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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in United Company RUSAL Plc, you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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UNITED COMPANY RUSAL PLC

(Incorporated under the laws of Jersey with limited liability)

(Stock Code: 486)

**PROPOSED 2017, 2018 AND 2019 ANNUAL CAPS
FOR CONTINUING CONNECTED TRANSACTIONS,
THE ENTERING INTO OF THE EN+ LONG-TERM
ELECTRICITY SUPPLY CONTRACTS AND
THE LONG-TERM CAPACITY RSE CONTRACTS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to the Independent Board Committee
and Independent Shareholders**



Somerley Capital Limited

A letter from the Board is set out on pages 6 to 51 of this circular.

A letter of recommendation from the Independent Board Committee is set out on page 52 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 53 to 85 of this circular.

A notice convening the EGM to be held at InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East Kowloon, Hong Kong on 28 October 2016 at 11:00 am (Hong Kong time) is set out on pages 103 to 105 of this circular. Whether or not you intend to be present at the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and deposit it, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority of the office of the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meeting should they so desire.

11 October 2016

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DEFINITIONS

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

“A7”	aluminium grade
“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 the letter from the Board set out in this circular
“Announcement”	the announcement of the Company dated 19 September 2016 in relation to, among other things, the continuing connected transactions under the E&C Contracts, the Aluminium Sales Contracts and the En+ Long-Term Electricity Supply Contracts
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CEAC”	the Central European Aluminium 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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“E&C Contracts”	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> ” in the letter from the Board set out in this circular
“EGM”	the extraordinary general meeting of the Company to be held at InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East Kowloon, Hong Kong on 28 October 2016 at 11:00 am (Hong Kong time)
“En+”	En+ Group Limited, a company incorporated under the laws of Jersey which is the Controlling Shareholder of the Company

DEFINITIONS

“En+ Long-term Electricity Supply Contracts”	the three new long-term electricity supply agreements to replace the Existing Long-Term E&C Contracts that will be entered into by members of the Group, the details of which are set out in this circular
“En+’s Associate(s)”	associate(s) of En+
“Existing Long-Term E&C Contracts”	<p>the following long-term electricity and capacity supply contracts entered into by members of the Group:</p> <ul style="list-style-type: none">(i) on 1 December 2009, OJSC RUSAL Bratsk, a subsidiary of the Company, and Irkutsk Joint Stock Power and Electricity Company, 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 OJSC RUSAL Bratsk agreed to purchase electricity and capacity for a period of nine years from 2010 to 2018;(ii) on 15 November 2009, OJSC SUAL, a subsidiary of the Company, and Irkutsk Joint Stock Power and Electricity Company, 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 OJSC SUAL agreed to purchase electricity and capacity for Irkutsk aluminium smelter, a branch of OJSC SUAL, for a period of nine years from 2010 to 2018. The rights and obligations of OJSC SUAL under the contract were transferred to BRAZ in 2014;(iii) on 4 December 2009, OJSC RUSAL Krasnoyarsk, a subsidiary of the Company, and JSC Krasnoyarskaya Hydro-Power Plant, 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 OJSC RUSAL Krasnoyarsk has agreed to purchase electricity for a period of eleven years from 2010 to 2020. As mentioned in the announcement dated 19 November 2014, supply under the agreement has been suspended.
“Glencore”	Glencore International plc, a company incorporated under the laws of Jersey, being the holding company of Glencore International AG
“Group”	the Company and its subsidiaries from time to time, and “members of the Group” shall be construed accordingly

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors
“Independent Shareholders”	has the meaning ascribed to it under Rule 14A.10(5) of the Listing Rules, in relation to (i) the Proposed 2017/2018/2019 Caps for E&C Contracts with En+’s Associates; (ii) the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska’s Associates; (iii) the entering into of the En+ Long-Term Electricity Supply Contracts; and (iv) the entering into of the Long-Term Capacity RSE Contracts, means the Shareholders other than Mr. Deripaska, En+ and Mr. Maxim Sokov and their respective associates
“Jersey Companies Law”	the Companies (Jersey) Law 1991, as amended
“Latest Practicable Date”	6 October 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long-Term Capacity RSE Contracts”	five capacity supply from renewable sources of energy contracts with a term of 15 years entered into by members of the Group, as buyers, and Krasnoyarskaya HPP, an associate of En+, as seller, the details of which have been disclosed in the announcement of the Company dated 19 September 2016 or any long-term renewable sources of energy contracts to be entered into between the same parties from time to time as may be required by applicable rules and regulations and on the terms and conditions prescribed by applicable legislation (as the case may be)
“LME”	the London Metal Exchange
“Metal Bulletin”	Specialist information provider of timely information, including price indications, for the global non-ferrous metals and steel markets, published weekly with, among others, the option of online real-time prices.
“MW” or “Megawatt”	a unit of power used to express the rate of energy conversion or transfer with respect to time (one million watts).

DEFINITIONS

“MWh” or “Megawatt-hour”	a unit of energy equivalent to one megawatt (1MW) of power sustained for one hour.
“Mr. Deripaska”	Mr. Oleg Deripaska, an executive Director and president of the Company
“Mr. Deripaska’s Associate(s)”	associate(s) of Mr. Deripaska
“NASDAQ”	NASDAQ Stock Market of the United States of America
“PA7”	aluminium grade
“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
“Relevant Proposals”	(i) the Proposed 2017/2018/2019 Caps for E&C Contracts with En+’s Associates; (ii) the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska’s Associates; (iii) the entering into of the En+ Long-Term Electricity Supply Contracts; and (iv) the entering into of the Long-Term Capacity RSE Contracts
“RUB”	Russian Rubles, the lawful currency of the Russian Federation
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Somerley”	Somerley Capital Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the Proposed 2017/2018/2019 Caps for E&C Contracts with En+’s Associates; (ii) the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska’s Associates; (iii) the entering into of the En+ Long-Term Electricity Supply Contracts; and (iv) the entering into of the Long-term Capacity RSE Contracts

DEFINITIONS

“Share(s)”	ordinary share(s) with nominal value of US\$0.01 each in the share capital of the Company (or of such nominal value as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time)
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“System Operator”	Joint Stock Company “System Operator of the Unified Energy System”, an office performing a centralized operational and dispatching management of the Unified energy system of the Russian Federation, conferred, among others, with the authority to issue instructions compulsory to all subjects and consumers of the electric energy which influence the whole energy system.
“USD”	United States dollars, the lawful currency of the United States of America
“VAT”	value added tax
“Wholesale Market Regulations”	the Rules approved by the Government of the Russian Federation (as amended from time to time) and establishing the legal basis for functioning of the electric energy and capacity wholesale market in the Russian Federation, including regulation of relations associated with turnover of electric energy and capacity on the market
“%”	per cent

LETTER FROM THE BOARD



UNITED COMPANY RUSAL PLC

(Incorporated under the laws of Jersey with limited liability)

(Stock Code: 486)

Executive Directors:

Mr. Oleg Deripaska (*President*)
Mr. Vladislav Soloviev
(Chief Executive Officer)
Mr. Siegfried Wolf

Non-executive Directors:

Mr. Maksim Goldman
Mr. Dmitry Afanasiev
Mr. Len Blavatnik
Mr. Ivan Glasenberg
Mr. Daniel Lesin Wolfe
Ms. Gulzhan Moldazhanova
Ms. Olga Mashkovskaya
Ms. Ekaterina Nikitina
Mr. Maxim Sokov

Independent Non-executive Directors:

Dr. Elsie Leung Oi-Sie
Mr. Mark Garber
Mr. Matthias Warnig (*Chairman*)
Mr. Philip Lader
Mr. Dmitry Vasiliev
Mr. Bernard Zonneveld

*Place of business in Hong Kong
registered under the Hong Kong
Companies Ordinance:*

11th Floor
Central Tower
28 Queen's Road Central
Central
Hong Kong

Registered office in Jersey:

44 Esplanade
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Jersey
JE4 9WG

*Head Office and principal place
of business:*

Themistokli Dervi,
12 Palais D'Ivoire House
P.C. 1066, Nicosia
Cyprus

11 October 2016

To the Shareholders

Dear Sir or Madam,

**PROPOSED 2017, 2018 AND 2019 ANNUAL CAPS FOR CONTINUING
CONNECTED TRANSACTIONS,
THE ENTERING INTO OF THE EN+ LONG-TERM ELECTRICITY SUPPLY
CONTRACTS AND
THE LONG-TERM CAPACITY RSE CONTRACTS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

LETTER FROM THE BOARD

1 INTRODUCTION

The purpose of this circular is to provide you with information necessary to enable you to make an informed decision on whether to vote for or against the ordinary resolutions to be proposed at the EGM relating to the approval of: (i) the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates; (ii) the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska's Associates; (iii) the entering into of the En+ Long-Term Electricity Supply Contracts; and (iv) the entering into of the Long-Term Capacity RSE Contracts.

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, 19 September 2016 and the Announcement. 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. The Company is required to comply with the requirements of the Listing Rules upon expiry of the current term of the annual caps for these continuing connected transactions on 31 December 2016. Since the 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 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 hereby proposes to obtain Independent Shareholders' approval on the annual caps for the three years ending 31 December 2017, 2018 and 2019 for these continuing connected transactions in accordance with the requirements under the Listing Rules.

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 (the "**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. 50% of the price under the contract must be paid before the 15th day of the month of supply and the remaining 50% 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;

LETTER FROM THE BOARD

- 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. 50% of the price under the contract must be paid before the 15th day of the month of supply and the remaining 50% of the price must be paid before the 25th day of the month of supply. The consideration was 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.

Historical transaction figures for Existing Long-Term E&C Contracts

For the three years ended 31 December 2013, 2014 and 2015 and the first six months in 2016, the amount purchased under the Existing Long-Term E&C Contracts was USD264.5 million, USD193.3 million, USD191.4 million and USD100.6 million (unaudited) respectively.

Certain members of the Group contemplate entering 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 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)	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

LETTER FROM THE BOARD

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. The planned amount of electricity to be supplied is a contractual dimension which is determined on the basis of, among others: (i) the volume which a generating company is ready to sell under the contract price, and (ii) the maximum volume the buyer is ready to consume;

$P_{DAM_{h,d,i,j}}$ 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;

$Scorr$ RUB — amount of adjustment is determined only for the last delivery month of each year (j) as per the following formula:

$$S_{corr} = 0.035 * \left(\frac{\sum_{i=1}^z \sum_{d=1}^{N_{i,j}} \sum_{h=0}^{23} (P_{DAM_{h,d,i,j}} * (2043+833))}{\sum_{i=1}^z \sum_{d=1}^{N_{i,j}} \sum_{h=0}^{23} (2043+833)} \right) * \left(\frac{7.3}{25.2} \right) * \max(0; \sum_{i=1}^z \sum_{d=1}^{N_{i,j}} \sum_{h=0}^{23} (2043+833) - \sum_{i=1}^z \min(V_{HPP,i}^{free_volume}; V_{plant,i}^{actual}));$$

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

LETTER FROM THE BOARD

0.035- this is a discount. It means 3.5% discount of the market price and represents the result of negotiations between the parties. This is a maximum amount of discount the seller is ready to offer to the Company.

2043MW/h is a contractual hourly volume of electricity supplied to BrAZ. 833MW/h — is a contractual hourly volume of electricity supplied to Irkutsk aluminium smelter (it is not a separate legal entity; it is a branch of BrAZ).

Accordingly,

7.3 — it is a contractual annual supply of electricity in blns of KW/h to Irkutsk aluminium smelter (833*8760 hours in a year/100000);

25.2 — it is a contractual annual supply of electricity in blns of KW/h to Irkutsk aluminium smelter and BrAZ (17.9+7.3).

Since there is one supplier under both contracts (Irkutskenergo), a share of respective smelter in the aggregated amount of supply to both these smelters is applied in order to determine the free volumes of the generating company allocated to such smelter.

The contract price is the market price which is subject to a 3.5% discount. For the avoidance of doubt, as secured by the Scorr factor in the formula, such 3.5% discount only applies to the lower of (i) the actual consumption of the buyer; and (ii) the free volume of Irkutskenergo to be sold under the contract. In the unlikely event (determined by factors such as weather conditions or river stream flow rates etc.) that the free volume of Irkutskenergo is not sufficient to provide for the buyer's actual consumption, the remaining contracted volume shall be supplied from other generating facilities of Irkutskenergo (which may have a higher cost of generation) at no discount (i.e. the 3.5% discount would not apply). The discount amount was determined based on arm's length commercial negotiation between the parties.

The actual consumption of the buyer represents the volume of electricity consumed in the buyer's delivery point cluster which may include the electricity derived from generating facilities of Irkutskenergo other than the three generating facilities of Irkutskenergo as mentioned in the contract.

The free volume of Irkutskenergo represents the total volume of electricity derived from Bratskaya HPP, Ust-Ilimskaya HPP and Irkutskaya HPP (being three of the generating facilities of Irkutskenergo as mentioned in the contract) to be supplied to BrAZ after Irkutskenergo fulfills its obligations under compulsory contracts concluded with other consumers pursuant to the Wholesale Market Rules, less the volume of the intake of the three generating facilities as mentioned above (e.g. heating, lightning, equipment operation etc.).

LETTER FROM THE BOARD

$V_{Plant,i}^{actual}$ MWh — volume of actual electricity consumption in the buyer's delivery point cluster — BrAZ (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 (1MWh) 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 ($\sum_{d=1}^{Ni,j} \sum_{h=0}^{23} V_{h,d,i,j}^{\text{ЭЭ-ФАКТ}}$).

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.

LETTER FROM THE BOARD

“D” is a variable which is only applicable when additional tax is accrued by the supplier or buyer for the tax reporting period after the 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 was determined following commercial negotiations as a mechanism to adjust the payment for electricity accordingly to compensate the party which accrued additional tax under the above circumstances.

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:

$$S_{i,j}^{ee_plan,-9} = \sum_{d=1}^9 \sum_{h=0}^{23} [(0.965 * P_{DAM_{h,d,i,j}} * V_{h,d,i,j}^{ee_actual})$$

- 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:

$$S_{i,j}^{ee_plan_{10-23}}$$

$$= \sum_{d=10}^{23} \sum_{h=0}^{23} (0.965 * P_{DAM_{h,d,i,j}} * V_{h,d,i,j}^{ee_actual})$$

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);

$V_{h,d,i,j}^{ee_actual}$ 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 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.

LETTER FROM THE BOARD

- (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. The planned amount of electricity to be supplied is a contractual dimension which is determined on the basis of, among others: (i) the volume which a generating company is ready to sell under the contract price, and (ii) the maximum volume the buyer is ready to consume;

$P_{DAM_{h,d,i,j}}$ 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;

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

$$S_{corr} = 0.035 * \left(\frac{\sum_{i=1}^z \sum_{d=1}^{Ni,j} \sum_{h=0}^{23} (P_{DAM_{h,d,i,j}} * (2043+833))}{\sum_{i=1}^z \sum_{d=1}^{Ni,j} \sum_{h=0}^{23} (2043+833)} \right) * \left(\frac{17.9}{25.2} \right) * \max(0; \sum_{i=1}^z \sum_{d=1}^{Ni,j} \sum_{h=0}^{23} (2043+833) - \sum_{i=1}^z \min(V_{HPP,i}^{free_volume}; V_{Plant,i}^{actual}));$$

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

0.035 — this is a discount. It means 3.5% discount of the market price and represents the result of negotiations between the parties. This is a maximum amount of discount the seller is ready to offer to the Company.

2043MW/h is a contractual hourly volume of electricity supplied to BrAZ. 833MW/h — is a contractual hourly volume of electricity supplied to Irkutsk aluminium smelter (it is not a separate legal entity; it is a branch of BrAZ).

Accordingly,

*17.9 — it is a contractual annual supply of electricity in blns of KW/h to BrAZ (2043*8760 hours in a year/100000);*

25.2 — it is a contractual annual supply of electricity in blns of KW/h to Irkutsk aluminium smelter and BrAZ (17.9+7.3).

Since there is one supplier under both contracts (Irkutskenergo), a share of respective smelter in the aggregated amount of supply to both these smelters is applied in order to determine the free volumes of the generating company allocated to such smelter.

The contract price is the market price which is subject to a 3.5% discount. For the avoidance of doubt, as secured by the Scorr factor in the formula, such 3.5% discount only applies to the lower of (i) the actual consumption of the buyer; and (ii) the free volume of Irkutskenergo to be sold under the contract. In the unlikely event (determined by factors such as weather conditions or river stream flow rates etc.) that the free volume of Irkutskenergo is not sufficient to provide for the buyer's actual consumption, the remaining contracted volume shall be supplied from other generating facilities of Irkutskenergo (which may have a higher cost of generation) at no discount (i.e. the 3.5% discount would not apply). The discount amount was determined based on arm's length commercial negotiation between the parties.

