР_{2012,g}^{ВИЭ} \cdot \prod_{j=2012}^{X-1} ИЦ_{j}^{\Phi}, \quad (3)$$

where $ИЦ_{j}^{\Phi}$ means the consumer price index determined and published by the federal executive body responsible for the preparing of official statistical information in December of year j percentage to December of year j-1, the procedure of obtaining of which by the TSA is determined in the accession contract.

The rate of return of the capital invested in the generating facility using renewable energy sources $НД_{x,g}$ for the generating facility g and the calendar year preceding the calendar year X is calculated (determined once and not reviewed thereafter) as follows:

$$НД_{x,g}^{ВИЭ} = (1 + НД_{б,g}^{ВИЭ}) \cdot (1 + ДГО_x) / (1 + ДГО_{б,g}^{ВИЭ}) - 1, \quad (4)$$

where $ΔΓO_x$ means the average yield of long-term government commitments used in calculating the price of capacity for capacity suppliers, determined by the TSA in accordance with the results of the calendar year X in the manner prescribed by the federal executive body responsible for the development of state policy and the legal and regulatory framework of analysis and social and economic development, taking into account the peculiarities stipulated by the accession contract;

$НД_{б,g}^{ВИЭ}$ means the basic rate of return of the capital invested in RSE-based generation, specified for the generating facility g ;

$ДГО_{б,g}^{ВИЭ}$ means the basic yield of long-term government obligations equal to 0.085.

The size of the return in month m of the year of supply Y of the invested capital in respect of the generating facility g is determined by taking into account the peculiarities stipulated by the accession contract, in accordance with the following formula;

$$r_{Y,g,m}^{ВИЭ} = R_{Y,g,m}^{ВИЭ} \cdot НД_{x-1,g}^{ВИЭ} / ((НД_{x-1,g}^{ВИЭ} + 1)^{16-Y} - 1), \quad (5)$$

where $НД_{x-1,g}^{ВИЭ}$ means the rate of return of the capital invested in the generating facility using renewable energy sources, in respect of the generating facility g and the calendar year $X-1$ preceding the calendar year X , corresponding to the month m .

The amount of the invested capital for the first year of supply ($Y = 1$) in respect of the generating facility g when calculating the price for month m is defined as follows:

$$R_{1,g,m}^{ВИЭ} = K_{рсв,g,m}^{ВИЭ} \cdot C_{арЕх,g,m}^{ВИЭ} \cdot K_{терм,ВИЭ}^{б,m} \cdot K_{локал}^{б,m} \cdot 1000 \cdot (1 + НД_{0,ВИЭ}^g), \quad CT \quad (6)$$

where $\text{CapEx}_{g,m}^{\text{ВИЭ}}$ is the difference between the expected value of capital expenses for 1 kW of installed capacity of the generating facility declared for the competitive selection of investment projects of construction of generating facilities using renewable energy sources in respect of generating facility g and specific (per unit of capacity) budgetary subsidies in respect to the generating facility g, defined in accordance with the procedure specified in the accession contract;

$K_{\text{терм_ВИЭ}}^{g,m}$ means the coefficient, which reflects the accounting of profits from the wholesale market of electricity (capacity) upon expiry of the payback period and until the end of the service life of the generating facility determined by Rules of RSE capacity prices for generating facility type specified for the generating facility g;

$K_{\text{локал}}^{g,m}$ means the coefficient reflecting the achievement of the target localisation degree defined by the TSA in respect of the generating facility g in accordance with the Rules for determining the price for power generating facilities using renewable energy sources, approved by the Decree of the Government of the Russian Federation, in accordance with the procedure and deadlines stipulated in the accession contract;

$\text{НД}_{0_ВИЭ}^g$ means the rate of return of the capital invested in the generating facility using renewable energy sources, in respect of the generating facility g and the calendar year preceding the calendar year, in which the start date of supply of the capacity of the generating facility g falls;

When computing capacity prices for month m the values of parameters $K_{\text{рсв}}^{g,m}$, $K_{\text{терм_ВИЭ}}^{g,m}$, $K_{\text{локал}}^{g,m}$, effective on the 1st (first) day of the month m, apply. The size of the invested capital for the first year of supply ($Y = 1$) for the generating facility g $R_{1,g,m}^{\text{ВИЭ}}$ is defined on the basis of the specified values of parameters.

