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UNITED COMPANY RUSAL PLC

(Incorporated under the laws of Jersey with limited liability)

(Stock Code: 486)

RENEWAL OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to certain continuing connected transactions relating to electricity and capacity supply and aluminium sales described in the prospectus of the Company dated 31 December 2009, the annual reports of the Company for each of the three financial years ended 31 December 2013, 2014 and 2015, the announcement of the Company dated 27 September 2011, the circular of the Company dated 12 October 2011, the announcement of the Company dated 12 November 2013, the circular of the Company dated 13 December 2013 and the announcements of the Company dated 28 March 2014, 19 November 2014 and 19 September 2016.

Certain members of the Group contemplate entering into three new long-term electricity supply agreements to replace the existing long-term electricity and capacity supply agreements.

Moreover, since certain existing continuing connected transactions with respect to electricity and capacity supply and with respect to aluminium sales shall continue and the Company also expects that additional electricity and capacity supply contracts and additional aluminium sales contracts may from time to time be entered into between members of the Group on one part, and Mr. Deripaska's Associates and En+'s Associates on the other, the Company would like to announce the proposed annual caps for the three years ending 31 December 2017, 2018 and 2019 for all these continuing connected transactions.

As the applicable percentage ratio(s) with respect to the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates are more than 5%, the transactions under these contracts will be subject to reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratio(s) with respect to the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska's Associates are more than 5%, the transactions under these contracts will be subject to reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. INTRODUCTION

Reference is made to certain continuing connected transactions relating to electricity and capacity supply and aluminium sales described in the prospectus of the Company dated 31 December 2009, the annual reports of the Company for each of the three financial years ended 31 December 2013, 2014 and 2015, the announcement of the Company dated 27 September 2011, the circular of the Company dated 12 October 2011, the announcement of the Company dated 12 November 2013, the circular of the Company dated 13 December 2013 and the announcements of the Company dated 28 March 2014, 19 November 2014 and 19 September 2016. As disclosed in these publications, certain members of the Group are parties to a number of existing continuing connected transactions with respect to electricity and capacity supply and with respect to aluminium sales. Since certain existing continuing connected transactions with respect to electricity and capacity supply contracts and with respect to aluminium sales shall continue and the Company also expects that additional electricity and capacity supply and additional aluminium sales contracts may from time to time be entered into between members of the Group on one part, and Mr. Deripaska's Associates and En+'s Associates on the other, the Company would like to announce the proposed annual caps for the three years ending 31 December 2017, 2018 and 2019 for all these continuing connected transactions.

2. E&C CONTRACTS

(a) *Long-term Electricity Supply Contracts with En+'s Associates*

As previously disclosed, members of the Group have entered into the following long-term electricity and capacity supply contracts (together "**Existing Long-Term E&C Contracts**"):

- on 1 December 2009, OJSC RUSAL Bratsk ("**BrAZ**"), a subsidiary of the Company, and Irkutsk Joint Stock Power and Electricity Company ("**Irkutskenergo**"), a power generating company controlled by En+ as to more than 30% of its issued share capital, entered into a long-term electricity and capacity supply contract pursuant to which BrAZ agreed to purchase electricity and capacity from Irkutskenergo for a period of nine

years from 2010 to 2018. Fifty percent of the price under the contract must be paid before the 15th day of the month of supply and the remaining fifty percent of the price must be paid before the 25th day of the month of supply. The consideration is satisfied in cash via wire transfer. The actual monetary value of electricity and capacity purchased for the year ended 31 December 2015 and the first six months of 2016 under this contract was USD126.7 million and USD67.3 million respectively;

- on 15 November 2009, OJSC SUAL, a subsidiary of the Company, and Irkutskenergo entered into a long-term electricity and capacity supply contract pursuant to which OJSC SUAL agreed to purchase electricity and capacity for Irkutsk aluminium smelter, a branch of OJSC SUAL, from Irkutskenergo for a period of nine years from 2010 to 2018. Fifty percent of the price under the contract must be paid before the 15th day of the month of supply and the remaining fifty percent of the price must be paid before the 25th day of the month of supply. The consideration is satisfied in cash via wire transfer. On 31 December 2014, OJSC SUAL, BrAZ and Irkutskenergo entered into an addendum pursuant to which all rights and obligations under this contract were transferred from OJSC SUAL to BrAZ. The actual monetary value of electricity and capacity purchased for the year ended 31 December 2015 and the first six months of 2016 under this contract was USD64.7 million and USD33.3 million respectively;
- on 4 December 2009, OJSC RUSAL Krasnoyarsk (“**KrAZ**”), a subsidiary of the Company, and JSC Krasnoyarskaya Hydro-Power Plant (“**Krasnoyarskaya HPP**”), a hydroelectric power station controlled by En+ as to more than 30% of its issued share capital, entered into a long-term electricity and capacity supply contract pursuant to which KrAZ has agreed to purchase electricity from Krasnoyarskaya HPP for a period of eleven years from 2010 to 2020. As disclosed in the announcement dated 19 November 2014, supply under the agreement dated 4 December 2009 between KrAZ and Krasnoyarskaya HPP has been suspended by Krasnoyarskaya HPP.

Certain members of the Group propose to enter into three new long-term electricity supply agreements to replace the Existing Long-Term E&C Contracts (“**En+ Long-Term Electricity Supply Contracts**”), the details of which are as follows:

- (i) BrAZ and Irkutskenergo, propose to enter into a long-term electricity purchase contract pursuant to which BrAZ agreed to purchase

electricity from Irkutskenenergo for a period of ten years from 1 January 2017 to 31 December 2026. The overall contractual amount of electricity to be supplied each year is as follows:

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Electricity Supply Volume (million KWh)	7,297.08	7,297.08	7,297.08	7,317.072	7,297.08	7,297.08	7,297.08	7,317.072	7,297.08	7,297.08

The contract price (tariff) for the electricity under this long-term contract is determined on the basis of the following:

Cost of the agreement for the reporting period $See_{i,j}$ (electricity cost for the “I” month of the “j” year) shall be determined as per the following formula:

$$See_{i,j} = \max(1; See_initial_{i,j});$$

where the initial cost $See_initial_{i,j}$ is:

$$See_initial_{i,j} = \sum_{d=1}^{N_{i,j}} \sum_{h=0}^{23} (P_{DAM_{h,d,i,j}} * V_{h,d,i,j}^{ee_actual}) - 0,035 * \sum_{d=1}^{N_{i,j}} \sum_{h=0}^{23} (P_{DAM_{h,d,i,j}} * 833) + S_{corr} +/- D$$

where:

833 MWh — planned amount of electricity supplied hereunder each hour;

$P_{DAM_{h,d,i,j}}$ RUB/MWh is an equilibrium electricity price based on the results of competitive selection by the Administrator of the Wholesale Electricity Market Trading System (the “**Commercial Operator**”) on the day-ahead market in delivery point cluster hereof per hour (h) for day (d) of the month (i) of the year (j);

$V_{h,d,i,j}^{ee_actual}$ MWh actual volume of electricity supplied per hour (h) for day (d) of the month (i) of the year (j) in relation to delivery point cluster, determined in accordance herewith, shall be defined by the Commercial Operator in its reports submitted to the parties under the Rules of the Electric Energy Wholesale Market (“**Wholesale Market Rules**”), the Agreement for Joining the Wholesale Market Trading System (“**Joining Agreement**”), and the Wholesale Market Regulations;

$N_{i,j}$ - number of days in the i month of the j year;

S_{corr} RUB — amount of adjustment is determined only for the last delivery month of each year (j) as per the following formula:

$$S_{corr} = 0,035 * \left(\frac{\sum_{i=1}^z \sum_{d=1}^{N_{i,j}} \sum_{h=0}^{23} (P_{DAM_{h,d,i,j}} * (2043 + 833))}{\sum_{i=1}^z \sum_{d=1}^{N_{i,j}} \sum_{h=0}^{23} (2043 + 833)} \right) * \left(\frac{7,3}{25,2} \right) * \max \left(0; \sum_{i=1}^z \sum_{d=1}^{N_{i,j}} \sum_{h=0}^{23} (2043 + 833) - \sum_{i=1}^z \min(V_{HPP,i}^{free_volume}; V_{plant,i}^{actual}) \right)$$

z — months in the year (j) when the delivery is made;

$V_{plant,i}^{actual}$ MWh — volume of actual electricity consumption in the buyer's delivery point cluster — RUSAL Bratsk OJSC (in PBRALUMZ, PSUALIAZ DPC) in the month (i) as per the financial report generated by the Commercial Operator.