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The actual consumption of the buyer represents the volume of electricity consumed in the buyer's delivery point cluster which may include the electricity derived from generating facilities of Irkutskenergo other than the three generating facilities of Irkutskenergo as mentioned in the contract.

The free volume of Irkutskenergo represents the total volume of electricity derived from Bratskaya HPP, Ust-Ilimskaya HPP and Irkutskaya HPP (being three of the generating facilities of Irkutskenergo as mentioned in the contract) to be supplied to BrAZ after Irkutskenergo fulfills its obligations under compulsory contracts concluded with other consumers pursuant to the Wholesale Market Rules, less the volume of the intake of the three generating facilities as mentioned above (e.g. heating, lightning, equipment operation etc.).

$V_{Plant,i}^{actual}$ 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:

$$S_{i,j}^{ee_plan,1-9} = \sum_{d=1}^9 \sum_{h=0}^{23} [(0.965 * P_{DAM_{h,d,i,j}} * V_{h,d,i,j}^{ee_actual})]$$

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- 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:

$$See_{i,j}^{plan-10-23} = \sum_{d=10}^{23} \sum_{h=0}^{23} (0.965 * P_{DAM_{h,d,i,j}} * V_{h,d,i,j}^{ee_actual})$$

(2.3)

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);

$V_{h,d,i,j}^{ee_actual}$ 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 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)	2,073.24	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:

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

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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. The planned amount of electricity to be supplied is a contractual dimension which is determined on the basis of, among others: (i) the volume which a generating company is ready to sell under the contract price, and (ii) the maximum volume the buyer is ready to consume;

$P_{DAM_{h,d,i,j}}$ 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;

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

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

where:

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

$Effect_{of_non-delivery}$ 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 long-term electricity purchase contract over the period from 1 January 2016 until the electricity supply start date under this agreement.

The value $Effect_{of_non-delivery}$ shall be calculated as per the formula:

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

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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.

" $E_{\text{additional_discount}}$ " is an additional discount provided by EuroSibEnergо which was determined following commercial negotiations between the parties as compensation to the Group for the lack of electricity supplied during the period from 1 January 2016 to 1 November 2016 following the suspension of the electricity supply under the Existing Long-Term E&C Contract between KrAZ and Krasnoyarskaya HPP in November 2014. Following commercial negotiations, such additional discount in relation to the period from 1 January 2016 to 1 November 2016 will be reimbursed to the buyer over the next 6 months (i.e. evenly apply per month during the period from 1 November 2016 to 30 April 2017). In other words, additional discount is a non-derived economic effect for the buyer due to inability for the buyer to apply discount starting 1 January 2016 until the date of commencement of the new long-term contract divided by the number of months during which the additional discount is to be provided. Therefore, the additional discount is calculated as follows: (i) the cost of the seller's MW on the day-ahead market for each hour starting 1 January 2016 and until the date of commencement of the contract is determined (the data is provided by the TSA); (ii) this cost per MW is multiplied by the target consumption volume determined and agreed by the counterparties upon arm's length negotiations (1,416MW/h); (iii) the cost of the target consumption volume (MW/h) is multiplied by the number of hours starting 1 January 2016 until commencement of supply and (iv) the result is then multiplied by 3.5%.

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;

0.035 — this is a discount. It means 3.5% discount of the market price and represents the result of negotiations between the parties. This is a maximum amount of discount the seller is ready to offer to the Company.

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The contract price is the market price reduced by a 3.5% discount which is a result of arm's length commercial negotiation between the parties. The Scorr factor ensures that the 3.5% discount only applies to the lower of (i) the actual consumption of the buyer; and (ii) the free volume of EuroSibEnergO to be sold under the contract. In the unlikely event (determined by factors such as weather conditions or river stream flow rates etc.) that the free volume of EuroSibEnergO is not sufficient to provide for the buyer's actual consumption, the remaining contracted volume shall be supplied from other generating facilities of EuroSibEnergO (which may have a higher cost of generation) at no discount (i.e. the 3.5% discount would not apply).

The actual consumption of the buyer represents the volume of electricity consumed in the buyer's delivery point cluster which may include the electricity derived from generating facilities of EuroSibEnergO other than the generating facility of EuroSibEnergO as mentioned in the contract.

The free volume of EuroSibEnergO represents the total volume of electricity derived from Krasnoyarskaya HPP (being the generating facility of EuroSibEnergO mentioned in the contract) to be supplied to RUSAL EnergO after EuroSibEnergO fulfills its obligations under compulsory contracts concluded with other consumers pursuant to the Wholesale Market Rules, less the volume of the intake of Krasnoyarskaya HPP (e.g. heating, lightning, equipment operation etc.).

$V_{Plant,i}^{actual}$ 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.

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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:

$$S_{i,j}^{ee_plan,1-9} = \sum_{d=1}^9 \sum_{h=0}^{23} (0.965 * P_{DAM_{h,d,i,j}} * V_{h,d,i,j}^{ee_actual})$$

- 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:

$$S_{i,j}^{ee_plan_{10-23}} = \sum_{d=10}^{23} \sum_{h=0}^{23} (0.965 * P_{DAM_{h,d,i,j}} * V_{h,d,i,j}^{ee_actual})$$

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);

$V_{h,d,i,j}^{ee_actual}$ MWh — actual volume of electricity supplied hereunder per hour (h) for day (d) of the month (i) of the year (j) in relation to 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.

As disclosed by the Company previously, Krasnoyarskaya HPP stopped supplying electricity under the long-term contract between KrAZ and Krasnoyarskaya HPP in November 2014. The Company has been acquiring required volumes at market prices. The En+ Long-Term Electricity Supply Contract between RUSAL Energo and EuroSibEnergo would allow the Company to reduce its cost of electricity.

It is expected the existing annual cap for 2016 which took into account the originally expected transaction amount under the existing long-term agreement between KrAZ and Krasnoyarskaya HPP will not be exceeded as the supply under that agreement has been suspended and the new agreement will not increase the originally expected transaction amount. The amount purchased from 1 November 2016 to 31 December 2016 is covered under the existing 2016 annual cap. The purpose of the new agreement is, among other things, to replace the existing long-term agreement which will constitute a material change of terms of the existing long-term agreement under Rule 14A.54 of the Listing Rules. The Company would re-comply with the announcement and shareholders' approval requirements pursuant to Rule 14A.54 of the Listing Rules.

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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 circular). 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.

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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.

It is expected that the En+ Long-Term Electricity Supply Contracts will be entered into no later than 1 November 2016. If the actual terms of the En+ Long-Term Electricity Supply Contracts are different from those currently disclosed in this circular, the Company will re-comply with the requirements under Chapter 14A of the Listing Rules.

BrAZ, as a legal entity, includes two smelters — BrAZ smelter and Irkutsk smelter. The long-term electricity supply contracts are subject to compulsory registration and record-keeping with the Commercial Operator of the wholesale market (TSA). The record-keeping is tied to a DPC. Each DPC requires a separate agreement. BrAZ as a participant of the wholesale market has two DPCs — one for each smelter. Therefore there has to be two separate contracts.

(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. The parties to these E&C Contracts receive the information relating to prices directly from the TSA and such prices are not publicly available. 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 tariffs of generating objects which are registered as generating objects supplying capacity in the "forced regime" are established and prescribed by the Russian Federal Antimonopoly Service. The tariffs are available at the Service's web page (in Russian) (<http://fas.gov.ru/documents/documentdetails.html?id=14008>). The list of suppliers working in the forced regime is determined by the relevant Russian authorities from time to time based on the

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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 regulations 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 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 Energosbytovaya 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

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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 was 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 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 circular for the short-term E&C Contracts (and the miscellaneous E&C Contracts, as the case may be). If the actual terms of the short-term E&C Contracts or the addendum to the existing framework agreement are different to those currently disclosed in this circular, the Company will re-comply with

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the requirements under Chapter 14A of the Listing Rules. It is expected that the addendum to the existing framework agreement will be entered into no later than 31 December 2016. The addendum to the existing framework agreement is conditional upon the approval of the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates at the EGM.

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 circular) 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**").

Historical transaction figures for the short-term 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 short-term E&C Contracts with En+'s Associates was USD176.8 million, USD167.6 million, USD107.8 million and USD42.0 million (unaudited) respectively.

(c) Miscellaneous E&C Contracts with 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

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(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 circular for the miscellaneous E&C Contracts. If the actual terms of the miscellaneous E&C contracts or the addendum to the existing framework agreement are different to those currently disclosed in this circular, the Company will re-comply with the requirements under Chapter 14A of the Listing Rules. It is expected that the addendum to the existing framework agreement will be entered into no later than 31 December 2016. The addendum to the existing framework agreement is conditional upon the approval of the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates at the EGM.

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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 circular.

Historical transaction figures for the miscellaneous 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 miscellaneous E&C Contracts with En+'s Associates was USD194.9 million, USD169.6 million, USD113.9 million and USD55.6 (unaudited) million respectively.

(d) Long-Term Capacity RSE 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 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.

In 2013, the Russian legislation introduced a new type of contract for capacity supply from renewable sources of energy. The unified term of 180 months, applicable to all such contracts, was prescribed by the Russian legislation.

Under the Russian legislation, Long-Term Capacity RSE Contracts are concluded and signed by the "Financial Settlement Center", a wholly-owned subsidiary of the TSA, acting on behalf of both the supplier and buyer. All the terms and conditions of the Long-Term Capacity RSE Contracts are regulated by the legislation and neither a supplier nor a buyer under such contract can amend them. Moreover, the parties are not aware of their respective counterparty when the relevant contract is concluded until they are notified through the TSA after the contract is signed. There is a time gap between the signing of the contract and notification by the TSA. Such matching mechanism and the pricing formulae (as described below) for future Long-Term Capacity RSE Contracts will also be the same unless the relevant legislation changes. Such changes will be applicable and compulsory to all the parties concluding such type of contracts.

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The exact capacity volume to be supplied under the contract and its value is determined by the TSA. The payment is made via bank transfer using the special bank accounts of the parties under the TSA's instructions. Therefore, the Group does not have information regarding payment on the instant. Notifications from the TSA on the volumes supplied and payments made are submitted to the parties at a later stage.

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 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 Wholesale Market Rules as follows:

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

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

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

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

$\text{Крсв}_{g,m}^{\text{ВИЭ}}$ means the share of costs reimbursed from the payment for the capacity of the generating facility g as determined by the TSA with due account to the peculiarities stipulated by the

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accession contract for the generating facility g and the calendar year corresponding to the month m , in accordance with the rules for determination of the price of capacity of generating facilities using renewable energy sources approved by the Resolution of the Government of the Russian Federation No 449 dated 28 May 2013 (hereinafter referred to as “RSE Capacity Pricing Rules”);

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

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

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

If as the result of calculation using the formula (1) the value of $\Pi^{\text{прод_ДПМ_ВИЭ}}_{g,m}$ is less than RUR 10 (ten roubles) for 1 MW per month, it is accepted as RUR 10 (ten roubles) for 1 MW per month. The calculation of $\text{COE}_X^{\text{ВИЭ}}_{g,m}$ is performed as follows:

$$\text{COE}_X^{\text{ВИЭ}}_{g,m} = (R_{Y,g,m}^{\text{ВИЭ}} \cdot \text{НД}_{X-1,g}^{\text{ВИЭ}} / (1 - \text{НП}_{X,g}^{\text{ВИЭ}}) + r_{Y,g,m}^{\text{ВИЭ}}) / 12 + K_{\text{рсв}}^{\text{ВИЭ}}_{g,m} \cdot \text{ЭР}_{X,g}^{\text{ВИЭ}}, \quad (2)$$

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

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

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

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

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

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

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The amount of unit operating costs $\mathbb{E}P_{X,g}^{ВИЭ}$ for the generating facility g in the calendar year X is determined by adjustment for the period from 1 January 2012 year to January 1 of the calendar year X in accordance with the change of consumer price index determined and published by the federal executive body responsible for the preparing of official statistical information, the amount of operating costs $KCH_g^{ВИЭ}$, determined by RSE Capacity Pricing Rules for the type of generating facility specified in respect to the generating facility g:

$$\mathbb{E}P_{X,g}^{ВИЭ} = \mathbb{E}P_{2012,g}^{ВИЭ} \cdot \prod_{j=2012}^{X-1} ИПЦ_j^{\Phi}, \quad (3)$$

where $ИПЦ_j^{\Phi}$ means the consumer price index determined and published by the federal executive body responsible for the preparing of official statistical information in December of year j percentage to December of year j-1, the procedure of obtaining of which by the TSA is determined in the accession contract. The rate of return of the capital invested in the generating facility using renewable energy sources $НД_{X,g}$ for the generating facility g and the calendar year preceding the calendar year X is calculated (determined once and not reviewed thereafter) as follows:

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

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

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

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

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

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

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

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

$$R_{1,g,m}^{ВИЭ} = K_{рсв,г,м}^{ВИЭ} \cdot CapEx_{г,м}^{ВИЭ} \cdot K_{терм,ВИЭ}^{г,м} \cdot K_{локал}^{г,м} \cdot 1000 \cdot (1 + HД_{0,ВИЭ}^g), \text{ CT} \quad (6)$$

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

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

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

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

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

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

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

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

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

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

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

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

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

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

$КИУМ_{г,м}^{\pi}$ means the value of the load factor of installed capacity, provided the RSE Capacity Pricing Rules for generating facilities specified in respect of the generating facility g .

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The pricing formula of the Long-Term Capacity RSE Contracts may be broadly interpreted as follows:

Price of capacity = [reimbursement of invested capital and operational costs (including the corporate income tax and the designated return of the invested capital) + reimbursement of corporate property tax expense] x share of cost⁽¹⁾ x capacity utilisation factor⁽²⁾ x seasonal factor⁽³⁾ x 1.005

Notes:

- (1) It represents the Group's share of cost of the generating facility as determined by the TSA.
- (2) If the production of the generating facility is less than 50% of the prescribed minimum utilisation rate, the capacity utilisation factor will be 0.

If the production of the generating facility is more than 50% but less than 75% of the prescribed minimum utilisation rate, the capacity utilisation factor will be 0.8.

If the production of the generating facility exceeds 75% of the prescribed minimum utilisation rate, the capacity utilisation factor will be 1.

The minimum price of capacity will be no less than RUB 10 for 1 MW per month regardless of the result of calculation using the above formula.

- (3) This factor adjusts the monthly price of capacity to reflect the distribution of consumption projected by the TSA for each month during the calendar year, and is determined in accordance with the price zone to which the generating facility belongs.

For instance, if the consumption of certain months are projected to experience lower demand, then higher seasonal factor will be set by the TSA, and vice versa. This factor essentially serves to reduce the effect of seasonal demand over the course of the calendar year and stabilises the monthly price of capacity.

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 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 renewable sources of energy contracts with En+'s Associates from time to time on the same terms as described. As mentioned above, an addendum to the existing framework agreement dated 27 March 2014, governing the electricity and capacity transactions will be entered into which will cover the

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Long-Term Capacity RSE Contracts to be entered into from time to time with En+'s Associates such that the Long-Term Capacity RSE Contracts to be entered in the future 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 capacity supply from renewable sources of energy of similar nature from independent third parties having regard to the quantity, the government regulations in effect from time to time and other conditions of the transaction(s), and shall be consistent with the relevant terms as disclosed in this circular for the Long-Term Capacity Supply RSE Contracts. If the actual terms of the Long-Term Capacity RSE Contracts or the addendum to the existing framework agreement are inconsistent with those currently disclosed in this circular, either because of change of legislation or otherwise, the Company will re-comply with the requirements under Chapter 14A of the Listing Rules. It is expected that the addendum to the existing framework agreement will be entered into no later than 31 December 2016. The addendum to the existing framework agreement is conditional upon the approval of the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates at the EGM.

Historical transaction figures for the Long-Term Capacity RSE Contracts

For the years ended 31 December 2014 and 2015 and the first six months in 2016, the amount purchased under the Long-Term Capacity RSE Contracts was USD nil, USD nil and USD 0.36 million (unaudited) respectively.

Due to inadvertent oversight, there was a delay in disclosure of the Long-Term Capacity RSE Contracts as required under the Listing Rules. The Company's internal control system failed to detect these contracts due to human error as well as due to the absence of any supplies under these contracts for more than a year. In addition, non-systematic provision of copies of the signed contracts to the Company added to confusion.

The following measures have been or shall be implemented by the Company to avoid similar situations in the future:

1. Electronic digital signature was introduced for such RSE contracts by the Russian legislation. Although this is not the Company's action, in the Company's opinion this should greatly improve the situation and decrease the time gap to a minimum.
2. The Company introduced changes to its software controlling connected transactions and amended internal rules involving additional staff for the purposes of monitoring compliance to ensure more effective coordination of various stages and subsystems used in the process of preparation and execution of connected transactions.

