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## **UNITED COMPANY RUSAL PLC**

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

**(Stock Code: 486)**

### **CONTINUING CONNECTED TRANSACTIONS PURCHASE OF RAW MATERIALS AND PROVISION OF CORPORATE GUARANTEES**

The Company announces that on 1 January 2018, a member of the Group, as buyer, and an associate of Mr. Deripaska, as supplier, will enter into the Purchase of Alumina and Hydrate Contract. Corporate Guarantees is and will be provided by the member of the Group in order to secure the contract price under the Purchase of Alumina and Hydrate Contract and to support the modernization and expansion of the supplier's production to meet its supply obligations under the Purchase of Alumina and Hydrate Contract.

## THE PURCHASE OF ALUMINA AND HYDRATE CONTRACT

The Company announces that, on 1 January 2018, UC RUSAL Trading House JSC, as the buyer, and BaselCement-Pikalyovo LLC, as the supplier, will enter into a contract pursuant to which UC RUSAL Trading House JSC agreed to buy and BaselCement-Pikalyovo LLC agreed to sell alumina and hydrate (the “**Purchase of Alumina and Hydrate Contract**”). The key terms of the Purchase of Alumina and Hydrate Contract are set out below:

Date of contract	Buyer (member of the Group)	Seller (an associate of Mr. Deripaska)	Raw materials to be purchased	Estimated purchase volume	Estimated consideration payable excluding VAT (USD)	Scheduled termination date	Payment terms
1 January 2018	UC RUSAL Trading House JSC	BaselCement-Pikalyovo LLC	Alumina and hydrate	2018: 260,000 tons  2019: 400,000 tons  2020: 400,000 tons	2018: 59.52 million  2019: 101.27 million  2020: 105.03 million	31 December 2020	Payment to be made on the 5th, 15th, 25th day of the current month, and the final settlement to be made on the 5th day of the next month

The consideration under the Purchase of Alumina and Hydrate Contract is to be paid in cash via bank transfer.

## THE CORPORATE GUARANTEES

In order for BaselCement-Pikalyovo LLC to agree with the contract pricing as set out above, a corporate guarantee (“**First Guarantee**”) is provided by a member of the Group to assist BaselCement-Pikalevo LLC to obtain the following bank financing for refinancing part of its existing debt owing to CJSC Pikalevskaya Soda (which is an independent third party, a member of the PhosAgro Group). As of 1 September 2017, the debt of BaselCement-Pikalevo LLC equals RUB 1.856 billion at an interest rate of 10.73% per year.

Guarantor:	JSC RUSAL;
Lender:	PJSC Sberbank;
Borrower:	BaselCement-Pikalevo LLC;
Lending Amount:	up to RUB1 billion;
Intended use:	partial repayment of existing loan from CJSC Pikalevskaya Soda;
Financing costs:	8.9 % per year;

Repayment schedule: equal repayments of RUB83.33 million starting from the 25th month;

Loan period: up to 36 months.

In order for the modernization and expansion of production of BaselCement-Pikalevo LLC to meet its supply obligations under the Purchase of Alumina and Hydrate Contract, corporate guarantee (“**Second Guarantee**” and together with the First Guarantee, the “**Corporate Guarantees**”)) is expected to be provided by a member of the Group to obtain the following additional financing for BaselCement-Pikalevo LLC:

Guarantor: a member of the Group;

Lender: financial institutions or other independent third parties;

Borrower: BaselCement-Pikalevo LLC;

Lending Amount: up to RUB1.75 billion;

Intended use: retrofitting of current facilities, purchase of new furnaces, equipment, development of the mine, and other activities required to expand the production at BaselCement-Pikalevo LLC;

Financing costs: not higher than the Bank of Russia key rate + 1.5% per year;

Loan period: up to 36 months.

## **THE ANNUAL AGGREGATE TRANSACTION AMOUNT**

The contract price payable under the Purchase of Alumina and Hydrate Contract and the terms of the Corporate Guarantees have been determined with reference to the market price/terms and the Purchase of Alumina and Hydrate Contract, when considered as a whole with the Corporate Guarantees taking into account the terms and the total guaranteed amounts thereunder, is on terms no less favourable than those prevailing in the Russian market for raw materials of the same type and quality and those offered by the associates of Mr. Deripaska to independent third parties. The terms of the Corporate Guarantee are also provided on terms no less favourable than corporate guarantees of same type provided by members of the Group to independent third parties. The basis of calculation of payments under the Purchase of Alumina and Hydrate Contract is the unit price of the raw materials (alumina: USD237.19 per

ton (for 2018); hydrate: USD227.84 per ton (for 2018)) multiplied by the volume to be supplied. The price per ton of the alumina and hydrate is based on the industrial products producers' price index. The unit prices of the raw materials for 2019 and 2020 may be changed according to the industrial products producers' price index.

Based on the terms of the Purchase of Alumina and Hydrate Contract, the annual aggregate transaction amount that is payable by the Group to the associates of Mr. Deripaska for the financial years ending 31 December 2018, 31 December 2019 and 31 December 2020 is estimated to be approximately USD59.52 million, USD101.27 million and USD105.03 million respectively. Based on the terms of the Corporate Guarantees, the maximum aggregated guaranteed amount (calculated based on the maximum lending amounts under the respective loans) will be RUB2.75 billion (approximately USD45,833,334).