$V_{HPP,i}^{free_volume}$ MWh — volume of actual electricity generation by Bratskaya HPP, Ust-Ilimskaya HPP and Irkutskaya HPP in the month (i), except for:

- volume of actual electricity intake by delivery point cluster of Bratskaya HPP, Ust-Ilimskaya HPP and Irkutskaya HPP in the month (i);
- Bratskaya HPP, Ust-Ilimskaya HPP and Irkutskaya HPP supply volume under regulated agreements concluded in accordance with the Wholesale Market Regulations in the month (i).

D — additional coefficient (rate) in the formula which relates to the amount of additional tax accrued for the reporting period (effectively, the previous year) after tax audit in the event that the electricity price under the contract is considered to be different from the market price determined under the Russian tax regulations and paid by either the supplier or the buyer (respective counterparty is subject to a pro rata tax refund or tax credit).

D is calculated on the monthly basis using the following mechanics represented by the formula:

1. The total amount of additionally assessed tax paid by either the buyer or supplier for the preceding tax period is determined. This is D_n .

2. Then D_n is divided on the whole volume of electricity supplied/purchased in the period (being a calendar year) for which the additional tax is assessed ($V_n^{\text{ЭЭ-ФАКТ}}$). Thus the amount of additional tax per unit of supplied electricity (1MWt) is determined.
3. Further, D for each particular month in the current period is calculated as multiplication of the amount of additional tax per unit of supplied electricity and the volume of actual supply in the current period in each particular month of such period ($\sum_{d=1}^{N_{i,j}} \sum_{h=0}^{23} V_{h,d,i,j}^{\text{ЭЭ-ФАКТ}}$).

Therefore, the monthly price in the current period and subsequent periods is either increased or decreased by D for the buyer, depending on which party was accrued with additional tax for the preceding reporting period.

Calculation and application of D is made in the current period and subsequent periods with respect to the volume of electricity up to $V_n^{\text{ЭЭ-ФАКТ}}$. That means that D will be applied during such time in the current period and subsequent periods for the volume of electricity up to $V_n^{\text{ЭЭ-ФАКТ}}$ to be supplied.

The consideration will be satisfied in cash via wire transfer. Preliminary payments for electricity supplied shall be paid within the following timeframe:

- Not later than on the fourteenth (14th) day of the reporting period in the amount of 100 % of the preliminary cost of electricity calculated as per the formula below and the VAT calculated under the applicable laws of the Russian Federation:

$$S_{i,j}^{\text{ЭЭ-ФАКТ}} = \sum_{d=1}^9 \sum_{h=0}^{23} [(0,965 * P]_{DAN_{h,d,i,j}} * V_{h,d,i,j}^{\text{ЭЭ-ФАКТ}})$$

- Not later than on the twenty-eighth (28th) day of the reporting period in the amount of 100 % of the preliminary cost of electricity calculated as per the formula below and the calculated under the applicable laws of the Russian Federation:

$$S_{i,j}^{esplan_{10}^{-23}} = \sum_{d=10}^{23} \sum_{h=0}^{23} [(0,965 * P]_{DAM_{h,d,i,j}} * V_{h,d,i,j}^{esactual})$$

where:

$P_{DAM_{h,d,i,j}}$ RUB/MWh is an equilibrium electricity price based on the results of competitive selection by the Commercial Operator on the day-ahead market in delivery point cluster of the agreement per hour (h) for day (d) of the month (i) of the year (j);

$V_{h,d,i,j}^{esactual}$ MWh — actual volume of electricity supplied per hour (h) for day (d) of the month (i) of the year (j) in relation to delivery point cluster of the buyer, determined in accordance herewith, shall be defined by the Commercial Operator in appropriate reports submitted to the parties in compliance with the Wholesale Market Rules, the Joining Agreement, and the Wholesale Market Regulations

The final payment for electricity supplied shall be made on or before the twenty-first (21st) day of the month following the reporting period.

- (ii) BrAZ and Irkutskenergo, propose to enter into a long-term electricity purchase contract pursuant to which BrAZ agreed to purchase electricity from Irkutskenergo for a period of ten years from 1 January 2017 to 31 December 2026. The overall contractual amount of electricity to be supplied each year is as follows:

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Electricity Supply Volume (million KWh)	17,896.68	17,896.68	17,896.68	17,945.712	17,896.68	17,896.68	17,896.68	17,945.712	17,896.68	17,896.68

The contract price (tariff) for the electricity under this long-term contract is determined on the basis of the following:

Cost of the agreement for the reporting period $See_{i,j}$ (electricity cost for the i month of the j year) shall be determined as per the following formula:

$$See_{i,j} = \max(1; See_initial_{i,j}) ;$$

where the initial cost $See_initial_{i,j}$ is:

$$See_initial_{i,j} = \sum_{d=1}^{N_{i,j}} \sum_{h=0}^{23} (P_{DAM_{h,d,i,j}} * V_{h,d,i,j}^{ee_actual}) - 0,035 * \sum_{d=1}^{N_{i,j}} \sum_{h=0}^{23} (P_{DAM_{h,d,i,j}} * 2043) + S_{corr} +/- D$$

where:

2043 MWh — planned amount of electricity supplied each hour;

$P_{DAM_{h,d,i,j}}$ RUB/MWh is an equilibrium electricity price based on the results of competitive selection by the Commercial Operator on the day-ahead market in delivery point cluster per hour (h) for day (d) of the month (i) of the year (j);

$V_{h,d,i,j}^{ee_actual}$ MWh actual volume of electricity supplied per hour (h) for day (d) of the month (i) of the year (j) in relation to delivery point cluster, determined in accordance herewith, shall be defined by the Commercial Operator in its reports submitted to the Parties under the Wholesale Market Rules, the Joining Agreement, and the Wholesale Market Regulations;

$N_{i,j}$ - number of days in the i month of the j year;

S_{corr} RUB — amount of adjustment is determined only for the last delivery month of each year (j) as per the following formula:

$$S_{corr} = 0,035 * \left(\frac{\sum_{i=1}^z \sum_{d=1}^{N_{i,j}} \sum_{h=0}^{23} (P_{DAM_{h,d,i,j}} * (2043 + 833))}{\sum_{i=1}^z \sum_{d=1}^{N_{i,j}} \sum_{h=0}^{23} (2043 + 833)} \right) * \\ * \left(\frac{17,9}{25,2} \right) * \max(0; \sum_{i=1}^z \sum_{d=1}^{N_{i,j}} \sum_{h=0}^{23} (2043 + 833) - \sum_{i=1}^z \min(V_{HPP,i}^{free_volume}; V_{Plant,i}^{actual}))$$

z — months in the year (j) when the delivery is made;

$V_{plant,i}^{actual}$ MWh — volume of actual electricity consumption in the buyer's delivery point cluster — RUSAL Bratsk OJSC in the month (i) as per the financial report generated by the Commercial Operator.

$V_{HPP,i}^{free_volume}$ MWh — volume of actual electricity generation by Bratskaya HPP, Ust-Ilimskaya HPP and Irkutskaya HPP in the month (i), except for:

- volume of actual electricity intake by delivery point cluster of Bratskaya HPP, Ust-Ilimskaya HPP and Irkutskaya HPP in the month (i);
- Bratskaya HPP, Ust-Ilimskaya HPP and Irkutskaya HPP supply volume under regulated agreements concluded in accordance with the Wholesale Market Regulations in the month (i).

D — as determined as per the formula referred to above.

The consideration will be satisfied in cash via wire transfer. Preliminary payments for electricity supplied shall be paid within the following timeframe:

- Not later than on the fourteenth (14th) day of the reporting period in the amount of 100 % of the preliminary cost of electricity calculated as per the formula below and the VAT calculated under the applicable laws of the Russian Federation:

$$S_{i,j}^{ess_plan_1-9} = \sum_{d=1}^9 \sum_{h=0}^{23} (0,965 * P_{DAM_{h,d,i,j}} * V_{h,d,i,j}^{ess_actual})$$

- Not later than on the twenty-eighth (28th) day of the reporting period in the amount of 100 % of the preliminary cost of electricity calculated as per the formula below and the VAT calculated under the applicable laws of the Russian Federation:

$$S_{i,j}^{ess_plan_10-23} = \sum_{d=10}^{23} \sum_{h=0}^{23} (0,965 * P_{DAM_{h,d,i,j}} * V_{h,d,i,j}^{ess_actual})$$

where:

$P_{DAM_{h,d,i,j}}$ RUB/MWh is an equilibrium electricity price based on the results of competitive selection by the Commercial Operator on the day-ahead market in delivery point cluster of the agreement per hour (h) for day (d) of the month (i) of the year (j);

$V_{h,d,i,j}^{ess_actual}$ MWh — actual volume of electricity supplied hereunder per hour (h) for day (d) of the month (i) of the year (j) in relation to delivery point cluster of the buyer, determined in accordance herewith, shall be defined by the Commercial Operator in appropriate reports submitted to the parties in compliance with the Wholesale Market Rules, the Joining Agreement, and the Wholesale Market Regulations

The final payment for electricity supplied shall be made on or before the twenty-first (21st) day of the month following the reporting period.