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3. Signing of any contracts of connected transaction which are longer than 3 years has been, by default, forbidden under internal rules unless the relevant internal approval is obtained. Certain disparities in the internal automatic system of control have been detected and additional points of automatic control have been introduced so that the system is less reliant on human input thereby reducing possibilities of human error.

The Company's internal control system in relation to the continuing connected transactions include the annual review by external auditors and independent non-executive Directors and their annual confirmations that the transactions are in the ordinary and usual course of the business of the Group, conducted in accordance with the terms (including pricing terms) of the agreement that are fair and reasonable and in the interested of the Company and its shareholders as a whole, on normal commercial terms. The Company has been constantly assessing and enhancing its internal procedures, including training its local managers at the relevant locations so that potential connected transactions are identified as quickly as possible and are promptly reported to central management. The Company has an internal control and audit department and has an institute of supervisors of connected transactions, who have been given training on requirements of Listing Rules, assigned to business segments to oversee the connected transactions and continuing connected transactions concluded in their segment. The internal procedure is able to ensure that the actual terms of the continuing connected transactions, including the Long-Term Capacity RSE Contracts, are consistent with those currently disclosed in this circular. If it is determined that such transactions may trigger re-compliance obligation with disclosure or shareholders' approval requirement under the Listing Rules, the materials will then go through additional internal review procedure before sending to the Board for consideration and approval and further consideration by the shareholders, if required.

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 USD635.2 million, USD530.5 million, USD413.1 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	USD833 million (net of VAT and determined at the USD/RUB exchange rate as 1/70)
Year ending 31 December 2018	USD887.3 million (net of VAT and determined at the USD/RUB exchange rate as 1/70)
Year ending 31 December 2019	USD941.3 million (net of VAT and determined at the USD/RUB exchange rate as 1/70)

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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.

Since exact prices for three years ahead for many E&C contracts are not known yet as they are determined on the basis of certain circumstances on the market at certain moment in time, calculations are based on the basis of historical figures and indexes of estimated advance (such as inflation etc).

The projected volumes were determined in accordance with:

- the planned amount in the respective contract. For instance, the projected long-term supply of electricity was the sum of the contractual amounts under the En+ Long-Term Electricity Supply Contracts; or
- in the absence of such contractual amounts, the projected volume in deliveries was determined in accordance with the expected level of delivery in 2016, which is projected in line with the actual electricity and capacity consumption amount in the first half of 2016.

The transmission and electricity tariffs used in the annual cap calculations were determined by:

- the base price taking into account the current level of prices (tariff rates) in the first half of 2016 and the expected level for the second half of 2016; and
- the forecasted average price index for electricity and transmission for 2017-2019 published by the Ministry of Economic Development of the Russian Federation.

Therefore the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates = projected volume x (base price x forecasted average price index) + Buffer of 5%.

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

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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 (i.e. applications for registration of the monthly volumes of electricity to be supplied under the long-term contract with the TSA) 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.

The Court agreed with Krasnoyarskaya HPP and dismissed KrAZ's claims on the basis that only the monthly applications signed by the parties and registered with the TSA form an enforceable contract for electricity supply. Further, on the basis of provisions of the agreement concerned, the court determined that the seller had the right to decide which of its clients will enjoy priority in supply.

The En+ Long-Term Electricity Supply Contracts to a maximum extent possible oblige the En+ companies to fulfil their respective obligations to supply electricity:

- terms regarding the volume of electricity to be supplied (the volume of electricity is agreed in (i) monthly schedules/rates, (ii) hourly schedules/rates and (iii) overall are incorporated;
- all required provisions relating to the parties' obligations to prepare and file the registration requests to the TSA are also incorporated (including registration of (i) the contracts and (ii) hourly supply schedules). This is important in order to show that the suppliers have solid commitment to supply the electricity;
- the contracts set out the responsibility of the suppliers, which allow the buyer to get the agreed economic benefit. The suppliers shall reimburse or pay respective fines in an amount equal to the discount amount in cases where (i) the suppliers do not supply the electricity; and (ii) the suppliers do not fulfill other required obligations necessary for the supply (e.g. do not file the request to the TSA).

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 Irkutskenergo 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

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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.

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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 each of the year ended 31 December 2013, 2014, 2015 and the first six months of 2016 amounted to USD225.5 million, USD215.3 million, USD115.9 million and USD59.6 million (unaudited) respectively. The consideration was satisfied in cash via wire transfer.

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

- On 17 December 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 31 December 2013, at arm’s length prices defined on monthly basis. Since 2 December 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 each of the year ended 31 December 2013, 2014 and 2015, amounted to USD2.1 million, USD0.4 million and USD0.5 million (unaudited) respectively.
- On 17 December 2012, RUSAL RESAL entered into a contract for supply of secondary aluminium to OJSC “UMZ” for the period until 31 December 2013, at arm’s length prices defined on monthly basis. Since 2 December 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 31 December 2013, 2014 and 2015, amounted to USD0, USD6.5 million and USD 5.3 million (unaudited) respectively.
- On 10 December 2012, RUSAL RESAL entered into a contract for supply of secondary aluminium to OJSC Autodiesel for the period until 31 December 2013, at arm’s length prices defined on monthly basis. Since 2 December 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 each of the year ended 31 December 2013, 2014 and 2015 amounted to US\$0.
- On 10 December 2012, RUSAL RESAL entered into a contract for supply of secondary aluminium to OJSC Avtokomponenty — GAZ Group for the period until 31 December 2013, at arm’s length prices defined on monthly basis. 100% payment is made within 60 calendar days after the date of supply (shipment) of the goods. Since 1 December 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 each of the year ended 31 December 2013, 2014 and 2015, amounted to USD0, USD0.9 million and USD0.7 million (unaudited) respectively.

As of 31 December 2015, the four above-mentioned contracts were not renewed by RUSAL RESAL.

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Currently, it is planned to enter into similar contracts for the year ending 31 December 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 1 January 2013, the Group, acting through UC Rusal TH, 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 31 December 2015. The payment under the contract was made by 100% advance payment. The said agreements were extended to 28 February 2016 for the three years ended 31 December 2013, 2014 and 2015 and the two months ended 29 February 2016, the Group, acting through UC Rusal TH, 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 each of the three years ended 31 December 2013, 2014 and 2015 and the first six months in 2016 amounted to USD12.2 million, USD0, USD0 and USD0 respectively. The total remuneration for aluminium supplied under the contract with OJSC Barnaultransmash for each of the three years ended 31 December 2013, 2014 and 2015 and the first six months of 2016 amounted to USD1.1 million, USD0, USD0.7 million and USD0(audited) respectively. The payment was made in cash by bank transfer.

- On 3 March 2016, the Group, acting through UC Rusal TH, 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:

$P = \text{LME (A1)} + \text{fixed premium (from March to December 2016)},$

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

LME — average quotation of London Metal Exchange Cash Settlement High Grade Primary Aluminium 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 UC Rusal TH, 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.

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The total remuneration for aluminium supplied under the said contracts to members of the GAZ Group for the first six months of 2016 amount to approximately USD2.7 million (unaudited). 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 GAZ Group and OJSC Barnaultransmash. 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

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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.

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 circular for the Aluminium Sales Contracts with Mr. Deripaska's Associates. If the actual terms of the aluminium sales contracts with Mr. Deripaska's Associates or the addendum to the existing framework agreement are different to those currently disclosed in this circular, the Company will re-comply with the requirements under Chapter 14A of the Listing Rules. It is expected that the addendum to the existing framework agreement will be entered into no later than 31 December 2016. The addendum to the existing framework agreement is conditional upon the approval of the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts at the EGM.

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.

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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 and 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 million and USD62.5 million (unaudited) respectively (taking into account the consideration under the aluminium sales contracts with OJSC "Dmitrov Aluminium Rolling Mill" ("Dozakl") which ceased to be a connected person since March 2016. The total remuneration for aluminium supplied under the contract with Dozakl for each of the three years ended 31 December 2013, 2014 and 2015 and the period up to 11 March in 2016 amounted to USD7.2 million, USD11.3 million, USD5.2 million and USD0.2 million (audited) 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	USD361 million (net of VAT)
Year ending 31 December 2018	USD371 million (net of VAT)
Year ending 31 December 2019	USD507 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.

Since the volume, LME price and premium forecast was used in calculation of the caps, the cap for 2019 is comparably higher than the caps for 2017-2018 because of expected increase in magnitude of volumes.

Approximately 95% of the cap amounts in 2017-2019 is attributable to the Aluminium Sales Contract with LLC KraMZ. The balance of the cap amount represents the planned purchase volume of aluminium as indicated by the members of GAZ Group and Barnaultransmash to the Group.

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The forecasted premiums for aluminium products in 2017-2019 are determined on the following basis:

- the historical premium levels, which varies for each type and grade of aluminium products supplied under the Aluminium Sales Contracts; and
- the expected volatility trends of Metal Bulletin, which is a premium indicator in the pricing formula of primary aluminium under the contracts, and is also taken into account when an estimated premium is determined for the supply of alloys and secondary aluminium under the contracts with GAZ Group and OJSC Barnaultransmash

Therefore the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska's Associates= projected volume x (forecast prices + forecast premium).

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 Latest Practicable Date:

- 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; and
- Mr. Deripaska, an executive Director and the president of the Company, is, directly and indirectly through his interest in En+, interested in more than 40% of the issued share capital of the Company.

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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 longer than three years (ie. 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. An independent financial adviser was appointed to explain whether it is normal business practice for contracts of this type to be of such duration.

(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.

(e) **Directors' material interests**

None of the Directors have a material interest in the continuing connected transactions set out above save for:

- Mr. Deripaska, an executive Director and the president of the Company is interested in each of the members of the GAZ Group (including LLC GAZ, "GAZ Group Autocomponents")

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LLC, OJSC “UMZ”, JSC AVTODIZEL, JSC “URAL Motor Vehicles Plant”), Barnaultransmash as to more than 30%, and through his more than 50% interest in En+, is also interested in each of Irkutskenergo, EuroSibEnergo Krasnoyarskaya HPP, LLC “Avtozavodskaya CHP”, CJSC MAREM+, Irkutskenergosbyt LLC, IENC, LLC KraMZ and OJSC “Plant MOSMEK”, which are entities controlled by En+.

- Ms. Gulzhan Moldazhanova, Ms. Olga Mashkovskaya and Mr. Maxim Sokov, who are non-executive Directors, are directors of En+ and they declared that they are indirectly interested in the transactions with En+’s Associates.
- Ms. Gulzhan Moldazhanova is the general director of Company Bazovy Element LLC, and is a member of the board of directors of Basic Element Limited, both companies being ultimately beneficially owned by Mr. Deripaska and control the Mr. Deripaska’s Associates which are parties to the Aluminum Sales Contracts with Mr. Deripaska’s Associates. Therefore, Ms. Gulzhan Moldazhanova declared that she was indirectly interested in the transactions with Mr. Deripaska’s Associates.
- Mr. Siegfried Wolf is the Chairman of the board of directors of each of Russian Machines LLC and OJSC “GAZ”, being the companies controlled by Basic Element Limited and directly controlling Mr. Deripaska’s Associates which are parties to the Aluminum Sales Contracts with Mr. Deripaska’s Associates. Therefore Mr. Siegfried Wolf declared that he was indirectly interested in the transactions with Mr. Deripaska’s Associates.

Accordingly, Mr. Deripaska, Ms. Gulzhan Moldazhanova, Ms. Olga Mashkovskaya and Mr. Maxim Sokov did not vote on the board resolutions approving the Proposed 2017/2018/2019 Caps for E&C Contracts with En+’s Associates, the entering into of the En+ Long-Term Electricity Supply Contracts and the Long-Term Capacity RSE Contracts.

Furthermore, Mr. Deripaska, Mr. Siegfried Wolf, and Ms. Gulzhan Moldazhanova did not vote on the board resolutions approving the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska’s Associates.

5 INDEPENDENT SHAREHOLDERS’ APPROVAL

The Company will seek the Independent Shareholders’ approval in respect of the Relevant Proposals at the EGM.

As at the Latest Practicable Date, Mr. Deripaska, directly and indirectly through his interest in En+, controls or is entitled to exercise control over the voting right in respect of 7,347,674,039 Shares, representing approximately 48.36% of the issued share capital of the Company. In view of the interests of Mr. Deripaska and En+ in the transactions with En+’s Associates and Mr. Deripaska’s Associates, they and their respective associates will abstain from voting in relation to the Proposed 2017/2018/2019 Caps for E&C Contracts with En+’s Associates, the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska’s Associates, the entering into of the En+ Long-Term Electricity Supply Contracts and the Long-Term Capacity RSE Contracts.

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As at the Latest Practicable Date, Mr. Maxim Sokov controls or is entitled to exercise control over the voting right in respect of 413,751 Shares, representing approximately 0.003% of the issued share capital of the Company. In view of the interests of Mr. Maxim Sokov in the transactions with En+'s Associates and Mr. Deripaska's Associates, he and his associates will abstain from voting in relation to the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates, the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska's Associates, the entering into of the En+ Long-Term Electricity Supply Contracts and the Long-Term Capacity RSE Contracts.

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.

LETTER FROM THE BOARD

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

OJSC “Barnaultransmash” is principally engaged in machinery.

7 EGM

The notice convening the EGM is set out on pages 103 to 105 of this circular. The resolutions for approving (i) the Proposed 2017/2018/2019 Caps for E&C Contracts with En+’s Associates; (ii) the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska’s Associates; (iii) the entering into of the En+ Long-Term Electricity Supply Contracts and (iv) the entering into of the Long-Term Capacity RSE Contracts, will be proposed at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting of the Company must be taken by way of poll. Accordingly, the resolutions to be considered and, if thought fit, approved at the EGM will be voted on by way of poll by the Shareholders.

8 PROXY ARRANGEMENT

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and deposit it, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, at the office of the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so desire.

9 INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

In accordance with Rule 13.39(6) of the Listing Rules, the Company appointed Somerley, an independent financial adviser acceptable to the Stock Exchange, to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the E&C Contracts with En+’s Associates and the Aluminium Sales Contracts and (i) the Proposed 2017/2018/2019 Caps for E&C Contracts with En+’s Associates; (ii) the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska’s Associates; (iii) the entering into of the En+ Long-Term Electricity Supply Contracts; and (iv) the entering into of the Long-Term Capacity RSE Contracts are fair and reasonable and whether such transactions or arrangements are in the interests of the Company and its Shareholders as a whole and to advise the Independent Shareholders on how to vote.

LETTER FROM THE BOARD

Somerley is of the views that the E&C Contracts, the En+ Long-Term Electricity Supply Contracts and the Long-Term Capacity RSE Contracts with En+'s Associates and the Aluminium Sales Contracts are on normal commercial terms, in the ordinary and usual course of business of the Company, and the terms of such transactions and (i) the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates; (ii) the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska's Associates; (iii) the entering into of the En+ Long-Term Electricity Supply Contracts; and (iv) the entering into of the Long-Term Capacity RSE Contracts are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, Somerley recommended that the Independent Board Committee to advise the Independent Shareholders to vote in favour of the proposed resolutions at the EGM.

The letter from Somerley is set out in the section headed "Letter from the Independent Financial Adviser" to this circular.

In accordance with Rule 13.39(6) of the Listing Rules, the Company established the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the E&C Contracts, the En+ Long-Term Electricity Supply Contracts and the Long-Term Capacity RSE Contracts with En+'s Associates and the Aluminium Sales Contracts and (i) the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates; (ii) the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska's Associates; (iii) the entering into of the En+ Long-Term Electricity Supply Contracts; and (iv) the entering into the the Long-Term Capacity RSE Contracts are fair and reasonable and whether such transactions or arrangements are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote, taking into account the recommendation of Somerley.

The letter from the Independent Board Committee is set out in the section headed "Letter from the Independent Board Committee" to this circular.

10 RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders of the Company, which is set out on page 52 of this circular, and which contains their recommendation in respect of the proposed resolutions.

The letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders setting out its views and recommendation in respect of the proposed resolutions is set out on pages 53 to 85 of this circular.

The Independent Board Committee, having taken into account the advice of Somerley, considers that (i) the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates; (ii) the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska's Associates; (iii) the entering into of the En+ Long-Term Electricity Supply Contracts; and (iv) the entering into of the Long-Term Capacity RSE Contracts are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. Accordingly, it recommends that the Independent Shareholders vote in favour of the proposed resolutions at the EGM.

LETTER FROM THE BOARD

The Directors therefore recommend the Independent Shareholders to vote in favour of the proposed resolutions as set out in the notice of EGM on pages 103 to 105 of this circular.

11 FURTHER INFORMATION

Your attention is drawn to the appendix headed “General Information” to this circular.

