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## **UNITED COMPANY RUSAL PLC**

*(Incorporated under the laws of Jersey with limited liability)*

**(Stock Code: 486)**

### **FOURTH QUARTER AND FULL YEAR 2016 TRADING UPDATE**

This announcement is made by United Company RUSAL Plc (“**UC RUSAL**” or the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and applicable French laws and regulations.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of UC RUSAL.

**UC RUSAL announces its operating results for the fourth quarter (“4Q16”) and 12 months 2016 (“12M16”)<sup>1</sup>.**

#### **Aluminium**

- Aluminium production<sup>2</sup> in 4Q16 totaled 930 thousand tons (+1.0% QoQ), with Siberian smelters representing 94% of total aluminium output. Smelters utilization remained on average at a high of 95%.
- In 4Q16 aluminium sales totaled 922 thousand tons (-6.0% QoQ), including value added product (VAP<sup>3</sup>) sales of 405 thousand tons. Aluminium sales dynamics are largely explained by the previous period high base effect and seasonal increase of goods in transit (to be realized in the next period).

<sup>1</sup> Operating data is based on preliminary data and may be updated in the 4Q16 financial results.

<sup>2</sup> Aluminium production represented by salable products output (the number includes all facilities excluding Volgograd remelting).

<sup>3</sup> VAP includes alloyed ingots, slabs, billets, wire rod and high, super, medium purity aluminium. The VAP sales for 3Q16, 9M 2016 and 12M2015 were updated as a result of addition of high, super, medium purity aluminium volumes.

- In 4Q16 the average aluminium realized price<sup>4</sup> increased 2.6% QoQ to USD1,799/t. The increase was largely driven by the London Metal Exchange (“LME”) QP<sup>5</sup> component growth which increased by 2.7% QoQ to USD1,648/t in 4Q16. The average realised aluminium premium was USD151/t in the period.
- In 12M16 aluminium production totaled 3,685 thousand tons (+1.1% YoY).
- In 12M16 aluminium sales volumes totaled 3,818 thousand tons (+4.9% YoY). The increase was largely attributable to the additional volumes of the Boguchansky smelter. 12M16 VAP sales grew to 1,677 thousand tons (+6.7% YoY). The average realized price in 12M16 was USD1,732/t (-13.4% YoY). The average price reduction is explained by the structurally different market environment in the 12M 2015 versus 12M 2016 and lower aluminium LME prices and premiums YoY.

### **Alumina**

- In 4Q16, total alumina production increased 4.0% QoQ, totaling 1,939 thousand tons. Russian operations accounted for 34% of the total output. The production growth at Nikolaev (+12.3% QoQ) refinery was attributable to the capacity upgrade. The rest of the Group alumina assets performance was largely in line with the production plan.
- In 12M16 alumina output totaled 7,527 thousand tons (+1.7% YoY). The production increase largely came from the Russian (namely Urals, Bogoslovsk) and Ukrainian (Nikolaev) refineries as a result of modernization and debottlenecking of the capacities.

### **Bauxite**

- In 4Q16, bauxite output totaled 2,841 thousand tons (-11.5% QoQ). The Timan mine bauxite output reduced by 26.6% QoQ from 911 thousand tons due to higher volumes of waste mined in 4Q16. In the next quarter the output at the facility is expected to normalize. The bauxite and nepheline ore<sup>6</sup> output dynamics at the rest of the Group’s assets are largely explained by the mining works schedule.

<sup>4</sup> The realised price includes three components: LME component, commodity premium and VAP upcharge.

<sup>5</sup> QP (quotation period) prices differ from the real time LME quotes due to a time lag between LME quotes and sales recognition and due to contract formula speciality.

<sup>6</sup> Kiya Shaltyr Nepheline ore is used as a feedstock for alumina production at Achinsk alumina refinery.

- In 12M16, bauxite output totaled 12,187 thousand tons (+0.6% YoY). Nepheline ore output increased 7.8% YoY to 4,432 thousand tons.