(iii) RUSAL Energo Limited Liability Company (“**RUSAL Energo**”), a subsidiary of the Company, and EuroSibEnergo Joint Stock Company (“**EuroSibEnergo**”), a power generating company controlled by En+ as to more than 30% of its issued share capital, propose to enter into a long-term electricity purchase contract pursuant to which RUSAL Energo agreed to purchase electricity from EuroSibEnergo for a period from 1 November 2016 to 31 December 2025. The overall contractual amount of electricity to be supplied each year is as follows:

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Electricity Supply Volume (million KWh)	4,146.05	12,404.160	12,404.160	12,404.160	12,438.144	12,404.160	12,404.160	12,404.160	12,438.144	12,404.160

The contract price (tariff) for the electricity under this long-term contract is determined on the basis of the following:

Cost of the agreement for the reporting period $See_{i,j}$ (electricity cost for the i month of the j year) shall be determined as per the following formula:

$$See_{i,j} = \max(1; See_initial_{i,j});$$

where the initial cost $See_initial_{i,j}$ is:

$$See_initial_{i,j} = \sum_{d=1}^{N_{i,j}} \sum_{h=0}^{23} (P_{DAM_{h,d,i,j}} * V_{h,d,i,j}^{ee_actual}) - 0,035 * \sum_{d=1}^{N_{i,j}} \sum_{h=0}^{23} (P_{DAM_{h,d,i,j}} * 1416) + S_{corr} - E_{additional_discount} +/- D$$

where:

1,416 MWh — planned amount of electricity supplied hereunder each hour;

$P_{DAM_{h,d,i,j}}$ RUB/MWh is an equilibrium electricity price based on the results of competitive selection by the Commercial Operator on the day-ahead market in delivery point cluster hereof per hour (h) for day (d) of the month (i) of the year (j);

$V_{h,d,i,j}^{ee_actual}$ MWh actual volume of electricity supplied hereunder per hour (h) for day (d) of the month (i) of the year (j) in relation to delivery point cluster, determined in accordance herewith, shall be defined by the Commercial Operator in its reports submitted to the parties under the Wholesale Market Rules, the Joining Agreement, and the Wholesale Market Regulations;

$N_{i,j}$ - number of days in the i month of the j year;

$E_{\text{additional_discount}}$ RUB — the indicator is determined as per the following:

$$E_{\text{additional_discount}} = \frac{Effect_{\text{of_non-delivery}}}{x}$$

where:

x — number of months elapsed from the supply start date under the agreement until 30 April 2017;

$Effect_{\text{of_non-delivery}}$ RUB — aggregate discount (aggregate effect) not received by the buyer due to the lack of electricity supplied by the seller to the buyer's address as per the Free Agreement for Electricity Sale and Purchase over the period from 1 January 2016 until the electricity supply start date under this agreement.

The value shall be calculated as per the formula:

$$Effect_{\text{of_non-delivery}} = 0.035 * \sum_h (P_h^{DAM} * 1416)$$

where:

h — an hour within the range of all hours for the period from 1 January 2016 until the electricity supply start date under the agreement.

P_h^{DAM} RUB/MWh — selling price of electricity in the Day-Ahead Market in relation to the hour h as regards the seller's delivery point cluster (the "DPC") which is the DPC of the bilateral agreement and specified in the agreement. The said price is determined by the Commercial Operator in the ATS OJSC wholesale market and published daily on the seller's webpage of the Commercial Operator's official website in the trading session report.

S_{corr} RUB — amount of adjustment is determined only for the last delivery month of each year (j) as per the following formula:

$$S_{corr} = 0,035 * \left(\frac{\sum_{i=1}^z \sum_{d=1}^{N_{i,j}} \sum_{h=0}^{23} (P_{DAM_{h,d,i,j}} * 1416)}{\sum_{i=1}^z \sum_{d=1}^{N_{i,j}} \sum_{h=0}^{23} (1416)} \right) * \max(0; \sum_{i=1}^z \sum_{d=1}^{N_{i,j}} \sum_{h=0}^{23} (1416) - \sum_{i=1}^z \min(V_{HPP,i}^{free_volume}, V_{Plant,i}^{actual}))$$

z — months in the year (j) when the delivery hereunder is made;

$V_{plant,i}^{actual}$ MWh — volume of actual electricity consumption in the buyer's delivery point cluster (PKRALUMZ) in the month (i) as per the financial report generated by the Commercial Operator.

$V_{HPP,i}^{free_volume}$ MWh — volume of actual electricity generation by Krasnoyarskaya HPP in the month (i), except for:

- volume of actual electricity intake by the consumption delivery point cluster of Krasnoyarskaya HPP in the month (i);
- Krasnoyarskaya HPP supply volume under regulated agreements concluded in accordance with the Wholesale Market Regulations in the month (i);
- Krasnoyarskaya HPP supply volume in 2016 in the month (i) under agreements concluded in accordance with currently effective regulatory acts to exclude growth exceeding the ultimate unit cost of electricity and capacity purchase in the electric energy wholesale market at free (unregulated) consumer prices as per certain resolutions adopted by the Government of the Russian Federation

D — as determined as per the formula referred to above.

The consideration will be satisfied in cash via wire transfer. Preliminary payments for electricity supplied shall be paid within the following timeframe:

- Not later than on the fourteenth (14th) day of the reporting period in the amount of 100 % of the preliminary cost of electricity calculated as per the following formula and the VAT calculated under the applicable laws of the Russian Federation:

$$S_{i,j}^{es_plan_1-9} = \sum_{d=1}^9 \sum_{h=0}^{23} (0,965 * P_{DAM_{h,d,i,j}} * V_{h,d,i,j}^{es_actual})$$

- Not later than on the twenty-eighth (28th) day of the reporting period in the amount of 100 % of the preliminary cost of electricity calculated as per the following formula and the VAT calculated under the applicable laws of the Russian Federation:

$$S_{i,j}^{es_plan_10-23} = \sum_{d=10}^{23} \sum_{h=0}^{23} (0,965 * P_{DAM_{h,d,i,j}} * V_{h,d,i,j}^{es_actual})$$

where:

$P_{DAM_{h,d,i,j}}$ RUB/MWh is an equilibrium electricity price based on the results of competitive selection by the Commercial Operator on the day-ahead market in DPC of the agreement per hour (h) for day (d) of the month (i) of the year (j);

$V_{h,d,i,j}^{es_actual}$ MWh — actual volume of electricity supplied hereunder per hour (h) for day (d) of the month (i) of the year (j) in relation to DPC of the buyer, determined in accordance herewith, shall be defined by the Commercial Operator in appropriate reports submitted to the parties in compliance with the Wholesale Market Rules, the Joining Agreement, and the Wholesale Market Regulations

The final payment for electricity supplied shall be made on or before the Twenty-First (21st) day of the month following the reporting period.

The prices for the En+ Long-Term Electricity Supply Contracts are agreed between the parties (subject to the Wholesale Market Rules which have indirect influence on the calculation of the total cost of a user's consumed electricity in connection with the contracts concluded by such a person) and are not subject to regulation by the Non-Commercial Partnership Market Council ("**Market Council**"), that organises an efficient system of trading on the wholesale and retail electricity and capacity market in Russia and which is responsible for the organisation and functioning of the electric energy wholesale market.

Performance of the En+ Long-Term Electricity Supply Contracts is subject to their registration with the Joint-Stock Company "Trading System Administrator of Wholesale Electricity Market Transactions" ("**TSA**") a governmental authority established by the Market Council. EuroSibEnergo PLC, the parent company of EuroSibEnergo and Irkutskenergo, will also provide a guarantee and indemnity in respect of EuroSibEnergo and Irkutskenergo's obligation under the En+Long-Term Electricity Supply Contracts respectively.