Yours faithfully,
For and on behalf of the Board
Matthias Warnig
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



UNITED COMPANY RUSAL PLC

(Incorporated under the laws of Jersey with limited liability)

(Stock Code: 486)

11 October 2016

To the Independent Shareholders

Dear Sir or Madam,

We have been appointed by the Board as the Independent Board Committee to advise you in connection with the terms of the E&C Contracts, the En+ Long-Term Electricity Supply Contracts and the Long-Term Capacity RSE Contracts with En+'s Associates and the Aluminium Sales Contracts and (i) the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates; (ii) the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska's Associates; (iii) the entering into of the En+ Long-Term Electricity Supply Contracts; and (iv) the entering into of the Long-Term Capacity RSE Contracts, details of which are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 11 October 2016 (the "**Circular**"), of which this letter forms part. We wish to draw your attention to the letter from Somerley, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders, as set out on pages 53 to 85 of the Circular. Terms defined in the Circular shall have the same meanings when used herein, unless the context otherwise requires.

Having considered the information set out in the letter from the Board and the factors and reasons considered and the advice given by Somerley in relation thereto as set out on pages 53 to 85 of the Circular, we are of the view that the terms of the E&C Contracts, the En+ Long-Term Electricity Supply Contracts and the Long-Term Capacity RSE Contracts with En+'s Associates and the Aluminium Sales Contracts and (i) the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates; (ii) the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska's Associates; (iii) the entering into of the En+ Long-Term Electricity Supply Contracts; and (iv) the entering into of the Long-Term Capacity RSE Contracts are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve (i) the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates; (ii) the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska's Associates; (iii) the entering into of the En+ Long-Term Electricity Supply Contracts; and (iv) the entering into of the Long-Term Capacity RSE Contracts.

Yours faithfully,

For and on behalf of the Independent Board Committee

Elsie Leung Oi-Sie

Chairperson of the Independent Board Committee

(comprising Dr. Elsie Leung Oi-Sie, Mr. Mark Garber, Mr. Matthias Warnig, Mr. Philip Lader, Mr. Dmitry Vasiliev and Mr. Bernard Zonneveld)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

11 October 2016

*To: the Independent Board Committee and the Independent Shareholders of
United Company RUSAL Plc*

Dear Sirs,

PROPOSED 2017, 2018 AND 2019 ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS, THE ENTERING INTO OF THE EN+ LONG-TERM ELECTRICITY SUPPLY CONTRACTS AND LONG-TERM CAPACITY RSE CONTRACTS

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with (i) the entering into of the En+ Long-Term Electricity Supply Contracts; (ii) the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates; (iii) the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska's Associates and (iv) the entering into of the Long-Term Capacity RSE Contracts (together, the "**Relevant Proposals**"), details of which are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 11 October 2016 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular and the letter from the Board unless the context requires otherwise.

As stated in the letter from the Board, each of En+, Mr. Deripaska and their respective associates is a connected person of the Company under the Listing Rules and therefore transactions between each of them on one part and members of the Group on the other under the E&C Contracts (including the En+ Long-Term Electricity Supply Contracts and the Long-Term Capacity RSE Contracts) and the Aluminium Sales Contracts constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratio(s) with respect to each of (i) the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates and (ii) 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Dr. Elsie Leung Oi-sie, Mr. Mark Garber, Mr. Matthias Warnig, Mr. Philip Lader, Mr. Dmitry Vasiliev and Mr. Bernard Zonneveld, has been formed to making recommendations to the Independent Shareholders in respect of the Relevant Proposals. We, Somerley Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, En+, Mr. Deripaska or any of their respective associates and accordingly we are considered eligible to give independent advice on the terms of the Relevant Proposals. Apart from the normal professional fees payable to us in connection with this and similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, En+, Mr. Deripaska or their respective associates.

As at the Latest Practicable Date, we were not aware of any relationships or interests between Somerley Capital Limited on one hand and the Group, En+, Mr. Deripaska and their respective associates on the other hand that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and Independent Shareholders in connection with the Relevant Proposals and the transactions contemplated thereunder.

In formulating our opinion, we have reviewed, amongst others, the E&C Contracts (including the draft En+ Long-Term Electricity Supply Contracts and the Long-Term Capacity RSE Contracts), the Aluminium Sales Contracts, the comparable contracts entered into by the Group with independent third parties and the relevant sample invoices (where applicable), the calculations for determining the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates and the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska's Associates, the annual report of the Company for the year ended 31 December 2015, the interim results of the Company for the six months ended 30 June 2016, and the information contained in the Circular. The number of samples reviewed by us under each type of contracts (whether with connected parties or independent third parties) are disclosed in the relevant sections below. On the basis that (i) there are only 30 E&C Contracts and 18 Aluminium Sales Contracts entered into or to be entered into with connected parties; and (ii) as advised by the management of the Group, there is only a limited number of comparable contracts entered into with independent third parties, we consider the samples size to be fair and representative. We have also discussed with and reviewed information provided by the management of the Group regarding the businesses of the Group, the commercial implications of the Relevant Proposals and the transactions contemplated thereunder.

We relied on the information and facts supplied, and the opinions expressed to us, by management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

informed view and have no reason to believe that any material information have been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice and recommendation with regard to the Relevant Proposals and the transactions contemplated thereunder, we have taken into account the principal factors and reasons set out below:

1. Information on the Group

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

2. Information on En+'s Associates and Mr. Deripaska's Associates

En+'s Associates which are involved in the E&C Contracts are as follows:

- 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.
- MAREM+ is principally engaged in sales of electricity and capacity.
- Irkutskenergosbyt is principally engaged in sales of electricity and capacity.
- IENC is principally engaged in transmission and distribution of electricity.

Mr. Deripaska's Associates which are involved in the Aluminium Sales Contracts are as follows:

- 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- 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.

3. **Reasons for and benefits of entering into the E&C Contracts (including the En+ Long-Term Electricity Supply Contracts and the Long-Term Capacity RSE Contracts) and the Aluminium Sales Contracts**

As set out in the letter from the Board, 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 En+ Long-Term Electricity Supply Contracts, the discount of market prices helps to reduce the effect of volatility in the market price of electricity on the Group's margins. Furthermore, as set out in the letter from the Board, the Existing Long-Term E&C Contract dated 4 December 2009 between KrAZ and Krasnoyarskaya HPP has been determined in proceedings to be unenforceable and Krasnoyarskaya HPP has stopped supplying electricity under that contract in November 2014. The Existing Long-Term E&C Contract between KrAZ and Krasnoyarskaya HPP was determined to be unenforceable by the court, which agreed with Krasnoyarskaya HPP that only the monthly applications (i.e. applications for registration of the monthly volumes of electricity to be supplied under the long-term contract with the TSA) signed by the parties and registered with the TSA form an enforceable contract for electricity supply, and the court determined that the seller had the right to decide which of its clients will enjoy priority in supply based on provisions under the existing contract. Since the other two Existing Long-Term E&C Contracts between BrAZ and Irkutskenargo are, save for the pricing formula, similar to the Existing Long-Term E&C Contract between KrAZ and Krasnoyarskaya HPP, the Company considers that its subsidiaries face a risk that Irkutskenargo may refuse to supply electricity at the prices or in the volumes fixed in the Existing Long-Term E&C Contracts. As such, although the Existing Long-Term E&C Contracts between BrAZ and Irkutskenargo will not expire until December 2018, the Company has been in negotiations with En+'s Associates since late 2014 to mitigate the risks and ensure the stable supply under predictable prices by entering into the En+ Long-Term Electricity Supply Contracts, which would provide for the long term and maximally secure pricing of electricity at a rate which is 3.5% below market prices, and more effectively protect the interests of the Company in terms of continuity of supply under these contracts. As disclosed in the letter from the Board, the En+ Long-Term Electricity Supply Contracts to a

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

maximum extent possible oblige the En+ companies to fulfill their respective obligations to supply electricity, having considered (i) the contractual volumes of electricity to be supplied by hour and month over the delivery period have been specified in the contracts; (ii) provisions relating to the parties' obligations to file the registration of the contracts and hourly supply schedules to the TSA have been incorporated in the contracts; and (iii) the contracts set out the responsibility of the suppliers to reimburse or pay respective fines equal to the discount amount in cases where the suppliers do not supply the electricity or fulfill other required obligations necessary for the supply such as filing request to the TSA. 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 offered by En+'s Associates. Shareholders' attention is drawn to further details set out under the paragraph headed "Reasons for and benefits of entering into the E&C Contracts" in the letter from the Board of the Circular.

As set out in the letter from the Board, 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 the Irkutsk region and therefore the relevant members of the Group are required to enter into the miscellaneous E&C Contracts with it.

Also as set out in the letter from the Board, the Long-Term Capacity RSE Contracts are one of the tools under Russia's recently introduced new capacity-based renewable energy support scheme and are compulsory for participants of the electric energy wholesale market. Failure to conclude such contracts results in exclusion of a company from the electric energy wholesale market which 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 (including the En+ Long-Term Electricity Supply Contracts and the Long-Term Capacity RSE Contracts) and the entering into of the E&C Contracts (including the En+ Long-Term Electricity Supply Contracts and the Long-Term Capacity RSE Contracts) with En+'s Associates is beneficial to the business of the Group.

As set out in the letter from the Board, 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.

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Based on the above reasons and having considered the Group’s principal business which is the production of aluminium and alumina, we concur with the Directors’ view that the entering into of the E&C Contracts (including the En+ Long-Term Electricity Supply Contracts and the Long-Term Capacity RSE Contracts) and the Aluminium Sales Contracts is in the ordinary and usual course of business of the Group and in the interest of the Company and the Independent Shareholders as a whole.

4. Principal terms of the E&C Contracts and the Aluminium Sales Contracts

(I) E&C Contracts

(a) *Long-term E&C Contracts with En+’s Associates*

As stated in the letter from the Board, certain members of the Group have entered into the Existing Long-Term E&C Contracts in the past, and propose to enter into the En+ Long-Term Electricity Supply Contracts to replace the Existing Long-Term E&C Contracts, a summary of which as extracted from the circular of the Company dated 13 December 2013 and the letter from the Board is as follows:

TABLE 1: PRINCIPAL TERMS UNDER THE EN+ LONG-TERM ELECTRICITY SUPPLY CONTRACTS

	Existing Long-Term E&C Contracts	En+ Long-Term Electricity Supply Contracts
Parties	<ul style="list-style-type: none"> • Members of the Group, including BrAZ, OJSC SUAL and KrAZ, as buyers • Companies controlled by En+, including Irkutskenergo and Krasnoyarskaya HPP, as sellers 	<ul style="list-style-type: none"> • Members of the Group, including BrAZ and RUSAL Energo, as buyers • Companies controlled by En+, including Irkutskenergo and EuroSibEnergo, as sellers
Duration	<ul style="list-style-type: none"> • 9 years or 11 years 	<ul style="list-style-type: none"> • 9 years and 2 months, or 10 years
Pricing basis	<ul style="list-style-type: none"> • Formula tied to (i) the production cost of the electricity; (ii) the market prices of electricity; and (iii) the prices of aluminium quoted on the LME to link electricity costs to the Group’s revenue • The market price of electricity is determined by TSA based on the bids/tenders from suppliers and customers of electricity/capacity 	<ul style="list-style-type: none"> • Formula tied to the market prices of electricity at a discount of 3.5% • The market price of electricity is an equilibrium electricity price determined by the TSA based on the results of competitive bids/tenders from suppliers and buyers of electricity on the day-ahead market per hour (the “Day-ahead Market Price”)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Existing Long-Term E&C Contracts	En+ Long-Term Electricity Supply Contracts
<p>Payment term</p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Preliminary payment for electricity supplied from the 1st to 9th days of the month shall be paid no later than the 14th day of the month • Preliminary payment for electricity supplied from the 10th to 23rd days of the month shall be paid no later than the 28th day of the month • Final payment for electricity supplied shall be made on or before the 21st day of the month following the reporting period

As stated in the letter from the Board, the prices for the En+ Long-Term Electricity Supply Contracts are agreed between the parties (subject to the electric energy 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 Market Council that organises an efficient system of trading on the electric energy wholesale and retail 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 TSA, a governmental authority established by the Market Council.

As set out in Table 1 above, the formulas under the Existing Long-Term E&C Contracts were tied to (i) the production cost of electricity; (ii) the market prices of electricity; and (iii) the prices of aluminium quoted on the LME. As advised by the management of the Group, these formulas were determined when the Existing Long-Term E&C Contracts were entered into in 2009, hence the basis of determining the variables in the formulas were also based on the market environment and industry conditions at that time. For instance, the LME aluminium prices tied to the formula were based on the projected estimates of price levels made at the time of around US\$2000 per tonne, as compared to the price level quoted on the LME in the region of US\$1,400-1,700 per tonne in the past year. In addition, the production costs of electricity adopted in the formulas were also determined with reference to the price level at the time of entering into the Existing Long-Term E&C Contracts. Hence, the contract parties have agreed to introduce a new formula to determine the pricing terms under the En+ Long-Term Electricity Supply Contracts in order to better reflect the current market conditions. Following arm's length negotiations, the contract parties consider that the market price of electricity would remain as the sole principal parameter under the new formula, due to (i) the unpredictability and volatility of LME prices in recent years; and (ii) the production cost of electricity is deemed unnecessary as the market price of electricity would have sufficiently reflected the relevant market and industry conditions.

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As set out in the letter from the Board, the payment for electricity to be supplied by Irkutskenergo and EuroSibEnergo under the En+Long-Term Electricity Supply Contracts is based on a formula which is tied to the market prices of electricity at discount. We have reviewed the draft En+Long-Term Electricity Supply Contracts and noted that the formulas implemented in such contracts, details of which are set out in the letter from the Board, may be broadly interpreted as follows:

Payment = actual electricity cost at market rate - discount to the market price + reimbursement of excess discount provided by the supplier - additional discount for non-delivery by the supplier ^(note)+/- additional tax accrued and paid by the supplier or buyer for the preceding period (if any)

Note: This variable only applies to the long-term contract to be entered into between RUSAL Energo and EuroSibEnergo to compensate for the discount not received by the buyer due to the lack of electricity supplied by the seller over the period from 1 January 2016 until the electricity supply start date under the agreement.

The basis of determining each variable in the above formula is as follows:

TABLE 2: VARIABLES OF THE FORMULA UNDER THE EN+ LONG-TERM ELECTRICITY SUPPLY CONTRACTS

Variables	Calculation basis
(i) Actual electricity cost at market rate	The product of: <ul style="list-style-type: none">• the Day-ahead Market Price; and• the actual volume of electricity supplied, as determined by the TSA based on the delivery reports submitted by the contract parties in accordance with relevant regulations
(ii) Discount to the market price	The product of: <ul style="list-style-type: none">• 3.5% of the Day-ahead Market Price; and• the contractual volume of electricity due to be supplied

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Variables	Calculation basis
(iii) Reimbursement of excess discount provided by the supplier	<p>The product of:</p> <ul style="list-style-type: none">• 3.5% of the Day-ahead Market Price; and• the shortfall of: (i) the lower of (a) the buyer's actual electricity consumption, which represents the volume of electricity consumption in the buyer's delivery point cluster which may include the electricity supplied by other generating facilities of the supplier the cost of generation at which may differ, or (b) the free volume of the supplier, which represents the total volume of electricity derived from generating facilities with low cost of generation which can be supplied to the buyer after the supplier fulfils its obligations under compulsory contracts concluded pursuant to the Wholesale Market Rules with other customers and excluding the volumes of the intake of the supplier's low-cost generating facilities (for its own needs such as heating, lightning, equipment operation etc.); against (ii) the contractual volume of electricity due to be supplied

As advised by the management of the Group, despite there is no guarantee on the amount of free volume to be supplied by the supplier under the contracts, in the unlikely event (determined by such factors as weather conditions or river stream flow rates etc.) that the free volume of the supplier is not sufficient to provide for the buyer's electricity consumption, the remaining contractual volume shall be supplied from the more expensive generating facilities of the supplier at no discount. In order to protect the interests of both parties under the contract and to ensure that the volume to which the discount is applied does not exceed either the buyer's actual electricity consumption volume or the free volume of electricity of the supplier derived from the generating facilities with the low cost of generation, and having considered that the buyer's actual electricity consumption volume and the supplier's actual electricity generation volume from the low-cost generating facilities may vary, it is agreed between the parties following commercial negotiations that the lower of these two volumes will be applied in determining the discount for electricity payment to avoid any potential disputes.

If the buyer's actual consumption or the free volume of supplier's actual generation from generating facilities with low cost of generation is equal to or higher than the contractual volume, then the amount of this variable will be 0.