## **Market overview <sup>7</sup>**

- The LME aluminium price reached USD1905/t in February 2017 and has remained stable above \$1800/t, since the beginning of the year. This was attributable to a growing global metal deficit (approximately 0.7 million tons deficit in 2016) driven by the US, EU and continued supply moderation in China coupled with significant production cost inflation.
- Aluminum premiums in key consuming regions started to improve at the end of 4Q16 with a 20% rise on average at the beginning of this year compared to October-December 2016. This was due to strong demand and a reduced supply in key regions after smelting capacity reduction/closures (North America, Australia).
- Global aluminium demand grew by 5.5% YoY in 2016 to 59.7 million tons. Demand rose in the world (excluding China) by 3.4% YoY to 28.3 million tons, while China's growth reached 7.6% YoY to 31.4 million tons.
- China's economy hit its growth target last year accelerating towards the end of the year. China's economic growth remained relatively stable in 4Q16, ensuring the government achieved its full-year growth target. Gross domestic product expanded 6.7% YoY in 2016, above the official target of 6.5%. The China Caixin Manufacturing PMI rose to 51.9 in December 2016 from 50.9 in November 2016, avoiding contractionary territory for a sixth straight month.
- In North America recent US Presidential elections saw a surge in economic optimism. The proposed infrastructure spending plan pushed most indicators upwards by the end of the year. The US manufacturing sector ended 2016 on a buoyant note, with promising signs that growth could pick up further in 2017. The pace of growth signaled by the PMI in December (54.7) was the strongest for almost two years, driven almost entirely by rising demand from domestic customers, with exports hindered by the dollar's recent surge.

<sup>7</sup> Unless otherwise stated data for the Market overview section is sourced from Bloomberg, CRU, CNIA, IAI and Antaika.

- The Eurozone manufacturing sector also ended 2016 on a high note. PMI climbed up to 54.9 in December. Underlying the improved performance of the Eurozone manufacturing sector was the faster growth of production and new orders. Rates of expansion in both were either at, or close to, the steepest increase since early 2011.
- The final months of 2016 saw Japan's economy expand with exports rebounding meaningfully along with production backed by the sharp depreciation of the yen and improving global demand. The PMI posted 52.4 in December, up from 51.3 in November, signaling a sharper improvement in manufacturing conditions in Japan.
- In 2016, Russia's key economic indicators continued to decrease but in the second half of 2016, producers PMI demonstrated steady growth, peaking in November/December at 53.7, which is the highest for 69 months. Relatively cheap ruble keeps domestic producers competitive for both domestic and export markets.
- Overall global aluminum supply rose by 3.6% YoY to 59 million tons in 2016.
- IAI and CRU data show that during 2016, primary aluminium production in the world excluding China rose 2.2% YoY to 26.7 million tons mostly due to growth in Asian countries and Eastern Europe. According to the Aladdiny agency, aluminum production in China increased by 5.5% YoY to 32.3 million tons. This was as a result of new capacity ramping up in 4Q16.
- Despite 4 million tons per annum of new Chinese capacity in 2016 and some restarted capacity it's expected that the Chinese market will develop into a moderate surplus and still be at a high risk of supply tightness due to the possibility of new environmental measures against pollution and a decline in new capacity additions. This would be similar to what we have witnessed and was implemented in the steel sector.
- In 2017, the Chinese aluminium supply continues to be challenged by significant cost inflation, environmental regulation as well as the continuation of Supply side reform.

## KEY OPERATING DATA

### GROUP PRODUCTION DATA <sup>8</sup>

('000 tons)	4Q16	3Q16	Change,	12M16	12M15	Change,
			%			(QoQ)
Aluminium	930	920	1.0%	3,685	3,645	1.1%
<i>utilisation rate</i>	95%	94%		95%	93%	
Aluminium foil and packaging products	22.5	21.4	5.0%	84.7	89.1	-4.9%
Alumina	1,939	1,865	4.0%	7,527	7,402	1.7%
Bauxite	2,841	3,211	-11.5%	12,187	12,112	0.6%
Nepheline	978	1,135	-13.8%	4,432	4,111	7.8%