As shown above, the cost of electricity to be supplied by Irkutskenergo and EuroSibEnergo is based on a formula which is tied to the market prices of electricity at discount. The formula was determined through arm's length negotiation between the parties and so far as the Company is aware, it is a common market practice to adopt similar formula in similar price calculations. These En+ Long-Term Electricity Supply Contracts will be entered into with the respective counterparties separately after arm's length negotiations on the terms including these formulas. While these formulas are not intended to be universally applied to all long-term electricity supply contracts, the Group may take into account the same principles of linking the cost of electricity with the parameter such as the market price of electricity in arriving the formulas for any other long-term electricity supply contracts in the future (whether with independent third parties or connected persons). On this basis, the Company takes the view that the pricing terms based on the above formulas reflect normal commercial terms.

The market price (being the price on the spot day-ahead market) is determined by the TSA based on the bids/tenders from suppliers of electricity and buyers of electricity. TSA determines the price for each hour. TSA was created as a commercial operator of the wholesale electricity and capacity market for the purposes of organisation of trading on that market, namely organisation and execution of transactions on the circulation of electricity, capacity, and other objects of trade, the circulation of which is allowed in the wholesale electricity and capacity market. Its activities include: (i) organisation of wholesale trading in electricity and capacity; (ii) registration of bilateral purchase and sale of electricity and capacity contracts; (iii) maintaining a database about the actual production of electricity and capacity and their

consumption in the electric energy wholesale market; and (iv) working with organisations of technological infrastructure in order to forecast the volume of production and consumption of electricity and maintain technical quality parameters, stability and security of supply and some other. The website of TSA is <http://www.atsenergo.ru> (and the contents of which do not form part of this announcement). For illustration purpose, among the various information available at the TSA website, the information which relates to the long-term electricity supply contracts with En+’s Associates includes the results of trading (including the results of competitive selection and volumes on the spot market), the volumes under different kinds of contracts (e.g. regulated contracts) etc.

It is expected that members of the Group may continue to enter into new long-term electricity supply contracts with En+’s Associates from time to time.

(b) *Short-term E&C Contracts with En+’s Associates*

Members of the Group, including BrAZ, KrAZ, Rusal Energo, RUSAL Sayanogorsk, Rusal Novokuznetsk and SUAL enter into, from time to time as part of their ordinary course of business, short-term E&C Contracts with duration not exceeding one year with companies controlled by En+, including Irkutskenergo, LLC “Avtozavodskaya CHP”, EuroSibEnergo and Krasnoyarskaya HPP.

The electricity and capacity supplied under these short-term E&C Contracts are derived from the plants operated by Irkutskenergo, Krasnoyarskaya HPP and also derived from LLC “Avtozavodskaya CHP”. The whole volume of electricity and capacity (excluding electricity and capacity supplied to residential users) is supplied at prices determined under the competitive procedure. Such prices are determined based on the bids/tenders from suppliers and customers of electricity through TSA, on the capacity — through the system operator and such prices are generally considered as market prices. TSA facilitates the transactions by matching the suppliers and customers. The regulations of the Russian Government (which are statutory requirements that the parties should comply with) set out the procedures pursuant to which such market prices shall be arrived. Accordingly, the Group may enter into such short-term E&C Contracts with independent third parties or connected persons only through TSA. Given that it is for TSA to control the matching of the suppliers and customers, for these short-term E&C Contracts, the Group does not take the lead in determining the identities of the counter-parties. Therefore, the Company takes the view that the prices under such short term E&C Contracts are no less favourable to the Group than those offered by independent third parties.

There are exceptions to the above price determination procedures which include contracts for supply of capacity with suppliers working in the forced regime. Such contracts require capacity to be sold at tariffs prescribed by the Russian authorities and calculated on the basis of the mechanism approved by the Russian Government. The list of suppliers working in the forced regime is determined by the relevant Russian authorities from time to time based on the economic situation of each such supplier. Currently the members of the Group have not entered into any short-term E&C contracts with suppliers in the forced-regime which are also connected persons of the Company. However, should any of the Company's supplier being connected person be registered by the Russian authorities as a supplier working in the forced regime, the members of the Group would be obliged to acquire capacity at tariffs prescribed by the Russian authorities. Payment under each of these contracts is made by installments in accordance with the regulation of the Market Council. The consideration is satisfied in cash via wire transfer.

In addition, members of the Group, including LLC "SUAL-Kremniy-Ural", OJSC "South Ural Cryolite Plant", OJSC "Ural Foil" and JSC "RUSAL SAYANAL", enter into, from time to time as part of their ordinary course of business, short-term E&C Contracts not exceeding three years with LLC MAREM+ ("**MAREM+**"), a company controlled by En+, for the supply of electricity and capacity purchased on the electric energy wholesale market. The purchase of electricity and capacity on the electric energy wholesale market is effected at a price which is determined daily (for electricity) and monthly (for capacity), based on the trading results at the electric energy wholesale market, and subject to unpredictable external fluctuations (including, without limitation, weather factors, river stream flow rates, hydro-power plant output storage, transborder cross-flow planning, provision for reserves by power generation facilities, scheduled equipment repairs, fuel price fluctuations, details of fuel regime for "endpoint" heat power generation facilities, economic efficiency of bids submitted by producers, technological processes of power generation facilities' equipment, and effect of state regulation on the market model). The price under these contracts is derived from the electric energy wholesale market price determined under the regulations of the Russian Government which are statutory requirements that the parties should comply with. More particularly, MAREM+ purchases the electricity and capacity at the electric energy wholesale market and then re-sells to the buyers at prices not higher than those allowed under the regulations of the Russian Government. The reason for such E&C Contract is that due to geographical and other issues such as the low volume

involved, certain members of the Group may not be able to purchase electricity and capacity directly from the electric energy wholesale market and therefore have to do so through the re-sellers in the market. In such circumstances, the Group will seek offers from different re-sellers (who shall include independent third party(ies) where available) by tender and choose the most competitive offer which will be based on the more profitable terms rather than identities of the offeror. Therefore, the Company takes the view that the prices under such short term E&C Contracts are no less favourable to the Group than those offered by independent third parties.

Payments are effected by tentatively scheduled installments during each month, with the final payment effected in the middle of the month following the month of billing. The consideration is satisfied in cash via wire transfer.

Members of the Group also from time to time enter into short-term E&C Contracts with LLC “Irkutskaya Energobytovaya Company” (“**Irkutskenergosbyt**”), a company controlled by En+ as to more than 30%, for the supply of electricity and capacity purchased at the wholesale electricity market on normal commercial terms (including the pricing terms) regulated under the regulations of the Russian Government (as more particularly explained below) which are statutory requirements that the parties should comply with. Irkutskenergosbyt, similar to MAREM+, is a re-seller of electricity and capacity except that Irkutskenergosbyt is a “provider of last resort”, namely a commercial organization which is obliged under the Russian legislation to conclude an E&C Contract with any customer or its agent applying to it. The sales premium of Irkutskenergosbyt is regulated by the regional authority of the Irkutsk region. For geographical and other issues such as the low volume involved, customers may not be able to purchase the required electricity and capacity from anyone in the electric energy wholesale market at all. Under the regulations of the Russian Government, the “provider of last resort” must supply the electricity and capacity to such customers in a particular region in order to ensure that those customers are able to purchase the necessary electricity and capacity. Under such circumstances, under the regulations of the Russian Government, the “provider of last resort” shall supply the electricity and capacity according to the tariffs, regulated by the government whether or not the counterparties are independent third parties or connected persons. Therefore, the Company takes the view that the prices under such short term E&C Contracts are no less favourable to the Group than those offered by independent third parties. Payment under each of these contracts is made by installments during each month of supply. The consideration is satisfied in cash via wire transfer.

The actual monetary value of electricity and capacity purchased for the year ended 31 December 2015 and the first six months of 2016 under the above contracts was USD107.8 million and USD42.4 million respectively.

It is expected that members of the Group will continue to enter into short-term E&C contracts with associates of En+ from time to time. Consistent with the Company's past practice, the relevant member of the Group will enter into a written agreement with the relevant En+'s Associate for each of such contracts separately. Each of such written agreements shall set out the basis of the calculation and the terms of the payments to be made (which shall be generally in line with the terms described above), the fixed period for the agreement (which shall not exceed three years other than the terms as determined by the Russian Government and/or Russian authorities) and reflect normal commercial terms. Under each of such contracts, the price at which the electricity and capacity to be supplied will be at a price which is not less favourable to the Group than the price at which the Group obtains electricity and capacity of similar nature from independent third parties having regard to the quantity and other conditions of the transactions. As disclosed in the announcement of the Company dated 28 March 2014, on 27 March 2014, the framework agreement, governing the electricity and capacity transactions including transactions under the short-term electricity and capacity supply contracts with En+'s associates was signed. An addendum to the existing framework agreement will be entered into which will cover the short-term electricity and capacity supply contracts with En+'s associates for the three years ending 31 December 2017, 2018 and 2019. Pursuant to the framework agreement, definitive written agreements to be entered into from time to time for the short-term E&C Contracts with En+'s Associates (and for the miscellaneous E&C Contracts with En+'s Associates, as the case may be) shall be on normal commercial terms in compliance with all applicable laws, rules and regulations and in no event shall the terms be less favourable to the Group than the terms at which the Group obtains electricity and capacity (and transmission of electricity and other ancillary services, as the case may be) of similar nature from independent third parties having regard to the quantity and other conditions of the transaction, and shall be consistent with the relevant terms as disclosed in this announcement for the short-term E&C Contracts (and the miscellaneous E&C Contracts, as the case may be).