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Variables	Calculation basis
(iv) Additional discount of non-delivery by the supplier	<p>The product of:</p> <ul style="list-style-type: none">• 3.5% of the Day-ahead Market Price; and• the contractual volume of electricity due to be supplied over the period from 1 January 2016 until the electricity supply start date (i.e. the contract date of 1 November 2016) <p>This item is only applicable to the long-term contract to be entered into with EuroSibEnergo.</p> <p>As disclosed in the letter from the Board, this additional discount provided by EuroSibEnergo was determined following commercial negotiations between the parties as compensation to the Group for the lack of electricity supplied during the period from 1 January 2016 to 1 November 2016 following the suspension of the electricity supply under the Existing Long-Term E&C Contract between KrAZ and Krasnoyarskaya HPP in November 2014. Following commercial negotiations, such additional discount in relation to the period from 1 January 2016 to 1 November 2016 will be reimbursed to the buyer in equal monthly instalments over the next 6 months (i.e. the period from 1 November 2016 to 30 April 2017).</p>
(v) Additional tax accrued and paid by the supplier or buyer for the preceding period (if any)	<p>The product of:</p> <ul style="list-style-type: none">• the amount of additional tax per unit of supplied electricity for the tax reporting period (effectively, the previous year) as determined by a tax audit; and• the actual volume of electricity supplied in the current period and subsequent period, which shall not exceed the volume of electricity supplied in the tax reporting period <p>If the additional tax was paid by the supplier, then the payment for electricity will be increased (+). If the additional tax was paid by the buyer, then the payment for electricity will be decreased (-). If no additional tax was paid by either party, then the amount of this variable will be 0.</p>

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Variables

Calculation basis

As advised by the management of the Group, this variable is only applicable when additional tax is accrued by the supplier or buyer for the tax reporting period after the 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 was determined following commercial negotiations as a mechanism to adjust the payment for electricity accordingly to compensate the party which accrued additional tax under the above circumstances.

In short, based on our assessment of the above pricing formula, the contractual electricity price as commercially agreed following arm's length negotiations between the parties under the En+ Long-Term Electricity Supply Contracts will essentially represent the Day-ahead Market Price with a 3.5% discount (applicable for the electricity volume representing the lower of (a) the contractual volume; (b) the buyer's actual electricity consumption volume; or (c) the free volume of the supplier), adjusted by any additional tax accrued and paid by the supplier or buyer for the preceding period (if any). The 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. As advised by the management of the Group, the pricing terms based on these formulas reflect normal commercial terms, as it is a common market practice for contracts to adopt similar basis which take into account the market price of electricity as a key parameter in arriving at the contractual electricity price. We are further advised that there are no comparable electricity supply contracts with a long duration or a similar pricing formula entered into by the companies of the Group with independent third parties. Nevertheless, in view of (i) the average price under the long term supply of electricity is substantially lower than that under the short-term supply of electricity of the Group for the six months ended 30 June 2016 as set out in Table 7 below; and (ii) the payment terms under the En+ Long Term Electricity Supply Contracts do not represent material variation to those under the Existing Long-Term E&C Contracts, we are of the view that the pricing basis and the payment terms under the En+ Long Term Electricity Supply Contracts to be acceptable.

As set out in Table 1 above, the duration of the En+ Long-Term Electricity Supply Contracts will be 10 years for the contracts between BrAZ and Irkutskenergo, and approximately 9 years and 2 months for the contract between RUSAL Energo and EuroSibEnergo, as compared to the duration of 9 or 11 years under the Existing Long-Term E&C Contracts. As advised by the management of the Group, there are no comparable long-term electricity supply contracts entered into by the companies of the Group with independent third parties. However, long-term aluminium sales contracts are also entered into (with both connected and independent third parties) in the ordinary course of business of the Group, such as the Aluminium Sales Contract entered into between UC Rusal TH and LLC Tradecom for a duration of 15 years as mentioned in the section headed "(II) Aluminium Sales Contracts" below. Hence, it is a normal business practice for long-term electricity and supply contracts to be of such comparable duration, which is essential for the Group to secure stable source of supply of electricity and capacity for the aluminium smelters of the Group. On the above basis, and also considering that the durations of the En+ Long-Term Electricity Supply Contracts are comparable to

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those under the Existing Long-Term E&C Contracts, we concur with the view of the Directors that the duration under the En+ Long-Term Electricity Supply Contracts is a normal commercial term for transactions of this type and it is normal business practice for the Group to enter into contracts of this type to be of such duration.

Having considered (i) the entering into of the En+ Long-Term Electricity Supply Contracts would provide for the long term and maximally secure pricing of electricity at a 3.5% discount to market prices and more effectively protect the interests of the Company in terms of continuity of supply under these contracts; (ii) the terms of the En+ Long-Term Electricity Supply Contracts (including the pricing formulas (which comprise the mechanism to determine the electricity volume of which a 3.5% discount to the market price will be enjoyed by the members of the Group and to adjust the payment for electricity accordingly to compensate the party which accrued additional tax under certain circumstances, and also the additional discount provided by EuroSibEnergO as compensation to the Group for the lack of electricity supplied during the period from 1 January 2016 to 1 November 2016 following the suspension of the electricity supply under the Existing Long-Term E&C Contract between KrAZ and Krasnoyarskaya HPP in November 2014) and payment terms) were determined after arm's length negotiations between the parties; (iii) the Day-ahead Market Price tied to the pricing formula represents the market price of electricity based on the results of competitive selection by TSA, a government authority; and (iv) the duration under the En+ Long-Term Electricity Supply Contracts is considered to be normal business practice for the Group to enter into contracts of this type to secure stable source of supply of electricity and capacity for its aluminium smelters, we are of the view that the terms under the En+ Long-Term Electricity Supply Contracts are on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned.

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

As stated in the letter from the Board, members of the Group, from time to time as part of their ordinary course of business, enter into short-term E&C Contracts with companies controlled by En+. We have reviewed 8 samples of the 18 short-term E&C Contracts and noted that the terms under these contracts may be broadly categorised into three types of contracts, a summary of which as extracted from the letter from the Board is as follows:

TABLE 3: SHORT-TERM E&C CONTRACTS

Subject of the contract	• Supply of capacity	• Supply of electricity and capacity purchased on the electric energy wholesale market	• Supply of electricity and capacity purchased at the retail electricity market
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Parties	<ul style="list-style-type: none"> • Members to the Group, including BrAZ, KrAZ, Rusal Energo, RUSAL Sayanogorsk, Rusal Novokuznetsk and SUAL, as buyers • Companies controlled by En+, including Irkutskenergo, LLC “Avtozavodskaya CHP”, EuroSibEnergo and Krasnoyarskaya HPP, as sellers 	<ul style="list-style-type: none"> • Members to the Group, including LLC “SUAL-Kremiy-Ural”, OJSC “South Ural Cryolite Plant”, OJSC “Ural Foil” and JSC “RUSAL SAYANAL”, as buyers • MAREM+, a company controlled by En+, as seller 	<ul style="list-style-type: none"> • Members to the Group as buyers • Irkutskenergosbyt, a company controlled by En+, as seller
Duration	<ul style="list-style-type: none"> • Not exceeding one year 	<ul style="list-style-type: none"> • Not exceeding three years 	<ul style="list-style-type: none"> • One year, with annual extensions
Pricing basis	<ul style="list-style-type: none"> • Prices determined under competitive procedure based on the bids/tenders from suppliers and customers of capacity through TSA and such prices are generally considered as market prices • The regulations of the Russian Government set out the procedures pursuant to which such market prices shall be arrived • TSA controls the matching of the suppliers and customers and the Group does not take the lead in determining the identities of the counter-parties 	<ul style="list-style-type: none"> • As advised by the management of the Group, the price is based on (i) the market price of electricity and capacity purchased from the electric energy wholesale market; and (ii) a sale mark-up, which is agreed by the parties and the level of which may not be higher than the sale mark-up of a “provider of last resort”, and is determined under the regulations of the Russian Government which are statutory requirements that the parties should comply with • 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 	<ul style="list-style-type: none"> • Irkutskenergosbyt is a “provider of last resort”, namely a commercial organisation 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 • 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

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- 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 the identities of the offeror

- Payment term
- Payment is made by instalments in accordance with the regulations of the Market Council
 - The consideration is satisfied in cash via wire transfer
- Payments are effected by tentatively scheduled instalments during each month as negotiated and agreed by the parties at arm's length basis, 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
- Payment is made by instalments during each month of supply in accordance with the regulations of the Russian Government
 - The consideration is satisfied in cash via wire transfer

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- Comparison of pricing and payment terms with independent third parties
- We have reviewed 3 relevant samples of invoices under each of the short-term E&C Contracts with (i) an associate of En+ and (ii) an independent third party, which are both within the same price zone, and noted that the pricing of capacity offered by the associate of En+ and the independent third party in the sample invoices are comparable.
 - We have reviewed a sample contract entered into with an independent third party, and noted that the payment terms are comparable to those offered by En+'s Associates.
- As advised by the management of the Group, competitive tenders are held by members of the Group for the selection of a supplier based on the best terms and conditions offered, regardless whether it is a connected person or an independent third party. The prices offered under each tender may vary depending on the economic circumstances. Hence, the invoiced prices offered by MAREM+ could not be directly compared with those offered by independent third parties. Alternatively, we have been provided with the extracts from 3 sample internal tender reports and noted that the suppliers tendered the bid with the most favourable terms to the Group (taking into account the price quotation and all accompanying terms) have been selected which included both MAREM+ and an independent third party.
 - We have reviewed a sample contract entered into with an independent third party, and noted that the payment terms are comparable to those offered by MAREM+.
- As advised by the management of the Group, there is only one "provider of last resort" in each region, and the tariff offered by each "provider of last resort" in different regions may vary under different economic circumstances. Hence, the invoiced prices offered by Irkutskenergosbyt could not be directly compared with those offered by other "providers of last resort" operating in other regions which are independent third parties.
 - We have reviewed a sample contract entered into with an independent third party, and noted that the payment terms are comparable to those offered by Irkutskenergosbyt.

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As stated in the letter from the Board, the reasons for entering into of the short-term E&C Contracts for the supply of electricity and capacity purchased on the electric energy wholesale or retail market by MAREM+ and Irkutskenergosbyt are due to geographical and other issues such as the low volume of electricity and capacity required by the members of the Group, as they may not be able to purchase electricity and capacity directly from the electric energy wholesale or retail market. As shown in Table 3 above, 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, and the prices under these short-term E&C Contracts are determined based on (i) the supply and demand for electricity and capacity on the market through TSA; or (ii) prices or tariffs derived from the wholesale or retail market price determined under the regulations of the regional/local authorities.

Having considered (i) the pricing of the short-term E&C Contracts are governed by different rules and regulations of the Russian Government; (ii) the payment terms of short-term E&C contracts (other than those with MAREM+) are governed by the rules and regulations of the Russian Government, whereas the payment terms of the short-term E&C contracts with MAREM+ for the supply of electricity and capacity purchased on the electric energy wholesale market are not regulated but are comparable to the payment terms of short-term E&C contracts with Irkutskenergosbyt for the supply of electricity and capacity purchased at the retail electricity market; (iii) as set out in Table 3 above, the selection of a supplier is based on competitive bids or tenders rather than the identity of the supplier, or in the case of supply from a “provider of last resort”, the tariff is regulated by the government whether or not the counterparties are independent third parties or connected persons; and (iv) the payment terms under the short-term E&C Contracts were comparable to those adopted in the sample contracts entered into by the Group with independent third parties, we are of the view that the terms under the short-term E&C Contracts are on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned.

As set out in the letter from the Board, there are exceptions to the price determination procedures set out in Table 3 under the short-term E&C contracts for the supply of capacity, which include contracts for supply of capacity with suppliers working in the forced regime (“**Short-Term Forced-Regime Contracts**”). 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 tariffs of generating objects which are registered to supply capacity in the “forced regime” are established and prescribed by the Russian Federal Antimonopoly Service, and are available at the Service’s web page (in Russian). 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 Forced-Regime Contracts with suppliers in the forced-regime which are also connected persons of the Company. However, should any of the Company’s suppliers 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. Having considered (i) the tariffs under the Short Term Forced Regime Contracts are established and prescribed by the Russian Federal Antimonopoly Service; and (ii) the payment terms are in accordance with the regulation of the Market Council, we are of the view that the terms under the Short-Term

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Forced-Regime Contracts to be entered into by the Group would be on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned in the event that the members of the Group are required to enter into any of the Short-Term Forced Regime Contracts with the connected person of the Company.

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

As stated in the letter from the Board, the Group has also from time to time been entering into miscellaneous electricity and capacity transmission services contracts with 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 that the parties should comply with, and which are uniform for all consumers (tariffs are differentiated depending on voltage levels). We have reviewed a sample of the 2 existing contracts for the provision of electric power transmission services entered into between BrAZ and IENC, pursuant to which the electricity (power) transmission rate is set by the authority responsible for rate regulation, which is the Tariff Services of the Irkutsk region. As advised by the management of the Group, IENC is the only supplier of electricity and capacity transmission services to the Group in the Irkutsk region. We have also reviewed a sample of comparable contract for the supply of electricity and capacity transmission services entered into with an independent third party located in a different region, pursuant to which a comparable pricing basis has been adopted where the transmission rate is also set by the authority responsible for rate regulation in that region.

Having considered (i) the tariff of the miscellaneous E&C Contracts is governed by the Tariff Service of the Irkutsk region and is uniform for all consumers whether or not the supplier is an independent third party or a connected person; and (ii) the terms under the miscellaneous E&C Contracts were comparable to those adopted in the sample contract entered into by the Group with an independent third party in a different region where the transmission rate is also set by the authority responsible for rate regulation in that region, we are of the view that the terms under the miscellaneous E&C Contracts are on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned.

(d) *Long-Term Capacity RSE Contracts*

As stated in the letter from the Board, the members of the Group as buyers, including BrAZ, Rusal Energo, RUSAL Sayanogorsk, Boguchansk Aluminium Smelter and Rusal Novokuznetsk, from time to time as part of their ordinary course of business, enter into the Long-Term Capacity RSE Contracts with a term of 15 years with companies controlled by En+ as sellers, including Krasnoyarskaya HPP.

As set out in the letter from the Board, 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

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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.

We have reviewed a sample of comparable contract related to renewable energy sources entered into with an independent third party, and noted that, similar to the 5 existing Long-Term Capacity RSE Contracts, the duration under these contracts are also 15 years in accordance with the standard contract established by the Russian Government. Having considered that (i) it is statutory requirement that contracts for supply of capacity produced by qualified generating facilities using renewable energy sources to be of a duration of 15 years; and (ii) the durations of these type of contracts related to renewable energy sources are comparable whether or not the counterparties are independent third parties or connected persons, we concur with the view of the Directors that the duration under the contracts for supply of capacity produced by qualified generating facilities using renewable energy sources is a normal commercial term for transactions of this type and it is normal business practice for the Group to enter into contracts of this type to be of such duration.

As set out in the letter from the Board, in accordance with the mechanics of price determination under the standard form of contracts, 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. We have reviewed and discussed with the management of the Group the 5 existing Long-Term Capacity RSE Contracts and noted that the formulas implemented in such contracts, details of which are set out in the letter from the Board, may be broadly interpreted as follows:

Price of capacity = [reimbursement of invested capital and operational costs (including the corporate income tax and the designated return of the invested capital) + reimbursement of corporate property tax expense] x share of cost⁽¹⁾ x capacity utilisation factor⁽²⁾ x seasonal factor⁽³⁾ x 1.005⁽⁴⁾

Notes:

- (1) It represents the Group's share of cost of the generating facility as determined by the TSA.
- (2) If the production of the generating facility is less than 50% of the prescribed minimum utilisation rate, the capacity utilisation factor will be 0.

If the production of the generating facility is more than 50% but less than 75% of the prescribed minimum utilisation rate, the capacity utilisation factor will be 0.8.

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If the production of the generating facility exceeds 75% of the prescribed minimum utilisation rate, the capacity utilisation factor will be 1.

The minimum price of capacity will be no less than RUB 10 for 1 MW per month regardless of the result of calculation using the above formula.

- (3) This factor adjusts the monthly price of capacity to reflect the distribution of consumption projected by the TSA for each month during the calendar year, and is determined in accordance with the price zone to which the generating facility belongs.

For instance, if the consumption of certain months are projected to experience lower demand, then higher seasonal factor will be set by the TSA, and vice versa. This factor essentially serves to reduce the effect of seasonal demand over the course of the calendar year and stabilises the monthly price of capacity.

- (4) This factor represents a fixed coefficient prescribed by the Russian authorities.

As shown in the above formula, the pricing for capacity to which the energy buyers (such as the members of the Group) are subject effectively represents guaranteed returns (including payback) for the investors of the renewable source energy investment projects pertaining to their invested capital and reimbursement of the operating cost and corporate property tax etc of the generating facilities as required under the capacity-based renewable energy support scheme in Russia, which serves to create incentives for investments in the construction and upgrading of fixed assets. However, the pricing formula is subject to the efficiency of the generating facilities. In the event that the generating facilities fail to meet the minimum production requirement prescribed by the Russian authorities, their capacity remuneration would be reduced and vice versa in order to incentivize generating facilities to operate their installed capacities efficiently. As advised by the management of the Group, the price of capacity to be sold under the Long-Term Capacity RSE Contracts is computed by the TSA based on the pricing formula above with certain components and coefficients such as seasonal factor determined by it. The Group has no access to the details of such computation.