The amount of the invested capital for the subsequent years of supply ($Y > 1$) in respect of the generating facility g when calculating the price for month m is defined as follows:

$$R_{Y,g,m}^{\text{ВИЭ}} = (R_{Y-1,g,m}^{\text{ВИЭ}} - r_{Y-1,g,m}^{\text{ВИЭ}} + (\text{НД}_{x-1,g}^{\text{ВИЭ}} - \text{НД}_{x-2,g}^{\text{ВИЭ}}) \cdot (1 + \text{НД}_{x-1,g}^{\text{ВИЭ}}) \cdot R_{Y-1,g,m}^{\text{ВИЭ}}). \quad (7)$$

When computing capacity prices for month m the values of parameters $K_{\text{рсв}}^{\text{ВИЭ}}_{g,m}$, $K_{\text{терм_ВИЭ}}^{g,m}$, $K_{\text{локал}}^{g,m}$ effective on the 1st (first) day of the month m , apply. The size of the invested capital for all years of supply starting with $Y = 2$ and ending with Y corresponding to the month m , is defined on the basis of the specified values of parameters.

When calculating $R_{Y,g,m}^{\text{ВИЭ}}$, except for $R_{1,g,m}^{\text{ВИЭ}}$, the TSA determines the calendar year X , to which month m belongs, and uses the rates of return of the capital invested in generating object using renewable energy sources in respect to generating facility g and the calendar year preceding the calendar year X , $НД_{X-1,g}^{\text{ВИЭ}}$ and the calendar year preceding the calendar year $X-1$, $НД_{X-2,g}^{\text{ВИЭ}}$.

When calculating for the purposes of estimation of $R_{Y,g,m}^{\text{ВИЭ}}$ the values of indemnified expenses for the previous years supply $Y-k$ ($k = 1, 2, \dots$), except for the first year of supply ($Y-k-1$), the TSA determines the calendar year $X-k$ and as $НД_{X-k-1,g}^{\text{ВИЭ}}$ and $НД_{X-k-2,g}^{\text{ВИЭ}}$ uses the rates of return of the capital invested in the generating facility using renewable energy sources, for the calendar year preceding the calendar year $X-k$, and the calendar year preceding the calendar year $X-k-1$, respectively.

The load factor of the generating facility $K_{\text{загр}}^{\text{ВИЭ}}_{g,m}$ in month m corresponding to the year, in which the limit capacity supply for the generating facility g is defined for the first time by the System Operator as greater than zero, is equal to 1.

The load factor of the generating facility $K_{\text{загр}}^{\text{ВИЭ}}_{g,m}$ in month m not corresponding to the year, in which the limit capacity supply for the generating facility g is defined for the first time by the System Operator as greater than zero, is determined for the generation facility g and the month m as follows:

$$K_{\text{загр}}^{\text{ВИЭ}}_{g,m} = \begin{cases} 0, & \text{если } \text{КИУМ}_{g,m}^{\phi} \leq 0,5 \cdot \text{КИУМ}_{g,m}^{\pi}; \\ 1, & \text{если } \text{КИУМ}_{g,m}^{\phi} > 0,75 \cdot \text{КИУМ}_{g,m}^{\pi}; \\ 0,8, & \text{иначе} \end{cases} \quad (8)$$

where $\text{КИУМ}_{g,m}^{\phi}$ means the actual value of the load factor of installed capacity of the generating facility g in the calendar year preceding the calendar year corresponding to the month m , determined by the TSA in the manner prescribed by the accession contract;

$\text{КИУМ}_{g,m}^{\pi}$ means the value of the load factor of installed capacity, provided the RSE Capacity Pricing Rules for generating facilities specified in respect of the generating facility g

The monthly volume of capacity which the seller undertakes to supply and the buyer undertakes to accept and pay for (the “**Contracted Capacity Volume**”) is determined by the TSA for each month of the capacity supply period in accordance with the electric energy wholesale market regulations, based, among other parameters, on the value of installed capacity of the generating facility of the seller and the number of the participants of the wholesale market for each month. The exact volume of capacity to be supplied and accepted is notified to the sellers and the buyers through the TSA. The overall contractual capacity volume may not exceed the capacity volume specified in a Long-Term Capacity RSE Contract. The sellers cannot require any increase of the Contracted Capacity Volume.