Prior to entering into each short-term E&C Contract which requires the Board's approval or a public disclosure, the Directors will hold a board meeting to consider and, if thought fit, approve such contract taking into account the fairness and reasonableness of such contract and whether it complies with the requirements of the Listing Rules (if required) and is in the best interest of the Company and the Shareholders as a whole. The Directors will also ensure that such contract would contain the terms (including the pricing terms) as described in this announcement.

Different rules and regulations of the Russian Government apply to govern the pricing terms of different short-term E&C Contracts because those contracts are different in nature. There is no unified fixed pricing formula covering all the short-term E&C Contracts with En+'s Associates.

The Company believes that the prices based on the aforesaid rules and regulations are normal commercial terms given that, according to the aforesaid rules and regulations, the prices are determined based on the following: (i) most of the variables are determined by TSA (website: <http://www.atsenergo.ru>, the contents of which do not form part of this announcement) based on the existing supply and demand for electricity and capacity on the market which are publicly disclosed on its website; (ii) certain variables are determined by the regional/local authorities based on the rules for the calculation of tariffs (i.e. mandatory in nature); (iii) certain variables are determined by "provider of last resort" based on such provider's sale and purchase of the electricity and capacity on the retail market; and (iv) certain variables are taken from the estimated supply and demand of the electricity and capacity in Russia prepared by the Federal Antimonopoly Service of the Russian Federation (a governmental authority) (the "**Russian Federal Antimonopoly Service**").

(c) *Miscellaneous E&C Contracts with the En+'s Associates*

The Group has also from time to time entered into miscellaneous electricity and capacity transmission contracts with OJSC "Irkutsk Electronetwork Company" ("**IENC**"), being a company controlled by En+ as to more than 30% of its issued share capital.

The payment for electricity and capacity transmission is determined by the tariffs stipulated by the Tariff Service of the Irkutsk region (an executive authority of the Irkutsk region in the sphere of government regulation of tariffs including electricity and capacity transmission tariffs) which are statutory requirements that the parties should comply with, and which are uniform for all consumers (tariffs are differentiated depending on voltage levels). The tariffs are

uniform to all customers whether or not the supplier is an independent third party or a connected person, the Company takes the view that the prices under such miscellaneous E&C Contracts are no less favourable to the Group than those offered by independent third parties.

Payments are effected by tentatively scheduled installments during each month, with the final payment effected in the middle of the month following the month of billing. The consideration is satisfied in cash via wire transfer.

The actual monetary value of electricity and capacity transmission services purchased for the year ended 31 December 2015 and the first six months of 2016 under these contracts with IENC was USD113.9 million and USD55.6 million respectively.

It is expected that members of the Group will continue to enter into miscellaneous electricity and capacity transmission contracts with associates of En+ from time to time. Consistent with the Company's past practice, the relevant member of the Group will enter into a written agreement with the relevant En+'s Associate for each of such contracts separately. Each of such written agreements shall set out the basis of the calculation and the terms of the payments to be made (which shall be generally in line with the terms described above), the fixed period for the agreement (which shall not exceed three years) and reflect normal commercial terms. Under each of such contracts, the price at which the services to be supplied will be at a price which is not less favourable to the Group than the price at which the Group obtains services of similar nature from independent third parties having regard to the quantity and other conditions of the transactions. As disclosed in the announcement of the Company dated 28 March 2014, on 27 March 2014, the framework agreement, governing the electricity and capacity transactions including the transactions under the miscellaneous electricity and capacity transmission contracts with En+'s associates was signed. An addendum to the existing framework agreement will be entered into which will cover the miscellaneous electricity and capacity transmission contracts with En+'s associates for the three years ending 31 December 2017, 2018 and 2019. Pursuant to the framework agreement, the definitive written agreements to be entered into from time to time for the miscellaneous E&C Contracts with En+'s Associates shall be on normal commercial terms in compliance with all applicable laws, rules and regulations and in no event shall the terms be less favourable to the Group than the terms at which the Group obtains transmission of electricity and other ancillary services of similar nature from independent third parties having regard to the quantity and other conditions of the transaction, and shall be consistent with the relevant terms as disclosed in this announcement for the miscellaneous E&C Contracts.

Prior to entering into each miscellaneous E&C Contract which requires the Board's approval or a public disclosure, the Directors will hold a board meeting to consider and, if thought fit, approve such contract taking into account the fairness and reasonableness of such contract and whether it complies with the requirements of the Listing Rules (if required) and is in the best interest of the Company and the Shareholders as a whole. The Directors will also ensure that such contract would contain the terms (including the pricing terms) as described in this announcement.

(d) *Long-Term Capacity Supply Contracts with En+'s Associates*

As previously disclosed, the members of the Group as buyers, including BrAZ, Rusal Energo, RUSAL Sayanogorsk, Boguchansk Aluminium Smelter and Rusal Novokuznetsk enter into, from time to time as part of their ordinary course of business, the capacity supply from renewable sources of energy contracts with a term of 15 years with companies controlled by En+ as sellers, including Krasnoyarskaya HPP ("**Long-Term Capacity RSE Contracts**").

Long-Term Capacity RSE Contracts are 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 of 180 months) of which are determined by the Market Council and which are published on the website of the Market Council.

As a participant in the electric energy wholesale market, if the members of the Group did not enter into the Long-Term Capacity RSE Contracts, they would be considered to be in breach of the governmental regulations. 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, the members of the Group would be prohibited from purchasing electricity and/or capacity on the electric energy wholesale market and would be required to purchase electricity and/or 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 Long-Term Capacity RSE Contracts are non-negotiable by the parties to the Long-Term Capacity RSE Contracts.

The monthly volume of capacity which the seller undertakes to supply and the buyer undertakes to accept and pay for ("**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, the number of the participants of the electric energy wholesale market for each month. The exact volume of capacity to be supplied and accepted is notified to the sellers and the buyers by 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 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 Resolution of the Government of the Russian Federation and the rules of the electric energy wholesale market.

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.

The actual monetary value capacity purchased for the two years ended 31 December 2014 and 2015 and the first six months of 2016 under these contracts was nil, nil and USD0.36 million respectively.

The Company believes that the prices and the long term of the Long-Term Capacity RSE Contracts which are based on the aforesaid 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.

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

Historical transaction figures for E&C Contracts with En+’s Associates

For the three years ended 31 December 2013, 2014 and 2015 and the first six months in 2016, the amount purchased under the E&C Contracts with En+’s Associates was USD 635.2 million, USD 530.5 million, USD 413.1 million and USD198.6 million respectively.

Proposed 2017/2018/2019 Caps for E&C Contracts with En+’s Associates

The Board has considered and proposes the following annual caps in respect of the transactions under the E&C Contracts entered into/to be entered into with En+’s Associates for the years ending 31 December 2017, 2018 and 2019:

Period	Annual Cap
Year ending 31 December 2017	USD 833 million (net of VAT and determined at the USD/RUB exchange rate as 1/70)
Year ending 31 December 2018	USD 887.3 million (net of VAT and determined at the USD/RUB exchange rate as 1/70))
Year ending 31 December 2019	USD 941.3 million (net of VAT and determined at the USD/RUB exchange rate as 1/70)

The Proposed 2017/2018/2019 Caps for E&C Contracts with En+’s Associates were calculated on the basis of (i) the abovementioned historical figures; (ii) the estimated amounts for the contracts which the Group as purchaser of capacity is required to enter into with the relevant connected persons under the rules for purchase of capacity in the wholesale electricity supply market in Russia; (iii) the expected energy demand for our aluminium smelting processes for the three years ending 31 December 2017, 2018 and 2019; (iv) expected increase of the transmission and electricity tariffs in Russia as the prices under the miscellaneous E&C Contracts are determined by reference to tariffs and (v) changes of the market rules.