As set out in the letter from the Board, 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. We have reviewed a sample of comparable contract related to renewable energy sources entered into with an independent third party, and noted that similar to the 5 existing Long-Term Capacity RSE Contracts, the price of capacity to be sold and payment terms are also determined by the TSA in accordance with the relevant rules as mentioned above.

Having considered (i) the entering into of the Long-Term Capacity RSE Contracts would enable the members of the Group to continue to be registered participants of the electric energy wholesale market to purchase electricity at a price lower than the retail price; (ii) the terms of the Long-Term Capacity RSE Contracts (including the basis of pricing and payment terms) are set out under the standard form of contracts and determined by the TSA in accordance with the relevant rules and regulations approved by the government; (iii) the terms of the Long-Term Capacity RSE Contracts (including the basis of the pricing and payment terms) are comparable to those adopted in the sample contract entered into with an independent third party; and (iv) the duration under the Long-Term Capacity RSE Contracts is considered to be normal business practice for the Group to enter into contracts of this type to comply with the standard form of contracts as required by the governmental

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regulations, we are of the view that the terms under the existing Long-Term Capacity RSE Contracts as well as any Long-Term Capacity RSE Contracts to be entered into by the members of the Group from time to time in the future (provided that the terms of such contracts are consistent with the existing Long-Term Capacity RSE Contracts and the standard form of contracts) are on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned.

(II) Aluminium Sales Contracts

(a) *LLC KraMZ (successor of LLC Tradecom)*

As set out in the letter from the Board, on 14 December 2006, the Group through its member 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.

We have reviewed the Aluminium Sales Contract between UC RUSAL TH and LLC KraMZ, and also reviewed 10 sample contracts between members of the Group and independent third parties, and noted that the terms of payment offered to LLC KraMZ is no more favourable than those offered to independent third parties. Having considered (i) the pricing mechanism under the Aluminium Sales Contract with LLC KraMZ had been agreed by the parties well before the Company's listing on the Stock Exchange and the Company cannot amend such approach and must apply it under such contract according to the regulations of the Russian Federal Antimonopoly Service; (ii) the pricing mechanism under the Aluminium Sales Contracts with LLC KraMZ is linked to the market price of aluminium quoted on the LME, which is considered a normal market practice throughout the global aluminium industry; and (iii) the terms of payment offered to LLC KraMZ are comparable to those offered to independent third parties, we are of the view that the terms under the Aluminium Sales Contracts with LLC KraMZ are on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned.

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

(i) *RUSAL RESAL*

As set out in the letter from the Board, in December 2012, RUSAL RESAL, a wholly-owned subsidiary of the Company, entered into short-term contract for supply of secondary aluminium to members of GAZ Group for the period until 31 December 2013, at arm's length prices defined on monthly basis. Since December 2014, the payment under these contracts is made by 100% advance payment. The said contracts were to be renewed automatically for another calendar year unless the parties declare their intention to terminate it.

As of 31 December 2015, the above-mentioned contracts were not renewed by RUSAL RESAL. Currently, it is planned to enter into similar contracts for the year ending 31 December 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 at arm's length prices defined on monthly basis and in accordance with the pricing dynamics of the market of secondary alloys, which is similar to the primary aluminium market and linked to the market price of aluminium quoted on the LME. As advised by management of the Group, GAZ Group holds monthly closed tenders for the supply of secondary alloys, in which RUSAL RESAL takes part in along with other third party suppliers of secondary alloys. RUSAL RESAL determines its tender price principally based on the expected cost of the alloy, which is the lower limit of the tender price and is linked to the LME aluminium price as the input materials for secondary alloys are aluminium-containing waste and scrap, which are subject to the long-term trends of the market price of aluminium. The contract is awarded to the supplier who submitted the lowest tender price (regardless whether the tender is made by RUSAL RESAL or a third party supplier), and as the lowest possible tender price of RUSAL RESAL is subject to its cost of alloy, the tender prices submitted by third party suppliers may be lower than that offered by RUSAL RESAL, and therefore RUSAL RESAL may not always be awarded the contract by GAZ Group.

As advised by the management of the Group, members of GAZ Group buy only certain brands/grades of secondary alloys produced by RUSAL RESAL, which are not demanded by any independent third parties. As such, we have reviewed (i) 4 samples of the draft Aluminium Sales Contracts for the supply of secondary alloys by RUSAL RESAL to be entered into with members of GAZ Group; and (ii) 2 samples of the existing Aluminium Sales Contracts for the supply of other brands/grades of secondary alloys by RUSAL RESAL to independent third parties, and we noted that the terms of payment offered to members of GAZ Group and independent third parties in the sample Aluminium Sales Contracts are comparable.

Having considered (i) the basis of determining the tender price by RUSAL RESAL for the supply of secondary alloys to GAZ Group is similar to the primary aluminium market and linked to the market price of aluminium quoted on the LME, which is considered a normal market practice throughout the global aluminium industry; and (ii) the terms of payment offered to members of GAZ Group are comparable to those offered to independent third parties, we are of the view that the terms under the Aluminium Sales Contracts for the supply of secondary aluminium are on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned.

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(ii) *UC RUSAL TH*

The Group, acting through UC RUSAL TH, also entered into framework agreements with members of GAZ Group (including OJSC Autodiesel, OJSC Automobile Plant URAL, OJSC UMZ and OJSC Barnaultransmash) for the supply of primary aluminium and alloys, a summary of which as extracted from the letter from the Board is as follows:

TABLE 4: ALUMINIUM SALES CONTRACTS BETWEEN UC RUSAL TH ON ONE HAND AND MEMBERS OF GAZ GROUP AND OJSC BARNAULTRANSMASH ON THE OTHER

	Previous contracts	Renewed contracts
Parties	<ul style="list-style-type: none"> • UC RUSAL TH as seller • Members of GAZ Group and OJSC Barnaultransmash as buyers 	
Date	<ul style="list-style-type: none"> • 1 January 2013 	<ul style="list-style-type: none"> • 3 March 2016
Duration	<ul style="list-style-type: none"> • Initially for the three years ended 31 December 2015, and further extended for the two months ended 29 February 2016 	<ul style="list-style-type: none"> • Until 31 December 2016
Pricing basis	<ul style="list-style-type: none"> • At arm's length prices defined on monthly basis 	<ul style="list-style-type: none"> • Pricing formula for A7 grade aluminium: Price = LME + PA7 • Pricing formula for aluminium alloys: Price = LME + fixed premium <p>LME — average quotation of London Metal Exchange Cash Settlement High Grade Primary Aluminium (LME) with a duration of 30 calendar days, within 2 months preceding the month of delivery</p>

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Previous contracts

Renewed contracts

PA7 — average regional premium on A7 and/or A7D and/or A7E grade aluminium (in small ingots or T-bars) or similar grades and types (shapes) in a major global market segment to which the Group exports greater amounts of the product than any other single global market segment, deducted by the weighted average logistics costs of the Group for (i) freight from the port in the Russian territory to the overseas port of destination, and (ii) delivery of the aluminium from the smelters to the port in the Russian territory

The above pricing formulas are based on the formulas stipulated under the resolutions of the Russian Federal Antimonopoly Service.

Payment term	<ul style="list-style-type: none">• 100% advance payment	<ul style="list-style-type: none">• 100% of the payment within 20 days after date of shipment
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As stated in the letter from the Board, for these Aluminium Sales Contracts entered into by UC RUSAL TH for the supply of primary aluminium, whether with connected parties (i.e. members of GAZ Group and OJSC Barnaultransmash) or non-connected parties, the terms of payment and pricing mechanism 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 fulfil 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. 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.

Also set out in the letter from the Board, under these contracts, the price for the primary aluminium is the average aluminium price quoted at the LME for one month taken within a two-month period preceding the day of delivery. The maximum amount of the premium as well as the basis for determination of the price are prescribed by the Russian Federal Antimonopoly Service 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

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premium 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 are based on normal commercial terms.

We have reviewed the relevant resolutions of the Russian Federal Antimonopoly Service and also 10 samples each of Aluminium Sales Contracts for the supply of primary aluminium between UC RUSAL TH on one hand, and (i) members of GAZ Group and OJSC Barnaultransmash or (ii) independent third parties on the other, and for those where the pricing formula has been stipulated in the contract, we noted that the formulae under the resolutions for the purpose of calculating the prices has been adopted under these Aluminium Sales Contracts (regardless whether with members of GAZ Group and OJSC Barnaultransmash or with independent third parties). We also noted that the terms of payment offered to members of GAZ Group and OJSC Barnaultransmash and independent third parties in the sample Aluminium Sales Contracts are comparable. We have also reviewed 10 relevant samples of invoices each under the Aluminium Sales Contracts for the supply of primary aluminium by UC RUSAL TH to (i) members of GAZ Group and OJSC Barnaultransmash or (ii) independent third parties, and we noted that the prices of similar primary aluminium products offered to members of GAZ Group and OJSC Barnaultransmash and independent third parties in the sample invoices are comparable.

Having considered (i) it is statutory requirement to apply the formulas regulated under the Russian Federal Antimonopoly Service in the Aluminium Sales Contracts for the supply of primary aluminium; (ii) as required by the relevant resolutions of the Russian Federal Antimonopoly Service, the pricing mechanism under these Aluminium Sales Contracts (whether or not the counterparties are independent third parties or connected person) is linked to the market price of aluminium quoted on the LME, which is considered a normal market practice throughout the global aluminium industry; and (iii) the prices and terms of payment offered to members of GAZ Group and OJSC Barnaultransmash are comparable to those offered to independent third parties, we are of the view that the terms under the Aluminium Sales Contracts for the supply of primary aluminium are on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned.

(III) Control measures to monitor the transactions contemplated under the Relevant Proposals

As set out in the letter from the Board, it has been disclosed in the announcement of the Company dated 28 March 2014, on 27 March 2014 that, framework agreements, governing the price and key terms of contracts with (i) En+'s Associates regarding transactions under the short-term and miscellaneous E&C Contracts; and (ii) Mr. Deripaska's Associates regarding transactions under the Aluminium Sales Contracts were signed. Addendums to the existing framework agreements will be entered into which will cover these contracts as well as the Long-Term Capacity RSE Contracts with En+'s Associates and Mr. Deripaska's Associates for the three years ending 31 December 2017, 2018 and 2019. Pursuant to the framework agreements and the addendums, the short-term and miscellaneous E&C Contracts, the Long-Term Capacity RSE Contracts and the Aluminium Sales Contracts to be entered into from time to time with En+'s Associates and Mr. Deripaska's Associates respectively 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 (i) obtains

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electricity and capacity supply, transmission of electricity and other ancillary services of similar nature from independent third parties; or (ii) supplies aluminium of similar nature to independent third parties, and shall be consistent with the relevant terms of short-term and miscellaneous E&C Contracts, Long-Term Capacity RSE Contracts and Aluminium Sales Contracts as disclosed in this circular.

As set out in the letter from the Board, prior to entering into each E&C Contract or Aluminium Sales Contracts 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 circular.

As set out in the letter from the Board, following the delay in disclosure of the Long-Term Capacity RSE Contracts as required under the Listing Rules due to human error as well as the absence of any supplies under these contracts for more than a year, the Company has implemented additional measures to enhance the system of control to avoid similar situations. As set out in the letter from the Board, the following measures have been or shall be implemented by the Company to avoid similar situations in the future:

1. Electronic digital signature was introduced for such RSE contracts by the Russian legislation. Although this is not the Company's action, in the Company's opinion this should greatly improve the situation and decrease the time gap to a minimum.
2. The Company introduced changes to its software controlling connected transactions and amended internal rules involving additional staff for the purposes of monitoring compliance to ensure more effective coordination of various stages and subsystems used in the process of preparation and execution of connected transactions.
3. Signing of any contracts of connected transaction which are longer than 3 years has been, by default, forbidden under internal rules unless the relevant internal approval is obtained. Certain disparities in the internal automatic system of control have been detected and additional points of automatic control have been introduced so that the system is less reliant on human input thereby reducing possibilities of human error.

Having considered that (i) the entering into of E&C Contracts with En+'s Associates or Aluminium Sales Contracts with Mr. Deripaska's Associates is governed by the framework agreements dated 28 March 2014 and supplemented by addendums to be entered into which will cover the three years ending 31 December 2017, 2018 and 2019; (ii) internal approval procedures by the Board are in place prior to the entering into of E&C Contracts (including the En+ Long-Term Electricity Supply Contracts) or Aluminium Sales Contracts; (iii) additional measures has been performed by the Company to enhance the system of control to mitigate human error and prevent the Company from breaching of the Listing Rules in the future; (iv) the independent non-executive Directors will, pursuant to Rule 14A.55 of the Listing Rules, review, among other things, whether the transactions contemplated under the E&C Contracts (including the En+ Long-Term Electricity Supply Contracts)

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or Aluminium Sales Contracts are conducted on normal commercial terms; and (v) the auditors of the Company will, for the purpose of Rule 14A.56 of the Listing Rules, review, among other things, whether the transactions contemplated under the E&C Contracts (including the En+ Long-Term Electricity Supply Contracts) or Aluminium Sales Contracts are conducted in accordance with the terms of these contracts, we are of the view that adequate measures have been put in place, as required under the Listing Rules mentioned above, to monitor the transactions contemplated under the Relevant Proposals in order to protect the interests of the Company and the Independent Shareholders.

5. The Proposed Annual Caps

(I) Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates

Set out below are the historical transaction figures and existing annual caps for E&C Contracts with En+'s Associates for the two years ended 31 December 2015 and the first six months in 2016 and their respective utilization rates, and the proposed annual caps for the three years ending 31 December 2017, 2018 and 2019 as extracted from the letter from the Board:

TABLE 5: HISTORICAL TRANSACTION FIGURES AND EXISTING/PROPOSED ANNUAL CAPS FOR E&C CONTRACTS WITH EN+'S ASSOCIATES

	Year ended		Six months ended	Year ended 31 December		
	31 December 2014	2015	30 June 2016	2017	2018	2019
Historical transaction figures (<i>USD million</i>)	530.5	413.1	198.6	—	—	—
Existing / proposed annual caps (<i>USD million</i>)	1,016	1,054	1,155 ^(note)	833	887.3	941.3
Utilization (%)	52.2%	39.2%	17.2% ^(note)	—	—	—

Note: The amount of USD1,155 million represents the existing annual cap for the year ending 31 December 2016, while 17.2% represents the latest utilization rate of 2016 based historical transaction figures for the six months ended 30 June 2016.

We have reviewed and discussed with the management of the Group the calculations of the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates, which is determined as follows:

Proposed cap = [projected volume x (base price x forecasted average price index) x exchange rate of 1/70 USD/RUB] + buffer of 5%

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The actual purchase for the six months ended 30 June 2016 and the projected supply of electricity and capacity by En+'s Associates for the four years ending 31 December 2019 are used to arrive at the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates, which are as follows:

TABLE 6: ACTUAL AND PROJECTED SUPPLY OF ELECTRICITY AND CAPACITY BY EN+'S ASSOCIATES

	Actual purchase for the six months ended 30 June 2016	Projected supply of electricity and capacity by En+'s Associates for the year ending 31 December			
		2016	2017	2018	2019
<i>(in billion kWh)</i>					
Long-term supply of electricity ^(Note 1)	12.3	25.2	37.6	37.6	37.6
Short-term supply of electricity	0.2 ^(Note2)	0.5	0.6	0.7	0.7
Electricity transmission services under miscellaneous E&C Contracts	12.0	24.0	25.2	25.2	25.2
<i>(in thousand MW)</i>					
Short-term capacity supply contracts	19.1 ^(Note2)	53.3	53.3	53.3	53.3
<i>(in MW)</i>					
Long-Term Capacity RSE Contracts	11.1 ^(Note2)	21.8	21.8	21.8	21.8

Notes:

1. The projected volume for the long-term supply of electricity for each of the three years ending 31 December 2019 represents the annualized volume projected based on the sum of each of the contractual hourly volume of electricity to be supplied under the En+ Long-Term Electricity Supply Contracts (i.e. 833 MWh, 2,043MWh and 1,416 MWh respectively), multiplied by 24 hours and the number of days in the respective year.
2. As advised by the management of the Group, the actual purchase for the six months ended 30 June 2016 included certain historical non-connected transactions with non-connected persons of the Company and in whose name the delivery point clusters were registered. Following the respective delivery point clusters being re-assigned by the TSA from such non-connected persons to subsidiaries of the Company, such transactions become connected transactions for the Company as En+'s Associates are the suppliers for these delivery point clusters, and therefore the energy supply through such delivery point clusters in the future will become connected transactions with En+'s Associates.