### GROUP SALES DATA

('000 tons)	4Q16	3Q16	Change,	12M16	12M15	Change,
			%			(QoQ)
Aluminium sales including	922	981	-6.0%	3,818	3,638	4.9%
BOAZ aluminium product sales	31	41	-24.4%	140	12	—
other third party aluminium products sales	39	45	-13.2%	88	28	—
VAP sales (included in the total aluminium sales)	405	443	-8.7%	1,677	1,572	6.7%
<i>Realized price, USD/ton</i>	1,799	1,754	2.6%	1,732	2,001	-13.4%

<sup>8</sup> Unless stated otherwise the production data throughout the report is presented on equity-adjusted basis (for exceptions please refer to the data of the Boguchansky smelter and Boguchanskaya HPP). Production volumes are calculated based on the pro rata share of the Company's (and its subsidiaries') ownership.

## ALUMINIUM PRODUCTION

('000 tons)	Interest	4Q16	3Q16	Change, %	12M16	12M15	Change, %
				(QoQ)			(YoY)
<b>Russia (Siberia)</b>							
Bratsk aluminium smelter	100%	254	251	1.1%	1,005	1,005	0.1%
Krasnoyarsk aluminium smelter	100%	257	256	0.5%	1,024	1,013	1.2%
Sayanogorsk aluminium smelter	100%	135	132	2.3%	530	525	0.9%
Novokuznetsk aluminium smelter	100%	54	53	1.1%	213	209	1.8%
Irkutsk aluminium smelter	100%	105	104	0.5%	415	410	1.2%
Khakas aluminium smelter	100%	74	73	1.3%	293	289	1.2%
<b>Russia — Other</b>							
Nadvoitsy aluminium smelter	100%	3	3	-3.2%	13	12	2.2%
Kandalaksha aluminium smelter	100%	18	17	2.8%	68	66	3.5%
<b>Sweden</b>							
Kubikenborg Aluminium (KUBAL) <sup>9</sup>	100%	31	31	-1.1%	124	116	7.1%
<b>Total production</b>		<b>930</b>	<b>920</b>	<b>1.0%</b>	<b>3,685</b>	<b>3,645</b>	<b>1.1%</b>
<i>Remelting of third-party primary aluminium at Volgograd smelter</i>		9	8	7.9%	39	26	48.4%
<b>Total aluminium products output including remelting<sup>10</sup></b>		<b>939</b>	<b>929</b>	<b>1.0%</b>	<b>3,724</b>	<b>3,671</b>	<b>1.4%</b>

<sup>9</sup> Does not include remelting of the metal from other UC RUSAL smelters

<sup>10</sup> Here and further “total production” may not be equal to the arithmetic addition of the numbers above presented in the table. The differences arise due to the rounding of exact numbers (including decimals).

## Foil and packaging production results

('000 tons)	Interest	4Q16	3Q16	Change,	12M16	12M15	Change,
				%			(QoQ)
<b>Russia</b>							
Sayanal	100%	9.2	9.1	1.6%	34.4	38.3	-10.2%
Ural Foil	100%	5.3	4.3	23.7%	17.8	17.9	-0.5%
Sayana Foil	100%	1.1	0.9	20.8%	3.5	3.3	7.0%
<b>Armenia</b>							
Armenal	100%	6.9	7.1	-3.8%	29.0	29.7	-2.1%
<b>Total production</b>		<b>22.5</b>	<b>21.4</b>	<b>5.0%</b>	<b>84.7</b>	<b>89.1</b>	<b>-4.9%</b>

## Other aluminium products output and silicon output

('000 tons)	4Q16	3Q16	Change,	12M16	12M15	Change,
			%			(QoQ)
Secondary alloys	6.3	6.8	-7.5%	25.0	21.6	16.0%
Silicon	15.5	14.4	7.4%	59.3	60.4	-1.9%
Powder	4.3	5.1	-17.1%	18.7	17.2	8.5%