Reasons for and benefits of entering into the E&C Contracts

The Group enters into E&C Contracts with both independent third parties and connected persons from time to time, taking into account various factors including the availability of such supply and service in the particular region and the terms and conditions and quality of such supply and service. The Company considers that the E&C Contracts will help secure a stable source of supply of electricity and capacity for the aluminium smelters of the Group. In particular, for the long-term electricity supply contracts, taking into account the discount of market prices helps to reduce the effect of volatility in the market price of electricity on the Group’s margins. As disclosed by the Company previously, Krasnoyarskaya HPP stopped supplying electricity under the long-term contract between KrAZ and Krasnoyarskaya HPP in November 2014. In March 2015, KrAZ filed a claim against Krasnoyarskaya HPP in the Russian “arbitrazh” court seeking, among other things, an order requiring Krasnoyarskaya HPP to supply electricity as provided by the long-term contract. The courts, in the first and appellate instances, concluded that the monthly applications signed by the parties and registered with the TSA form the only enforceable basis for such electricity supply. That eventually meant that the long-term contract between KrAZ and Krasnoyarskaya HPP was determined in the proceedings as unenforceable.

Since the other two long-term E&C contracts between BrAZ and Irkutskenergo and between OJSC “SUAL” and Irkutskenergo are, save for the pricing formula, similar

to the long-term contract between KrAZ and Krasnoyarskaya HPP, the Company's subsidiaries face a risk that Irkutskenenergo may refuse to supply electricity at the prices or in the volumes fixed in the existing long-term E&C contracts. Should such risk materialize, it would leave the Company's principal smelters with little or no legal recourse.

Since late 2014, the Company has been in negotiations with En+ group companies to mitigate the risks and ensure the stable supply under predictable prices. Since the long-term relationships in the area of electricity and/or capacity should be viewed in their entirety and not on a contract-by-contract basis, En+ proposed to renew these relationships based on the current economic circumstances and memorialize them under the new En+ Long-Term Electricity Supply Contracts. The principal advantage of the En+ Long-Term Electricity Supply Contracts is that such supply agreements would fix the electricity price at a rate which is 3.5 percent below market prices. The En+ Long-Term Electricity Supply Contracts would provide for the long term and maximally secure pricing of electricity and more effectively protect the interests of the Company in terms of continuity of supply under these contracts.

Failure to enter into the En+ Long-Term Electricity Supply Contracts would leave the Company's subsidiaries potentially either having to purchase electricity on the open market pursuant to short term supply arrangements or to enter into longer term electricity supply agreements at less advantageous prices than those being offered by En+.

For the short-term E&C Contracts, they cover different circumstances under which the relevant members of the Group require the supply of electricity and capacity and help to ensure that the relevant members of the Group will have the electricity and capacity as required in different regions under different needs. For the miscellaneous E&C Contracts, namely provision of E&C transmission services, IENC is the only entity available for the transmission of electricity in Irkutsk region and therefore the relevant members of the Group are required to enter into the miscellaneous E&C Contracts with it.

The Long-Term Capacity RSE Contracts are one of the tools of recently introduced Russia's new capacity-based renewable energy support scheme and are compulsory for participants of the wholesale electric energy market. Failure to conclude such contracts results in exclusion of a company from the electric energy wholesale market that means that such company would have to acquire the electricity/capacity at less favourable retail market prices. There is a standard prescribed form for such contracts which is published on the website of the Market Council which must be strictly followed. The terms for such contracts, including the period for such contracts being 180 months, are established by the Russian Government and are the same for any company.

The Company considers that En+’s Associates are reliable business co-operation partners for the E&C Contracts, the En+ Long-Term Electricity Supply Contracts and the Long-Term Capacity RSE Contracts and the entering into of the E&C Contracts with En+’s Associates is beneficial to the business of the Group.

The Board (including the independent non-executive Directors) considers that the E&C Contracts, the En+ Long-Term Electricity Supply Contracts and the Long-Term Capacity RSE Contracts are on normal commercial terms, in the ordinary and usual course of business of the Group and the En+ Long-Term Electricity Supply Contracts, the Long-Term Capacity RSE Contracts and the Proposed 2017/2018/2019 Caps for E&C Contracts with En+’s Associates are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. ALUMINIUM SALES CONTRACTS

As previously disclosed, members of the Group have entered into aluminium sales contracts with Mr. Deripaska’s Associates.

Aluminium Sales Contracts with Mr. Deripaska’s Associates

Mr. Deripaska, the president of the Company and an executive Director, indirectly controls more than 30% of each of (i) LLC Tradecom, (ii) Limited Liability Company Krasnoyarsk Metallurgical Plant (“**LLC KraMZ**”), (iii) members of the group of Open Joint Stock Company “GAZ” (the “**GAZ Group**”) including LLC Trading and Procurement Company GAZ (“**LLC GAZ**”) , LLC Avtokomponenty-GAZ Group, OJSC “UMZ”, JSC Autodiesel, JSC Automobile Plant URAL, and (iv) Joint Stock Company “Barnaultransmash,” (“**OJSC Barnaultransmash**”). Each of these companies is therefore an associate of Mr. Deripaska. Therefore, transactions among members of the Group and associates of Mr. Deripaska including LLC Tradecom, LLC KraMZ, members of the GAZ Group (including LLC GAZ, LLC Avtokomponenty-GAZ Group, OJSC “UMZ”, JSC Autodiesel, JSC Automobile Plant URAL), and OJSC Barnaultransmash, discussed below, constitute continuing connected transactions of the Company under the Listing Rules.

(a) *LLC Tradecom and LLC KraMZ*

On 14 December 2006, the Group through UC RUSAL TH, entered into a long-term contract to supply aluminium to LLC Tradecom for a period until December 2021. Pursuant to the contract, the Group would supply aluminium to LLC Tradecom at arm’s length prices tied to the price of aluminium on the LME. The basis of determination of the price is provided for in the long-term contract. The price is calculated as the one-month average aluminium LME price plus transportation expenses and a premium (for higher grades of aluminium, namely

above A7 grade) or discount (for lower grades of aluminium, namely below A7 grade), the amount of which is defined depending on the percentage of aluminium in an ingot. There is no prescribed formula in determining the aforesaid premium or discount, if any. This is the approach what had been agreed by the parties well before the Company's listing on the Stock Exchange. According to the regulations of the Russian Federal Antimonopoly Service, the Company cannot amend such approach and must apply it under such contract. The consideration under the contract must be prepaid.

As disclosed in the Company's announcement dated 18 March 2011, a substitution agreement was signed by UC RUSAL TH, LLC Tradecom and LLC KraMZ on 17 March 2011 pursuant to which LLC KraMZ substituted LLC Tradecom as the buyer to the above long-term supply contract.

The consideration for the aluminium supplied under this contract (as supplemented) to LLC KraMZ during the year ended 31 December 2015 and the first six months of 2016 amounted to USD115.9 million and USD59.6 million respectively. The consideration was satisfied in cash via wire transfer.

(b) *Members of GAZ Group and OJSC Barnaultransmash*

- On December 17, 2012, Limited Liability Company RUSAL RESAL (“**RUSAL RESAL**”), a wholly-owned subsidiary of the Company, entered into a short-term contract for supply of secondary aluminium to OJSC Automobile Plant URAL for the period until December 31, 2013, at arm's length prices defined on monthly basis. Since December 2, 2014, the payment under the contract is made by 100% advance payment. The said contract was to be renewed automatically for another calendar year unless the parties declare their intention to terminate it. Automatic renewal was prescribed for not more than two times. The total remuneration for aluminium supplied under the said contract to OJSC Automobile Plant URAL during the year ended December 31, 2015, amounted to USD 0.1 million.
- On December 17, 2012, RUSAL RESAL entered into a contract for supply of secondary aluminium to OJSC “UMZ” for the period until December 31, 2013, at arm's length prices defined on monthly basis. Since December 2, 2014, the payment under the contract is made by 100% advance payment. The said contract was to be renewed automatically for another calendar year unless the parties declare their intention to terminate it. Automatic renewal was prescribed for not more than two times. The total remuneration for aluminium supplied under the said contract to OJSC Ulyanovsk Motor Plant during the year ended December 31, 2015, amounted to USD 0.3 million.