The Company's procurement managers, in line with the best-in-class experience and know-how of the Company's procurement policies, chose the contractor offering the best terms and conditions (taking into account the quality offered and the price) and then entered into the contract with the chosen party. Accordingly, the Purchase of Alumina and Hydrate Contract will be entered into.

The annual aggregate transaction amounts are estimated by the Directors based on (i) the amount of raw materials to be purchased and their contract price; (ii) the maximum aggregated guaranteed amounts under the Corporate Guarantees.

Pursuant to Rule 14A.81 of the Listing Rules, the continuing connected transactions contemplated under the Purchase of Alumina and Hydrate Contract and the Corporate Guarantees should be aggregated, as they were entered into by the Group with the associates of the same group of connected persons who are parties connected or otherwise associated with one another, and the subject matter of each of the contracts relate to the purchase of raw materials for production by members of the Group.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The Directors consider that the Purchase of Alumina and Hydrate Contract and the Corporate Guarantees are for the benefit of the Company, as BaselCement-Pikalyovo LLC offered a competitive price in consideration of the Corporate Guarantee. The Purchase of Alumina and Hydrate is entered into mainly for the purposes of purchasing raw materials for the Company's aluminium production by its aluminium smelters. The Corporate Guarantees enable BaselCement-Pikalyovo LLC to offer the alumina and hydrate at such a competitive price and in the required volume.

The Directors (including the independent non-executive Directors) consider that the Purchase of Alumina and Hydrate Contract and the Corporate Guarantees have been negotiated on an arm's length basis and on normal commercial terms which are fair

and reasonable and the transactions contemplated under the Purchase of Alumina and Hydrate Contract and Corporate Guarantees are in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

None of the Directors has a material interest in the transactions contemplated under the Purchase of Alumina and Hydrate Contract and the Corporate Guarantees, save for (i) Mr. Deripaska, who is a director of Basic Element and is interested in more than 50% of the issued share capital of Basic Element; (ii) Ms. Gulzhan Moldazhanova, who is a director of Basic Element; (iii) Ms. Olga Mashkovskaya, who is a deputy chief executive officer for finance of Basic Element; and (iv) Mr. Siegfried Wolf, who is the chairman of the board of directors Russian Machines LLC and the chairman of the board of directors of PJSC GAZ, being the companies controlled by Basic Element. Basic Element is the holding company of BaselCement-Pikalyovo LLC. Accordingly, Mr. Deripaska, Ms. Gulzhan Moldazhanova, Ms. Olga Mashkovskaya and Mr. Siegfried Wolf did not vote on the Board resolutions approving the Purchase of Alumina and Hydrate Contract and the Corporate Guarantees.

## **LISTING RULES IMPLICATIONS**

BaselCement-Pikalyovo LLC is directly held by Basic Element as to more than 30% of the issued share capital. Basic Element is in turn indirectly held by Mr. Deripaska as to more than 50% of the issued share capital. BaselCement-Pikalyovo LLC is therefore an associate of Mr. Deripaska and is thus a connected person of the Company.

Accordingly, the transactions contemplated under the Purchase of Alumina and Hydrate Contract and Corporate Guarantees constitute continuing connected transactions of the Company.

The estimated annual aggregate transaction amount of the continuing connected transactions under the Purchase of Alumina and Hydrate Contract and Corporate Guarantees for each of the three financial years ending 31 December 2020 is more than 0.1% but less than 5% under the applicable percentage ratios. Accordingly, pursuant to Rule 14A.76 of the Listing Rules, the transactions contemplated under these contracts are only subject to the announcement requirements set out in Rules 14A.35 and 14A.68, the annual review requirements set out in Rules 14A.49, 14A.55 to 14A.59, 14A.71 and 14A.72 and the requirements set out in Rules 14A.34 and 14A.50 to 14A.54 of the Listing Rules. These transactions are exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the Purchase of Alumina and Hydrate Contract and Corporate Guarantees will be included in the relevant annual report and accounts of the Company in accordance with Rule 14A.71 of the Listing Rules where appropriate.

## **PRINCIPAL BUSINESS ACTIVITIES**

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

BaselCement-Pikalyovo LLC is principally engaged in the production of alumina.

CJSC Pikalevskaya Soda is principally engaged in the production of inorganic basic chemicals and sale of chemical products, and is generally involved in production of products such as potassium carbonate (potash), calcined soda, cement, aluminum hydroxide (hydrate) and other.

## **DEFINITIONS**

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

“associate(s)”	has the same meaning ascribed thereto under the Listing Rules.
“Basic Element”	Basic Element Limited, a company incorporated in Jersey.
“Board”	the board of Directors.
“Company”	United Company RUSAL Plc, a limited liability company incorporated in Jersey, the shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited.
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules.
“continuing connected transactions”	has the same meaning ascribed thereto under the Listing Rules.
“Director(s)”	the director(s) of the Company.
“Group”	the Company and its subsidiaries.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

“Mr. Deripaska”	Mr. Oleg Deripaska, the chief executive officer of the Company and an executive Director.
“percentage ratios”	the percentage ratios under Rule 14.07 of the Listing Rules.
“USD”	United States dollars, the lawful currency of the United States of America.
“VAT”	value added tax.

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

28 December 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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