## ALUMINA PRODUCTION

('000 tons)	Interest	4Q16	3Q16	Change, % (QoQ)	12M16	12M15	Change, % (YoY)
<b>Ireland</b>							
Aughinish Alumina	100%	509	493	3.3%	1,967	1,983	-0.8%
<b>Jamaica</b>							
Alpart <sup>11</sup>	100%	—	—	—	—	—	—
Windalco	100%	155	152	2.0%	609	596	2.2%
<b>Ukraine</b>							
Nikolaev Alumina Refinery	100%	407	363	12.3%	1,510	1,481	2.0%
<b>Italy</b>							
Eurallumina	100%	—	—	—	—	—	—
<b>Russia</b>							
Bogoslovsk Alumina Refinery	100%	250	238	4.6%	961	941	2.1%
Achinsk Alumina Refinery	100%	214	227	-5.4%	916	880	4.0%
Urals Alumina Refinery	100%	205	200	2.8%	803	772	4.1%
Boxitogorsk Alumina Refinery	100%	—	—	—	—	—	—
<b>Guinea</b>							
Friguia Alumina Refinery	100%	—	—	—	—	—	—
<b>Australia (JV)</b>							
Queensland Alumina Ltd (20%)	20%	198	192	2.9%	760	749	1.5%
<b>Total alumina production</b>		<b>1,939</b>	<b>1,865</b>	<b>4.0%</b>	<b>7,527</b>	<b>7,402</b>	<b>1.7%</b>

<sup>11</sup> The Alpart was sold to an external party (see UC RUSAL's announcement dated 19 July 2016). The results of Alpart are excluded from UC RUSAL Consolidated Financial Statements from 3Q 2016.



## BAUXITE MINING

('000 tons wet)	Interest	4Q16	Change,		12M16	12M15	Change,	
			3Q16	(QoQ)			%	(YoY)
<b>Jamaica</b>								
Alpart	100%	—	—	—	69	82	-16.3%	
Windalco	100%	510	526	-3.0%	2,054	1,957	4.9%	
<b>Russia</b>								
North Urals	100%	607	612	-0.8%	2,367	2,537	-6.7%	
Timan	100%	669	911	-26.6%	3,064	2,861	7.1%	
<b>Guinea</b>								
Friguia	100%	—	—	—	—	—	—	
Kindia	100%	805	881	-8.7%	3,538	3,499	1.1%	
<b>Guyana</b>								
Bauxite Company of Guyana Inc	90%	250	281	-11.0%	1,094	1,176	-7.0%	
<b>Total bauxite production</b>		<b>2,841</b>	<b>3,211</b>	<b>-11.5%</b>	<b>12,187</b>	<b>12,112</b>	<b>0.6%</b>	

## Nepheline ore production <sup>12</sup>

('000 tons wet)	Interest	4Q16	Change,		12M16	12M15	Change,	
			3Q16	(QoQ)			%	(YoY)
Kiya Shaltyr Nepheline Syenite	100%	978	1,135	-13.8%	4,432	4,111	7.8%	

<sup>12</sup> Nepheline ore used as a feedstock for alumina production at the Achinsk alumina refinery.

## JOINT VENTURE OPERATING RESULTS

				Change, %			Change, %
		4Q16	3Q16	(QoQ)	12M16	12M15	(YoY)
<b>Boguchanskaya HPP<sup>13</sup></b>							
Electricity generation (mwh)	50%	3,452	4,026	-14.2%	13,969	13,077	6.8%
<b>Boguchansky aluminium smelter<sup>14</sup></b>							
Aluminium production ('000 tons)	50%	37	37	0.5%	149	25	—
<b>Bogatyr Komir and Bogatyr Trans</b>							
Coal production (50%) (Kt)	50%	6,023	3,822	57.6%	17,525	17,250	1.6%
Transportation volumes (50%) (Kt of transportation)	50%	1,663	1,560	6.6%	6,236	6,542	-4.7%

<sup>13</sup> Boguchanskaya HPP data is represented by 100% of energy generated (not on an ownership pro rata basis).

<sup>14</sup> Boguchansky aluminium smelter data is represented by 100% of volumes produced (not on an ownership pro rata basis).

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

16 February 2017

*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. Ivan Glasenberg, Mr. Maksim Goldman, Ms. Gulzhan Moldazhanova, Mr. Daniel Lesin Wolfe, Ms. Olga Mashkovskaya, Ms. Ekaterina Nikitina and Mr. Marco Musetti, 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.*

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