- On December 10, 2012, RUSAL RESAL entered into a contract for supply of secondary aluminium to OJSC Autodiesel for the period until December 31, 2013, at arm's length prices defined on monthly basis. Since December 2, 2014, the payment under the contract is made by 100% advance payment. The said contract was to be renewed automatically for another calendar year unless the parties declare their intention to terminate it. The total remuneration for aluminium supplied under the said contract to OJSC Autodiesel during the year ended December 31, 2015, amounted to USD 1.5 million.
- On December 10, 2012, RUSAL RESAL entered into a contract for supply of secondary aluminium to OJSC Avtokomponenty — GAZ Group for the period until December 31, 2013, at arm's length prices defined on monthly basis. 100% advance payment is made within 60 calendar days after the date of supply (shipment) of the goods. Since December 1, 2014, the terms of payment were 100% advance payment. The said contract was to be renewed automatically for another calendar year unless the parties declare their intention to terminate it. The total remuneration for secondary aluminium supplied under the said contract to OJSC Avtokomponenty — GAZ Group during the year ended December 31, 2015, amounted to USD 2 million.

As of December 31, 2015, the four above-mentioned contracts were not renewed by RUSAL RESAL. Currently, it is planned to enter into similar contracts for the year ending December 31, 2016, with the following companies: OJSC Avtokomponenty — GAZ Group, OJSC UMZ, JSC Autodiesel, OJSC Automobile Plant URAL. Similar contracts are also planned for signing in 2017, 2018 and 2019.

- On January 1, 2013, the Group, acting through RUSAL Trading House, entered into framework agreements with members of GAZ Group (including OJSC Autodiesel, OJSC Automobile Plant URAL, OJSC UMZ and OJSC Barnaultransmash), under which the Group agreed to supply aluminium and alloys at arm's length prices defined on monthly basis until December 31, 2015. The payment under the contract was made by 100% advance payment. The said agreements were extended to February 28, 2016 for the three years ended 31 December 2013, 2014 and 2015 and the two months ended 29 February 2016, the Group, acting through RUSAL Trading House, signed addenda to these agreements on sale of aluminium and alloys with OJSC Autodiesel, OJSC Automobile Plant URAL, OJSC UMZ, and OJSC Barnaultransmash; The Company also signed similar contracts in 2016.

The total remuneration for aluminium supplied under the said contracts to members of the GAZ Group for the three years ended 31 December 2013, 2014 and 2015 and the two months ended 29 February 2016 amounted to USD38,297,571.39. The payment was made in cash by bank transfer.

- On March 3, 2016, the Group, acting through RUSAL Trading House, entered into framework agreements with members of the GAZ Group, under which the Group agreed to supply aluminium and alloys at market prices defined on monthly basis until December 31, 2016, where the price for alloys is defined in accordance with the following formula:

$P = \text{LME (Al)} + \text{fixed premium (from March to December 2016),}$

price for grade A7: $\text{LME} + \text{PA7},$

LME — average quotation of London Metal Exchange Cash Settlement High Grade Primary Aluminium (LME) during the quotation period ‘month pre-preceding the month of supply’ (M-2) in USD/tonne excluding VAT.

Relevant request for application of the said pricing was sent to the Russian Federal Antimonopoly Service of Russia. 100% of the payment under the agreements is payable within 20 days after date of shipment. The Group, acting through RUSAL Trading House, signed addenda to these agreements on sale of aluminium and alloys with LLC Avtokomponenty — GAZ Group, OJSC Autodiesel, OJSC Automobile Plant URAL and OJSC UMZ; besides, the Company plans to sign similar contracts with members of GAZ Group for 2017, 2018 and 2019.

The total remuneration for aluminium supplied under the said contracts to members of the GAZ Group from March to June 2016 amounted to USD3,595,535.50 respectively. The payment under the agreements was paid in cash by bank transfer.

The price for the aluminium sales contracts (regardless whether the counter-party is a connected party or not) is linked to the price of aluminium on the LME, namely the price on the LME plus a premium for the higher sorts of metal (namely for aluminium above grade A7), or a discount below the price on the LME for the lower sorts of metal (namely for aluminium below grade A7). There is no prescribed formula in determining the aforesaid premium or discount, if any. Under these contracts, the price for the primary aluminium is the average aluminum price quoted at the LME for one month taken within a two-month period preceding the day of delivery. The other kinds of aluminium are priced on the same basis and with a premium of up to 5% for the higher sorts of metal (namely for aluminium above grade A7) may be added. The maximum amount of the premium and the conditions of granting discount, as well as the basis for determination of the price are prescribed by the Russian Federal Antimonopoly Service (the details of which are set out below) and is applicable to all aluminium sales contracts regardless of whether the counterparties are independent third parties or connected persons in comparable circumstances. The factors

affecting the amount of premium or discount include product type, geographical market where the product is sold, quantity, terms of delivery, current market trends (referring to various publicly available sources like Metal Bulletin and/or conclusions of independent market analysts) and terms of payment and are based on normal commercial terms. In some cases the cost of transportation services, reflecting the transportation cost of the Company, are included in the price charged to the customers.

On the basis of the above, the Company believes that the price at which the aluminium to be supplied will be at a price which is not less favourable to the Group than the price at which the Group supplies aluminium of similar nature to independent third parties. The variation depends on the percentage of aluminium in the metal. Based on the Company's understanding, the aforesaid basis in determining the prices for these contracts (namely linking to the price of aluminium on the LME, namely the price on the LME plus a premium for the higher sorts of metal, or a discount below the price on the LME for the lower sorts of metal) is a normal market practice throughout the global aluminium industry.

The terms of payment and pricing mechanism as mentioned above are set out in detail in the Aluminium Sales Contracts with LLC Tradecom and with RUSAL RESAL. For other Aluminium Sales Contracts with Mr. Deripaska's Associates, any other aluminium sales contracts with connected or non-connected parties, the terms of payment and pricing mechanism as mentioned above are regulated by the relevant resolutions of the Russian Federal Antimonopoly Service, a Russian governmental authority, introduced at the time of the merger which resulted in the creation of the Company. The objective was to prevent the Company from using its market share to impose unfair prices or premiums on its customers within Russia. The resolutions are not incorporated into the contracts. However, the Company must fulfill the requirements as they are mandatory statutory regulations for the Company. The Company shall apply the formulae under the resolutions for the purpose of calculating the prices when dealing with independent third parties or connected persons. Moreover, under the relevant resolutions of the Russian Federal Antimonopoly Service, if the Company offers a discount to a customer (no matter it is an independent third party or a connected person) in respect of an aluminium product, the Company is obligated to offer the same discount to its other customers (no matter they are independent third parties or connected persons) in respect of the same product under a comparable transaction, otherwise the Company will be in breach of the relevant resolutions. The Company believes that such prices for these Aluminium Sales Contracts with Mr. Deripaska's Associates reflect normal commercial terms as the Company shall apply the same formulae in arriving at prices when dealing with customers who are independent third parties or connected persons.

The aggregate consideration received for the aluminium supplied to each of the companies referred to above, which are Mr. Deripaska's Associates, for the year ended 31 December 2015 and the first six months of 2016 was approximately USD128.0 million and USD62.9 million respectively.

It is expected that members of the Group will continue to enter into aluminium sales contracts with Mr. Deripaska's Associates from time to time. Consistent with the Company's past practice, the relevant member of the Group will enter into a written agreement with the relevant Mr. Deripaska's Associate for each of Aluminium Sales Contracts with Mr. Deripaska's Associates as mentioned above separately. Each of such written agreements shall set out the basis of the calculation and the terms of the payments to be made (which shall be generally in line with the terms described above), the fixed period for the agreement (which shall not exceed three years) and reflect normal commercial terms. Under each of such contracts, the price at which the aluminium to be supplied will be at a price which is not less favourable to the Group than the price at which the Group sells the aluminium of similar nature to independent third parties having regard to the quantity and other conditions of the sales. As disclosed in the announcement of the Company dated 28 March 2014, on 27 March 2014, the framework agreement, governing the transactions under the aluminium sales contracts with Mr. Deripaska's Associates was signed. An addendum to the existing framework agreement will be entered into which will cover the aluminium sales contracts with Mr. Deripaska's Associates for the three years ending 31 December 2017, 2018 and 2019. Pursuant to the framework agreement the definitive written agreements to be entered into from time to time for the aluminium sales contracts with Mr. Deripaska's Associates shall be on normal commercial terms in compliance with all applicable laws, rules and regulations and in no event shall the terms be less favourable to the Group than the terms at which the Group supplies aluminium of similar nature to independent third parties having regard to the quantity and other conditions of the transaction, and shall be consistent with the relevant terms as disclosed in this announcement for the Aluminium Sales Contracts with Mr. Deripaska's Associates.

Prior to entering into each Aluminium Sales Contract with Mr. Deripaska's Associates which requires the Board's approval or a public disclosure, the Directors will hold a board meeting to consider and, if thought fit, approve such contract taking into account the fairness and reasonableness of such contract and whether it complies with the requirements of the Listing Rules (if required) and is in the best interest of the Company and the Shareholders as a whole. The Directors will also ensure that such contract would contain the terms (including the pricing terms) as described in this announcement.