As advised by the management of the Group, the projected volume in deliveries to the Group's aluminium smelting processes for the three years ending 31 December 2017, 2018 and 2019 was determined in accordance with the planned amount in the respective contract. For instance, the

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projected long-term supply of electricity was the sum of the contractual volume set out under the draft En+ Long-Term Electricity Supply Contracts reviewed by us, which were determined following commercial negotiations between the parties having taken into account (i) the Group's projected electricity consumption under the respective contract; and (ii) the supplier's expected electricity generation capacity to service the respective contract. Only the En+ Long-Term Electricity Supply Contracts have stated the contractual volume of electricity supply. It is noted that the projected long-term supply of electricity for the full year of 2016 is basically in line with actual amount of electricity consumption in the first half of 2016 while the long-term electricity supply in 2017 represents a 49% increase as compared to that of 2016. Such increase reflecting the additional electricity consumption under the En+ Long-Term Electricity Supply Contract to be entered into with EuroSibEnergO in November 2016 is about the same as the average electricity consumption in the full year of 2016 under the two Existing Long Term E&C Contracts. In the absence of such contractual volumes, the projected volume in deliveries was determined in accordance with the expected level of delivery in 2016, which is generally projected in line with the actual electricity and capacity consumption amount in the first half of 2016 as shown above, except for the projected volume under short-term capacity supply contracts which is projected based on the historical volume in 2013 in case the capacity volume would resume back to the 2013 level in view of the actual purchase in the first half of 2016 accounting for 38%, 45% and 44% of the historical volumes for the full years of 2013, 2014 and 2015 respectively.

As advised by the management, the transmission and electricity tariffs used in the calculations of the Proposed 2017/2018/2019 Caps for E&C Contracts with En+'s Associates were determined as the product of:

- (i) the base price taking into account the current level of prices (tariff rates) in the first half of 2016 and the expected level for the second half of 2016 as follows:

TABLE 7: CURRENT AND EXPECTED PRICE LEVELS OF ELECTRICITY AND CAPACITY SUPPLIED BY EN+'S ASSOCIATES

<i>(in RUB/kWh)</i>	Average price level in the first half of 2016	Expected average level for the second half of 2016
Long-term supply of electricity	0.88 ^(Note)	0.88
Short-term supply of electricity	2.19	2.20
Electricity transmission services under miscellaneous E&C Contracts	0.32	0.35
<i>(in million RUB/MW)</i>		
Short-term supply of capacity	0.15	0.17
Long-Term Capacity RSE Contracts	2.9	3.0

Note: It refers to the average Day-ahead Market Price as quoted by the TSA in the first half of 2016.

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As advised by the management of the Group, the price levels for the contracts of long-term supply of electricity represents the current and expected level of the Day-ahead Market Price. We have reviewed the monthly reports provided by the TSA to the Group setting out the Day-ahead Market Prices in the first six months of 2016, and the average of which is comparable to the price level set out above. When determining the cap for the contracts of long-term supply of electricity, a 3.5% discount is then applied to this Day-ahead Market Price in accordance with the pricing basis of the En+ Long-Term Electricity Supply Contracts. Regarding short-term supply of electricity and capacity and the Long-Term Capacity RSE Contracts, we have reviewed a total of 20 sample invoices in 2016 under these contracts and noted that the prices therein were generally comparable to the respective price levels adopted in the annual cap calculation. Regarding the miscellaneous E&C Contracts, we have reviewed the computation provided by the management of the Group to determine the price level adopted in the annual cap calculation, which is based on the tariff rates for 2016 set out in the order issued by the Tariff Service of the Irkutsk Region for transmission services under the miscellaneous E&C contracts.

- (ii) the forecasted average price index for electricity and transmission for 2017-2019 published by the Ministry of Economic Development of the Russian Federation on its website as follows:

TABLE 8: FORECASTED AVERAGE PRICE INDEX FOR ELECTRICITY AND TRANSMISSION FOR 2017-2019

	Year ending 31 December			
	2016	2017	2018	2019
Growth of regulated prices of grid organisations	—	1.063	1.045	1.04
Growth of prices in the electric energy wholesale market	—	1.075	1.065	1.065
CPI	1.075	1.055	1.048	1.043

As advised by the management of the Group, the market prices of electricity under the En+ Long-Term Electricity Supply Contracts based on the index in accordance with the price growth in the electric energy wholesale market. The market prices of capacity based on the results of competitive selection under the short-term capacity supply contracts and the capacity price under the Long-Term Capacity RSE Contracts are indexed subject to CPI_{n-1} . The prices under the short-term E&C contracts with MAREM+ and Irkutskenergosbyt are indexed in accordance with the price growth in the electric energy wholesale market. The tariff rates set by the Tariff Service of the Irkutsk Region for transmission services under the miscellaneous E&C contracts are indexed in accordance with the forecast of the Ministry of Economic Development on the growth of regulated tariffs of grid organisations for customers excluding the public.

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In addition, as advised by the management of the Group, a buffer of 5% was used in determining the Proposed 2017/2018/2019 Caps for E&C Contracts with En+’s Associates, for which the Directors consider it, and we concur it to be reasonable and will allow flexibility for the Group to cope with any unexpected market fluctuations in prices and volumes.

Having considered (i) the basis of determining the projected volume of energy demand either in accordance with the contractual volumes or in their absence, the projected volume based on the historical figure in the 1st half of 2016; (ii) the basis of determining the transmission and electricity tariffs used in the calculations of the Proposed 2017/2018/2019 Caps for E&C Contracts with En+’s Associates being indexed according to the data published by the Ministry of Economic Development of the Russian Federation; and (iii) the buffer of 5% to allow flexibility for the Group’s smooth operation, we consider the basis for determining the Proposed 2017/2018/2019 Caps for E&C Contracts with En+’s Associates to be fair and reasonable.

(II) Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts

Set out below are the historical transaction figures for Aluminium Sales Contracts with Mr. Deripaska’s Associates for the two years ended 31 December 2015 and the first six months in 2016 and the proposed annual caps for the three years ending 31 December 2017, 2018 and 2019 as extracted from the letter from the Board:

TABLE 9: HISTORICAL TRANSACTION FIGURES AND EXISTING/PROPOSED ANNUAL CAPS FOR ALUMINIUM SALES CONTRACTS WITH MR. DERIPASKA’S ASSOCIATES

	Year ended		Six months ended	Year ended 31 December		
	31 December 2014	2015	30 June 2016	2017	2018	2019
Historical transaction figures (<i>USD million</i>)	234.4	128.0	62.5	—	—	—
Existing / proposed annual caps (<i>USD million</i>)	575	861	961 ^(note)	361	371	507
Utilization (%)	40.8%	14.9%	6.5% ^(note)			

Note: The amount of USD961 million represents the existing annual cap for the year ending 31 December 2016, while 6.5% represents the latest utilization rate of 2016 based historical transaction figures for the six months ended 30 June 2016.

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We have reviewed and discussed with the management of the Group the calculations of the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska's Associates, and understand that the proposed annual caps were determined as the product of: (i) the planned volume of aluminium sales to Mr. Deripaska's Associates in 2017-2019; and (ii) the sale price representing the sum of the weighted average forecasted LME data for 2017-2019 and the forecast premiums for aluminium products in 2017-2019. The projected volume of aluminium sales to Mr. Deripaska's Associates in 2017-2019 as follows:

TABLE 10: PROJECTED VOLUME OF ALUMINIUM SALES TO MR. DERIPASKA'S ASSOCIATES

<i>(in tonnes)</i> <i>Mr. Deripaska's Associates:</i>	Projected volume of aluminium sales to Mr. Deripaska's Associates for the year ending		
	2017	2018	2019
LLC KraMZ	180,545	180,545	240,545
Members of the GAZ Group and OJSC Barnaultransmash			
- Supply of primary aluminium and alloys	6,680	7,800	9,600
- Supply of secondary aluminium	3,888	3,888	3,888
Total	<u>191,113</u>	<u>192,233</u>	<u>254,033</u>
Projected average sale price (USD per tonne)	1,888.9	1,929.9	1,995.8
		(+2.2%)	(+3.4%)

We have reviewed the calculations of the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska's Associates, and noted that approximately 95% of the cap amounts are attributable to the Aluminium Sales Contract with LLC KraMZ, and the projected volumes for the three years ending 31 December 2019 as set out above indicated a growth from the contractual volume of 164,132 tonnes for 2016 pursuant to the long-term contract entered into between UC RUSAL TH and LLC Tradecom (predecessor of LLC KraMZ) dated 14 December 2006. As advised by the management of the Group, the projected volume of aluminium sales to LLC KraMZ in 2017-2019 was determined with regards to the following bases: (i) the Company is actively working in the framework of a program to increase the consumption of aluminium across various industries, and has recruited a strong design team to work with key customers to implement projects aimed at increasing sales of these customers as well as at setting-up of an industrial companies cluster including LLC KraMZ in the Krasnoyarsk region (known as "Aluminium Valley" as disclosed in the interim report of the Company for the six months ended 30 June 2016), and thereby increasing the volume of orders for metal products of these customers from the Group, leading to the management's forecast of an increase in the

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contractual volume of aluminium demand from LLC KrAMZ by 10% in 2017 and 2018 compared to the contractual volume of 164,132 tonnes for 2016; and (ii) the possible additional 60,000 tons of aluminium demand from LLC KrAMZ in 2019, upon its tentative launch at the end of 2018 or early 2019 of a new rolling complex with a production capacity of 60,000 tons, which resulted in the higher projected volume and annual cap in 2019 as compared to 2017 and 2018. The balance of the cap amount represents the planned purchase volume of aluminium as indicated by the members of GAZ Group and OJSC Barnaultransmash under their respective volume confirmations provided to the Group which have been reviewed by us.

We have also noted in the cap calculations that the sales prices used in determining the caps are based on (i) the weighted averages of the consensus forecasted LME prices published by investment banks on Bloomberg of USD1,561, USD1,603 (+2.7%) and USD1,669 (+4.1%) per tonne respectively for 2017-2019; plus or minus (ii) a forecast premium (or discount) according to the type and grade of the aluminium product. We noted that the growth rates of the projected average sale price in the cap calculation of 2.2% in 2018 and 3.4% in 2019 as set out in Table 10 above are generally in line with the growth rates of the consensus forecasted LME prices of 2.7% in 2018 and 4.1% in 2019. We have also discussed with the management and understand that the forecast premiums for aluminium products in 2017-2019 are determined with reference to (i) the historical premium levels, which varies for each type and grade of aluminium products supplied under the Aluminium Sales Contracts; and (ii) the expected volatility trends of Metal Bulletin, which is a premium indicator in the pricing formula of primary aluminium under the Aluminium Sales Contracts, and is also taken into account when an estimated premium is determined for the supply of alloys and secondary aluminium under the Aluminium Sales Contracts with GAZ Group and OJSC Barnaultransmash.

Having considered (i) the basis of determining the projected volume of aluminium sales principally in anticipation of the possible growth of demand of LLC KrAMZ upon their launch of a new rolling complex and implementation of projects aimed at increasing sales; (ii) the LME prices used in the calculations of the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska's Associates are based on the weighted average of consensus forecast published by investment banks on Bloomberg; and (iii) the above basis of determining the forecast premiums, we consider the basis for determining the Proposed 2017/2018/2019 Caps for Aluminium Sales Contracts with Mr. Deripaska's Associates to be fair and reasonable.

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OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the E&C Contracts (including the En+ Long-Term Electricity Supply Contracts and the Long-Term Capacity RSE Contracts) and Aluminium Sales Contracts is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Relevant Proposals and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders, to vote in favor of the ordinary resolution to be proposed at the EGM in relation to the Relevant Proposals and the transactions contemplated thereunder.

Yours faithfully,

for and on behalf of

SOMERLEY CAPITAL LIMITED

Kenneth Chow

Jenny Leung

*Managing Director - Corporate
Finance*

Director

Mr. Kenneth Chow and Ms. Jenny Leung are licensed persons and responsible officers of Somerley Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO and have participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

1 RESPONSIBILITY STATEMENT

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

2 DISCLOSURE OF INTERESTS

Directors' and chief executive officer's interests in Shares and in shares of associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive officer in the Shares, underlying Shares and debentures of the Company as recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified by the Directors to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (as incorporated by the Company in its "Codes for Securities Transaction") were as set out below:

Interests in Shares

Name of Director/ chief executive officer	Capacity	Number of Shares as at the Latest Practicable Date	Percentage of issued share capital as at the Latest Practicable Date
Mr. Deripaska	Beneficiary of a trust (<i>Note 1</i>)	7,312,299,974 (L)	48.13%
	Beneficial owner (<i>Note 2</i>)	35,374,065 (L)	0.23%
	Total	7,347,674,039 (L)	48.36%
Vladislav Soloviev	Beneficial owner	1,311,629 (L)	0.008%
Maxim Sokov	Beneficial owner (<i>Note 2</i>)	413,751 (L)	0.003%

(L) Long position

Notes — see notes on page 90

Interests in the shares of associated corporations of the Company

As at the Latest Practicable Date, Mr. Deripaska, the president and an executive Director of the Company, had disclosed interests in the shares of a number of associated corporations (within the meaning of Part XV of the SFO) of the Company, the details of which are set out in the “Disclosure of Interests” section on the website of the Stock Exchange at www.hkexnews.hk. The Company has obtained a waiver from the Stock Exchange from strict compliance with Rule 70 (14) of Chapter 14A and Paragraph 38 (1) of Appendix 1B to the Listing Rules regarding the disclosure of Mr. Deripaska’s interests in the shares of those associated corporations in the Circular.

Interests and short positions in the underlying shares of associated corporations of the Company

Name of Director/ chief executive officer	Capacity	Number of Shares as at the Latest Practicable Date	Percentage of issued share capital as at the Latest Practicable Date
Mr. Deripaska	Beneficiary of a trust (<i>Note 1</i>)	1,539,481,200 (L) (<i>Note 7</i>)	10.133%

(L) Long position

Notes — see notes on page 90

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive officer had any interested or short position, whether beneficial or non-beneficial, in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified by the Directors to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (as incorporated by the Company in its “Codes for Securities Transaction”).

Substantial Shareholders' Interests

As at the Latest Practicable Date, so far as the Directors are aware, the following persons had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept under Section 336 of the SFO and of article L.233-7 of the French commercial code:

Interests and short positions in Shares

Name of Shareholder	Capacity	Number of Shares held	Percentage of issued share capital as at the Latest Practicable Date
Mr. Deripaska	Beneficiary of a trust (<i>Note 1</i>)	7,312,299,974 (L)	48.13%
	Beneficial owner (<i>Note 2</i>)	35,374,065 (L)	0.23%
	Total	7,347,674,039 (L)	48.36%
Fidelitas Investments Ltd. (<i>Note 1</i>)	Interest of controlled corporation	7,312,299,974 (L)	48.13%
B-Finance Ltd. (<i>Note 1</i>)	Interest of controlled corporation	7,312,299,974 (L)	48.13%
En+ (<i>Note 1</i>)	Beneficial owner	7,312,299,974 (L)	48.13%
Victor Vekselberg (<i>Note 3</i>)	Beneficiary of a trust	3,710,590,137 (L)	24.42%
TCO Holdings Inc. (<i>Note 3</i>)	Interest of controlled corporation	3,710,590,137 (L)	24.42%
SUAL Partners (<i>Note 3</i>)	Beneficial owner	2,400,970,089 (L)	15.80%
	Other	1,309,620,048 (L)	8.62%
	Total	3,710,590,137 (L)	24.42%

Name of Shareholder	Capacity	Number of Shares held	Percentage of issued share capital as at the Latest Practicable Date
Mikhail Prokhorov (Note 4)	Beneficiary of a trust	2,586,499,596 (L)	17.02%
Onexim Group Limited (Note 4)	Interest of controlled corporation	2,586,499,596 (L)	17.02%
Onexim Holdings Limited (Note 4)	Beneficial owner	2,586,499,596 (L)	17.02%
Glencore International plc (Note 5)	Beneficial owner	1,328,988,048 (L)	8.75%

(L) Long position

Notes — see notes on page 90

Interests and short positions in underlying Shares

Name of Shareholder	Capacity	Number of underlying Shares as at the Latest Practicable Date	Percentage of issued share capital as at the Latest Practicable Date
Mr. Deripaska (Note 1)	Beneficiary of a trust	1,539,481,200 (L) (Note 7)	10.133%
Fidelitas Investments Ltd. (Note 1)	Interest of controlled corporation	1,539,481,200 (L) (Note 6)	10.133%
B-Finance Ltd. (Note 1)	Interest of controlled corporation	1,539,481,200 (L) (Note 6)	10.133%
En+ (Note 1)	Beneficial owner	1,539,481,200 (L) (Note 6)	10.133%
Glencore International plc (Note 5)	Beneficial owner	41,807,668 (L) (Note 6)	0.28%
		1,309,620,048 (S) (Note 6)	8.62%

(L) Long position

(S) Short position

Note 1 — The Company has been informed that Fidelitas Investments Ltd. has changed its name to Fidelitas International Investments Corp. Based on the information provided by Mr. Deripaska and the records on the electronic filing systems operated by the Stock Exchange, Mr. Deripaska was the founder, trustee and a beneficiary of a discretionary trust which, as at the Latest Practicable Date, held a majority stake of the share capital of Fidelitas International Investments Corp. (formerly known as Fidelitas Investments Ltd.), which, as at the Latest Practicable Date, held a majority stake of the share capital of B-Finance Ltd. The Company has been informed that as at the Latest Practicable Date, B-Finance Ltd. held 61.55% of the share capital of En+. Each of B-Finance Ltd., Fidelitas International Investments Corp., and Mr. Deripaska were deemed to be interested in the Shares and underlying Shares held by En+ by virtue of the SFO as at the Latest Practicable Date.