The payment under the Long-Term Capacity RSE Contracts is made in cash via bank transfer in accordance with the procedure and deadlines established from time to time by the electric energy wholesale market regulations then in effect.

The actual monetary value of capacity purchased for the years ended 31 December 2014 and 2015 and the first six months of 2016 under the Long-Term Capacity RSE Contracts was nil, nil and USD0.36 million, respectively.

The FSC facilitates the transactions by matching the suppliers and the buyers. Accordingly, the Group may enter into such Long-Term Capacity RSE Contracts with independent third parties or connected persons only through the TSA/FSC. Given that it is for the TSA to control the matching of the suppliers and the buyers, for these renewable sources of energy contracts, the Group does not take the lead in determining the identities of the counter-parties. Therefore the Company is of the view that the prices under the Long-Term Capacity RSE Contracts are no less favourable to the Group than those offered by independent third parties. Furthermore, the Company believes that the prices and the duration of the Long-Term Capacity RSE Contracts which are based on the above rules and regulations are normal commercial terms given that these terms and conditions are, eventually, prescribed in accordance with the Resolutions of the Russian Government equally applicable to all participants of the electric energy wholesale market and cannot be changed by the parties to the contracts.

THE ANNUAL AGGREGATE TRANSACTION AMOUNT

Pursuant to Rule 14A.81 of the Listing Rules, the continuing connected transactions contemplated under the Long-Term Capacity RSE Contracts and the Previously Disclosed E&C Contracts with En+’s Associates should be aggregated, as they were entered into by members of the Group with the associates of En+, and the subject matter of each contract relates to the supply of electricity and capacity by the associates of En+ to the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Long-Term Capacity RSE Contracts are for supply of capacity produced by qualified generating facilities using renewable sources of energy.

As certain members of the Group are participants in the electric energy wholesale market, if they did not enter into the Long-Term Capacity RSE Contracts, they would be considered to be in breach of the governmental regulations of the electric energy wholesale market. A consequence of such breach is that the members of the Group which are registered as participants of the electric energy wholesale market would be excluded from the list of such participants. If that were the case, such members of the Group would be prohibited from purchasing electricity and/or capacity on the wholesale market and would be required to purchase electricity and/or capacity from the retail market at a higher price, substantially increasing the costs for the Group.

The Directors (including the independent non-executive Directors) consider that the Long-Term Capacity RSE Contracts are on normal commercial terms which are fair and reasonable and the transactions contemplated under the Long-Term Capacity RSE Contracts are in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

It is expected that members of the Group may continue to enter into new long-term capacity RSE contracts with En+ Associates from time to time on the same terms as described.

None of the Directors has a material interest in the transactions contemplated under the Long-Term Capacity RSE Contracts save for Mr. Deripaska, Mr. Maxim Sokov, Ms. Olga Mashkovskaya and Ms. Gulzhan Moldazhanova, who are directors of En+, which hold more than 30% of the issued share capital of Krasnoyarskaya HPP. Mr. Deripaska is also indirectly interested in more than 50% of the issued share capital of En+. Accordingly, Mr. Deripaska, Mr. Maxim Sokov, Ms. Olga Mashkovskaya and Ms. Gulzhan Moldazhanova did not vote on the Board resolutions approving the Long-Term Capacity RSE Contracts.

LISTING RULES IMPLICATIONS

Krasnoyarskaya HPP is an associate of En+ which is a substantial shareholder of the Company. Therefore Krasnoyarskaya HPP is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Long-Term Capacity RSE Contracts constitute continuing connected transactions of the Company.