Historical transaction figures for Aluminium Sales Contracts

A breakdown of the approximate historical transaction figures for the Aluminium Sales Contracts is as follows:

- With respect to Aluminium Sales Contracts with Mr. Deripaska's Associates:

For the three years ended 31 December 2013, 2014, 2015 and the first six months in 2016, the aggregate consideration received by members of the Group under the Aluminium Sales Contracts with Mr. Deripaska's Associates was USD248.1 million, USD234.4 million, USD128.0 million and USD62.9 million respectively.

Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts

The Board has considered and proposes the following annual caps in respect of the transactions under the Aluminium Sales Contracts for the years ending 31 December 2017, 2018 and 2019.

The Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska's Associates:

Period	Annual Cap
Year ending 31 December 2017	USD 361 million (net of VAT)
Year ending 31 December 2018	USD 371 million (net of VAT)
Year ending 31 December 2019	USD 507 million (net of VAT)

The Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts were calculated on the basis of the historical figures and anticipated changes in the quantity of aluminium supplied by the Group due to an expected increase in demand from Russian purchasers.

Reasons for and benefits of entering into the Aluminium Sales Contracts

As a part of the Group's ordinary course of business and antimonopoly requirements to supply aluminium to Russian purchasers, members of the Group have entered into long-term and short-term Aluminium Sales Contracts in Russia. According to the antimonopoly requirements, the Company must supply aluminium to Russian purchasers, otherwise the Company will be subject to fines. It is common for

industrial concerns to enter into long-term supply contracts for raw materials to ensure that production would not be interrupted. Given that the price of the aluminium supplied under these Aluminium Sales Contracts is based on the market price of aluminium, the Directors (including the independent non-executive Directors) are of the view that these contracts are entered into on normal commercial terms and have been entered into in the usual and ordinary course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

The Board (including the independent non-executive Directors) considers that the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. LISTING RULES IMPLICATIONS

As at the date of this announcement:

- En+, which is controlled by Mr. Deripaska as to more than 50% of the issued share capital, is interested in more than 40% of the issued share capital of the Company;
- Mr. Deripaska, an executive Director and the president of the Company, is, directly and indirectly (including through his interest in En+), interested in more than 40% of the issued share capital of the Company.

Accordingly, each of En+ and Mr. Deripaska and their respective associates is a connected person of the Company under the Listing Rules and therefore transactions as mentioned above between each of them on one part and members of the Group on the other constitute connected transactions of the Company under the Listing Rules.

(a) *E&C Contracts*

As the applicable percentage ratio(s) with respect to the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates are more than 5%, transactions under these contracts will be subject to reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(b) *En+ Long-Term Electricity Supply Contracts*

As the applicable percentage ratio(s) with respect to the En+ Long-Term Electricity Supply Contracts (on an aggregate basis with the other E&C

Contracts with En+'s Associates) are more than 5%, transactions under these contracts will be subject to reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(c) *Long-Term Capacity RSE Contracts*

As (i) the Long-Term Capacity RSE Contracts are a 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; and (ii) the applicable percentage ratio(s) with respect to the Long-Term Capacity RSE Contracts (on an aggregate basis with the other E&C Contracts with En+'s Associates) are more than 5%, transactions under these contracts will be subject to reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(d) *Aluminium Sales Contracts*

As the applicable percentage ratio(s) with respect to the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska's Associates are more than 5%, transactions under these contracts will be subject to reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

5. APPROVAL BY INDEPENDENT SHAREHOLDERS

The Company will seek independent Shareholders' approval in respect of (i) the entering into of the En+ Long-Term Electricity Supply Contracts; (ii) the Long-Term Capacity RSE Contracts; (iii) the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates and (iv) the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska's Associates (together, the "**Relevant Proposals**") at an extraordinary general meeting ("**EGM**"). Any Shareholder with a material interest in the Relevant Proposals will not vote on the relevant resolutions at the EGM.

In view of the interests of Mr. Deripaska, Mr. Maksim Sokov and En+ in the E&C Contracts with En+'s Associates and Aluminium Sales Contracts with Mr. Deripaska's Associates, they and their respective associates will abstain from voting in relation to the resolutions approving each of the Relevant Proposals.

In accordance with the Listing Rules, an independent board committee (“**IBC**”) was established by the Company to give recommendations to the independent Shareholders in respect of the Relevant Proposals. An independent financial adviser (“**IFA**”) has been appointed to advise the IBC and the independent Shareholders in relation to the Relevant Proposals.

Regarding the En+ Long-Term Electricity Supply Contracts and the Long-Term Capacity RSE Contracts, the IFA will also explain why a longer period is required and to confirm that it is normal business practice in Russia for contracts of this type to be of such duration.

A circular containing:

- (a) further details of the continuing connected transactions relating to the Relevant Proposals;
- (b) the letter from, and recommendations of, the IBC in respect of the Relevant Proposals;
- (c) the letter from the IFA to the IBC and the independent Shareholders in respect of the Relevant Proposals; and
- (d) the notice convening the EGM

will be despatched by the Company to its Shareholders as soon as possible and is expected to be within 15 business days after the publication of this announcement.

6. GENERAL

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

Irkutskenergo is a power generating company.

EuroSibEnergo is a largest Russian vertically integrated and privately held energy company managing 18 power plants, and a participant in the electric energy wholesale market.

LLC “Avtozavodskaya CHP” is principally engaged in supply of electric and thermal energy.

Krasnoyarskaya HPP is a hydroelectric power station.

LLC “MAREM+” is principally engaged in sales of electricity and capacity.

LLC “Irkutskenergosbyt” is principally engaged in sales of electricity and capacity.

IENC is principally engaged in transmission and distribution of electricity.

LLC KraMZ is principally engaged in metallurgy.

GAZ Group is principally engaged in production of autobuses and auto components.

LLC “GAZ” is principally engaged in car production.

LLC Avtokomponenty-GAZ Group is principally engaged in production of auto components.

OJSC “UMZ” is principally engaged in production and industrial goods sale, including automobile and boat motors, motor-pumps, engines, consumer goods, spare parts to engines and cars; implementation of installation and construction works, production of construction materials, designs and buildings, engineering implementation in construction; trade and purchasing and intermediary activity.

JSC Autodiesel is principally engaged in production of diesel engines of a universal purpose, couplings, transmissions, spare parts to them, and also stationary units on their base.

JSC Automobile Plant URAL is principally engaged in production of all-wheel drive heavy-load cars.

OJSC “Barnaultransmash” is principally engaged in machinery.

7. DEFINITIONS

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

“Aluminium Sales Contracts”	the Aluminium Sales Contracts with Mr. Deripaska’s Associates
“Aluminium Sales Contracts with Mr. Deripaska’s Associates”	the aluminium sales contracts entered into between members of the Group as sellers and Mr. Deripaska’s Associates as buyers from time to time; details of the subsisting contracts are set out in the section headed “3. <i>Aluminium Sales Contracts</i> ” in this announcement
“associate(s)”	has the meaning ascribed to it under the Listing Rules

“Board”	the board of Directors of the Company
“Company”	United Company RUSAL Plc, a company incorporated under the laws of Jersey with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“E&C Contract(s)”	electricity and capacity supply contracts
“E&C Contracts with En+’s Associates”	the E&C Contracts entered into from time to time with En+’s Associates; details of the subsisting contracts are set out in the section headed “2. <i>E&C Contracts</i> ” of this announcement
“En+”	En+ Group Limited, a company incorporated in Jersey which is the Controlling Shareholder of the Company
“En+’s Associate(s)”	associate(s) of En+
“Group”	the Company and its subsidiaries from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LME”	the London Metals Exchange
“Mr. Deripaska”	Mr. Oleg Deripaska, the President and an executive Director
“Mr. Deripaska’s Associate(s)”	associate(s) of Mr. Deripaska
“Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts”	the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska’s Associates

“Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska’s Associates”	the proposed annual caps for the Aluminium Sales Contracts with Mr. Deripaska’s Associates for the three years ending 31 December 2017, 2018 and 2019
“Proposed 2017/2018/2019 Caps for E&C Contracts with En+’s Associates”	the proposed annual caps for the E&C Contracts with En+’s Associates for the three years ending 31 December 2017, 2018 and 2019
“RUB”	Russian Rubles, the lawful currency of the Russian Federation
“Shareholder(s)”	holder(s) of the share(s) in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollars, the lawful currency of the United States of America
“VAT”	value added tax
“%”	per cent

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.