Due to inadvertent oversight, the Company did not fully comply with the announcement requirement in respect of the Long-Term Capacity RSE Contracts under Chapter 14A of the Listing Rules in a timely manner. As the Long-Term Capacity RSE Contracts are a relatively new kind of capacity supply contracts with a term of 15 years and their terms are not consistent with the terms under the Short-term E&C Contracts with En+'s Associates or the Miscellaneous E&C Contracts with En+'s Associates as disclosed in the circular of the Company dated 13 December 2013, the Long-Term Capacity RSE Contracts will be proposed to be approved in a stand-alone resolution at the EGM.

Details of the Long-Term Capacity RSE Contracts, including the explanation by the independent financial advisor as to why a contract period exceeding 3 years is required and its confirmation that it is normal business practice in Russia for contracts of this type to be of such duration, will be included in the circular on the Proposed 2017, 2018 and 2019 Annual Caps for Continuing Connected Transactions, which is expected to be issued by the Company in the end of September 2016 or early October 2016.

PRINCIPAL BUSINESS ACTIVITIES

The Company is principally engaged in the production and sale of aluminium, including alloys and value-added products, and alumina.

Krasnoyarskaya HPP is a hydroelectric power station.

DEFINITIONS

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

“associate(s)”	has the same meaning ascribed thereto under 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 and on the Moscow Exchange.
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules.

“continuing connected transactions”	has the same meaning ascribed thereto under the Listing Rules.
“Director(s)”	the director(s) of the Company.
“En+”	En+ Group Limited, a company incorporated in Jersey, a substantial shareholder of the Company.
“EGM”	the extraordinary general meeting of the Company expected to be held in October 2016 in Hong Kong
“E&C Contract(s)”	electricity and capacity supply contracts
“FSC”	Joint-Stock Company “Financial Settlement Center”, a wholly-owned subsidiary of the TSA, created for the purposes of determination of cross-liabilities of wholesale electricity market participants, organization of the system of payments and payment guarantees on the electricity wholesale market.
“Group”	the Company and its subsidiaries.
“Krasnoyarskaya HPP”	JSC Krasnoyarskaya Hydro-Power Plant, a hydroelectric power station controlled by En+ as to more than 30% of its issued share capital.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange.
“Market Council”	Non-Commercial Partnership Market Council
“Mr. Deripaska”	Mr. Oleg Deripaska, an executive Director.
“Previously Disclosed E&C Contracts with En+’s Associates”	the series of electricity and capacity supply contracts entered into between members of the Group and the associates of En+, as disclosed in the announcement of the Company dated 12 November 2013 and the circular of the Company dated 13 December 2013.
“Proposed 2017/2018/2019 Caps for E&C Contracts with En+’s Associates”	the proposed annual caps for the electricity and capacity supply contracts with En+’s associates for the three years ending 31 December 2107, 2018 and 2019.

“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“substantial shareholder”	has the same meaning ascribed thereto under the Listing Rules.
“TSA”	Joint-Stock Company “Trading System Administrator of Wholesale Electricity Market Transactions”, an authority established by the Market Council.
“VAT”	value-added tax

By Order of the Board of Directors of
United Company RUSAL Plc
Aby Wong Po Ying
Company Secretary

19 September 2016

As at the date of this announcement, the executive Directors are Mr. Oleg Deripaska, Mr. Vladislav Soloviev and Mr. Siegfried Wolf, the non-executive Directors are Mr. Maxim Sokov, Mr. Dmitry Afanasiev, Mr. Len Blavatnik, Mr. Ivan Glasenberg, Mr. Maksim Goldman, Ms. Gulzhan Moldazhanova, Mr. Daniel Lesin Wolfe, Ms. Olga Mashkovskaya, and Ms. Ekaterina Nikitina, and the independent non-executive Directors are Mr. Matthias Warnig (Chairman), Mr. Philip Lader, Dr. Elsie Leung Oi-sie, Mr. Mark Garber, Mr. Dmitry Vasiliev and Mr. Bernard Zonneveld.

All announcements and press releases published by the Company are available on its website under the links <http://www.rusal.ru/en/investors/info.aspx>, <http://rusal.ru/investors/info/moex/> and <http://www.rusal.ru/en/press-center/press-releases.aspx>, respectively.