Note 2 — Including shares which represent the share awards which were granted under the long term share incentive plan of the Company and vested on 21 November 2011, 21 November 2012 and 21 November 2013.

Note 3 — These interests and short positions were directly held by SUAL Partners. SUAL Partners is controlled as to 35.84% by Renova Metals and Mining Limited, which is in turn wholly-owned by Renova Holding Limited. Renova Holding Limited is controlled by TZ Columbus Services Limited as to 100% under a trust and TZ Columbus Services Limited acts a trustee of the trust and is, in turn, wholly-owned by TCO Holdings Inc. Mr. Vekselberg is the sole beneficiary of the relevant trust. Each of Renova Metals and Mining Limited, Renova Holding Limited, TZ Columbus Services Limited, TCO Holdings Inc. and Mr. Vekselberg is deemed to be interested in the Shares and underlying Shares held by SUAL Partners by virtue of the SFO.

Note 4 — These interests were directly held by Onexim Holdings Limited (“Onexim”). Onexim is wholly-owned by Onexim Group Limited, which is owned by a trust of which Mikhail Prokhorov is the beneficial owner. Each of Onexim Group Limited and Mikhail Prokhorov is deemed to be interested in the Shares held by Onexim.

Note 5 — Amokenga Holdings Ltd. directly holds the relevant interests in the Company, and is wholly-owned by Glencore Finance (Bermuda) Ltd. which is, in turn, wholly-owned by Glencore Group Funding Limited. Glencore Group Funding Limited is wholly-owned by Glencore International AG, which is wholly-owned by Glencore International plc. In light of the fact that Glencore International plc, Glencore International AG, Glencore Group Funding Limited and Glencore Finance (Bermuda) Ltd. (together, the “Glencore Entities”) directly or indirectly control one-third or more of the voting rights in the shareholders’ meetings of Amokenga Holdings Ltd., in accordance with the SFO, the interests of Amokenga Holdings Ltd. are deemed to be, and have therefore been included in the interests of the Glencore Entities.

Note 6 — These underlying Shares represent physically settled unlisted derivatives.

Note 7 — These underlying Shares represent unlisted physically settled options.

Save as disclosed above, the Directors and chief executive officer of the Company are not aware that there is any party who, as at the Latest Practicable Date, had an interest or a short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept under Section 336 of the SFO and of article L.233-7 of the French commercial code.

3 PROFESSIONAL QUALIFICATIONS AND CONSENTS

The following are the qualifications of the expert who has given its opinion or advice which is contained in the Circular:

Name	Qualifications
Somerley	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

- (a) As at the Latest Practicable Date, to the best of the Directors' information knowledge and belief, Somerley had not had any beneficial interest in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any interest, either directly or indirectly, in any assets which had been, since 31 December 2015, being the date of the latest published audited accounts of the Company, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) Somerley has given and has not withdrawn its written consent to the issue of the Circular with the inclusion of its opinion and letter, as the case may be, and the reference to its name included herein in the form and context in which it appears.
- (c) The letter and recommendation given by Somerley are given as of the date of the Circular for incorporation herein.

4 MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading positions of the Company since 31 December 2015, being the date of the latest published audited financial statement of the Company.

5 SERVICE CONTRACTS

As at the Latest Practicable Date, no Director has entered into any service contract with any member of the Group which is not terminable within one year without payment of compensation (other than statutory compensation).

6 DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, Mr. Deripaska, Ms. Gulzhan Moldazhanova, Mr. Maxim Sokov, and Ms. Olga Mashkovskaya were interested in/were directors of En+, Mr. Len Blavatnik was interested in SUAL Partners, Mr. Ivan Glasenberg was interested in Glencore and was a director and the chief executive officer of Glencore. En+, SUAL Partners and Glencore are businesses which compete or are likely to compete, either directly or indirectly, with the Company. The summary below provides a description of these businesses, as well as facts demonstrating that the Company is capable of carrying on its own business independently of and at arm's length from these businesses.

In considering whether the Board and senior management of the Company are independent from the senior management of each of En+, SUAL Partners and Glencore, the Directors have taken into account the following general reasons, as well as the specific reasons applicable to each of En+, SUAL Partners and Glencore:

- the Board consists of eighteen Directors, comprising three executive Directors, nine non-executive Directors and six independent non-executive Directors;
- the decision-making mechanism of the Board set out in the articles of association of the Company provides that all Directors with a conflicting interest shall not vote when a conflicted resolution is to be discussed and voted on;
- the Board has six independent non-executive Directors with extensive corporate governance and financial experience and is able to review, enhance and implement measures to manage any conflict of interests between the businesses in which the Directors have interests and the Group in order to protect minority shareholders' interests and to manage the affairs of the Group independently of the businesses in which the Directors have interests that may compete with the Company. The independent non-executive Directors make recommendations on proposed connected transactions by the Company. A committee of the independent non-executive Directors will make recommendations to the independent shareholders on how to vote for any resolution that relates to future connected transactions pursuant to the Listing Rules' requirements; and
- all connected transactions which are subject to reporting and announcement requirements under the Listing Rules have to be reviewed by the Audit Committee before they are approved by the Board.

In respect of each specific relevant business:

(a) **En+**

En+ is a limited liability company incorporated under the laws of Jersey with its registered office at 44 Esplanade St. Helier, JE4 9WG, Channel Islands. En+ is ultimately controlled by one of its beneficial owners Mr. Deripaska, who indirectly holds 91.6% of the shares in En+.

En+'s strategy is to focus on businesses with mining expertise, including in relation to the extraction of raw materials for energy production, electricity generation and the production of non-ferrous metals. En+ specialises in metals that require high energy consumption and then looks for synergies between its energy producing and energy consuming businesses.

En+'s origins lie in its core business of aluminium production. Apart from being the Company's Controlling Shareholder, En+ also owns more than 30% in Krasnoyarsk Metallurgical Plant ("**KraMZ**"), a plant which produce semi-finished aluminium alloys and extrusion products.

Independence from En+

Having considered all relevant factors, including the following, the Directors are satisfied that the Group can conduct its business independently of En+:

Independence of the Board and the Group's senior management from the senior management of En+

The majority of the Board currently comprises of non-executive Directors due to a historical arrangement between En+, SUAL Partners, Glencore and Onexim, pursuant to which they are each entitled to nominate a certain number of candidates for appointment as Directors. As at the Latest Practicable Date, nine of the Directors were nominated by En+, four of which Directors are also directors of En+. The overlapping Directors as at the Latest Practicable Date were Mr. Deripaska (being executive Director), Mr. Sokov, Ms. Mashkovskaya and Ms. Moldazhanova (being non-executive Directors). All of the overlapping Directors have been elected on the basis of their qualifications and breadth of experience, as set out in further details in the "Profiles of Directors and Senior Management" section in the Company's 2015 annual report. The Company's non-executive Directors attend Board meetings and provide guidance to and decide on the Company's important matters. Certain of the non-executive Directors also sit on the committees of the Board and are responsible for the matters related to such committees.

For the general reasons stated above, the Directors are of the view that the Group is able to operate independently from En+, notwithstanding the fact that nine Directors are nominated by En+.

Based on the above, the Board is satisfied that the Board as a whole, together with our senior management team, are able to perform their managerial role in the Group independently.

Operational independence

The Group has full control of its assets and its businesses, and operates as a business group which is separate from and fully independent of En+.

The Group has, as disclosed under the section entitled "Connected Transactions" of its 2015 annual report, entered into contracts with companies controlled by Mr. Deripaska for the purchase of electricity, and may continue to do so in the future.

As aluminium production is energy intensive, access to relatively inexpensive Siberian hydropower is central to the competitive strategy of the Group. However, notwithstanding the volume of such purchases from companies owned and controlled by Mr. Deripaska and the importance of electricity costs to the production activities of the Group, the Company does not consider that it is, as a consequence, overly reliant on Mr. Deripaska for the following reasons:

- the Group has access to alternative sources of electricity as the Group's Russian smelters are connected to the Russian power grid, meaning that electricity supplies can be obtained from various power plants, all of which are also connected to the grid. These supplies are available to the Group at market prices;

- the Group purchases electricity in accordance with the Rules of the Wholesale Market Rules at contract prices in accordance with direct sale-purchase agreements with suppliers (both related or unrelated to the Controlling Shareholder) and/or at market prices for electricity sold on the market irrelative to the particular supplier. In 2015, the overall share of electricity purchased by the Group's aluminium plants from the suppliers related to the Controlling Shareholder did not exceed 40.2%. The Group has an option of switching to suppliers unrelated to the Controlling Shareholder including by purchasing electricity on the wholesale electricity market, though there would be certain price impact;
- none of the contracts is in take-or-pay format;
- the Group is currently already a very large volume user with significant negotiating power in the Russian power market. In 2015, the Group has consumed approximately 28.7% of the power generated in Siberia; and
- the power plants owned or controlled by Mr. Deripaska are located in remote regions where there is a limited number of large volume users located in proximity to such plants. Sales to distant users would involve significant transmission losses and, because Siberia is a surplus energy producer, the result is that these plants are also reliant on the customer to a certain extent.

Financial Independence

The Group's financial auditing system is independent from En+ and employs a sufficient number of dedicated financial accounting personnel responsible for financial auditing of the Group's accounts. The Company has independent bank accounts and independent tax registration. The Group's treasury operations are handled by the Company's treasury department, whose functions include financing, treasury and cash managements and which operates independently from En+ and shares no functions or resources with En+. The Group's choice of financial institutions is mainly based on the credit standing of the institutions and the terms offered by them. As at the year end of 2015, En+ had not provided any security and/or guarantee over the Group's borrowings. As a result of the above analysis, the Directors believe that the Group is able to maintain financial independence from En+.

Extent of competition

The only En+ businesses which compete with or are likely to compete with the Group's business, either directly or indirectly, are those excluded businesses described below. However, by reason of the nature of such excluded businesses and the clear delineation between the Group's business and such excluded business, the Group is fully capable of carrying on its business independently of and at arm's length from such excluded business.

There is no real competitive threat to the Group's business from the excluded business and there is no intention for the Company to acquire such excluded business.

Mr. Deripaska is a beneficial owner of En+, the substantial shareholder of CEAC.

In addition, Mr. Deripaska is a beneficial owner of En+, the substantial shareholder of the KraMZ group of companies. Most of the KraMZ plant's raw materials (principally aluminium) are purchased from companies within the Group (primarily KrAZ). KraMZ's main customers are industrial customers located within Russia and abroad that purchase aluminium rods, profiles, tubes and cast aluminium alloys.

KraMZ is focused on the downstream market for aluminium products, and not the upstream market on which the Group has taken a strategic decision to focus. As a result, a decision was taken not to include it in the Group at the time of the 2007 merger that formed the Group because it does not fit the Group's strategic profile, which is to focus on more profitable upstream businesses. CEAC is a geographically isolated producer of aluminium and would not be of interest to the Group due to its relatively high cost structure and certain privatisation obligations. The Company does not consider the above operations to pose any real competitive threat due to their small size, limited geographical reach and focus on the downstream segment, which is not part of the Company's business strategy.

(b) SUAL Partners

SUAL Partners is a limited liability company incorporated under the laws of the Bahamas whose registered office is at 2nd Terrace West, Centreville, Nassau, Commonwealth of the Bahamas. SUAL Partners is beneficially owned by a number of individuals, with Mr. Len Blavatnik being a shareholder of SUAL Partners as to more than 30% of the total issued share capital. SUAL Partners is a holding company that holds interests in the Company and a separate kitchenware and houseware business.

The Group has, as disclosed under the section entitled "Connected Transactions" of the 2015 annual report, entered into contracts with companies controlled by SUAL Partners for aluminium sales, and may continue to do so in the future. These aluminium sales contracts have been entered into as part of the ordinary course of business and pursuant to antimonopoly requirements to supply aluminium to Russian producers.

Independence from SUAL Partners

Having considered all relevant factors, including the following, the Group is satisfied that it can conduct its business independently of SUAL Partners:

Independence of the Board and the Group's senior management from the senior management of SUAL Partners

For the general reasons stated above, the Directors are of the view that the Group is able to operate independently from SUAL Partners because the Group's day-to-day operations are managed by three executive Directors who are independent of and not connected with SUAL Partners and the senior management team, who are all independent of and not connected with SUAL Partners.

Based on the above, the Board is satisfied that the Board as a whole, together with the senior management team, are able to perform their managerial role in the Group independently.

Operational Independence

The Group has full control of its assets and its businesses, and operates as a business group which is separate from and fully independent of SUAL Partners.

Financial Independence

The Group's financial auditing system is independent from SUAL Partners and employs a sufficient number of dedicated financial accounting personnel responsible for financial auditing of the Group's accounts. The Company has independent bank accounts and independent tax registration.

The Group's treasury operations are handled by the Company's treasury department, whose functions include financing, treasury and cash management and which operates independently from SUAL Partners and shares no functions or resources with SUAL Partners.

The Group's choice of financial institutions is mainly based on the credit standing of the institutions and the terms offered by them.

As at the year end of 2015, SUAL Partners had not provided any security and/or guarantee over the Group's borrowings.

As a result of the above analysis, the Board believes that the Group is financially independent from SUAL Partners.

Extent of competition

The Board is of the opinion that SUAL Partners is not a competitor of the Company.

(c) Glencore International plc ("Glencore", in this appendix)

Amokenga Holdings Limited ("Amokenga Holdings") is a company incorporated in Bermuda whose registered office is at 22 Victoria Street, Canon's Court, Hamilton, HM12, Bermuda. Amokenga Holdings is ultimately controlled by Glencore, which is a public company listed on the London Stock Exchange, with secondary listings on the Stock Exchange and Johannesburg Stock Exchange. No individual shareholder controls more than 20% of the share capital of Glencore. Glencore's industrial and marketing activities are supported by a global network of more than 90 offices located in over 50 countries and employ around 200,000 people, including contractors.

Mr. Glasenberg is a shareholder, director and chief executive officer of Glencore, whose principal business is the production and trading of commodities including aluminium. Mr. Glasenberg is a non-executive Director of the Company and is also a member of the corporate governance and nominations committee, the standing committee and the Norilsk Nickel investment supervisory committee. As he is not an executive Director, he does not participate in the day-to-day management

of the Company, and accordingly is not involved in the daily operations of the aluminium trading division and so does not have access to confidential contracts entered into by that division. Notwithstanding that his role on the Board as a non-executive Director does not require his involvement in the day-to-day management of the Company, this does not preclude Mr. Glasenberg from fulfilling his fiduciary duties. In case Mr. Glasenberg has a conflicting interest, pursuant to the articles of association of the Company, he shall abstain from voting at Board meetings when a conflicted resolution is to be discussed and voted on, subject to certain exceptions.

When the Group acquired certain of the alumina businesses of Glencore in late March 2007, it became subject to a contract for the supply of alumina to Glencore that continued through 2008, in declining amounts. The Group sold to Glencore approximately 34.79% of its excess alumina in monetary terms in 2015. The Company also has long term supply contracts with Glencore for alumina and primary aluminium, and Glencore was the Group's largest customer of alumina and primary aluminium in the financial year, accounting for approximately 37.44% of the Group's sales of primary aluminium.

Independence from Glencore

Having considered all relevant factors, including the following, the Group is satisfied that it can conduct its business independently of Glencore:

Independence of the Board and the Group's senior management from the senior management of Glencore

For the general reasons stated above, the Directors are of the view that the Group is able to operate independently from Glencore notwithstanding that one Director is also a director of Glencore because the Group's day-to-day operations are managed by three executive Directors and the senior management team who are independent of and not connected with Glencore.

Based on the above, the Board is satisfied that the Board as a whole, together with the senior management team, are able to perform their managerial role in the Group independently.

Operational independence

The Group has full control of its assets and its businesses, and operates as a business group which is separate from and fully independent of Glencore.

Financial independence

The Group's financial auditing system is independent from Glencore and employs a sufficient number of dedicated financial accounting personnel responsible for financial auditing of the Group's accounts. The Company has independent bank accounts and independent tax registration.

The Group's treasury operations are handled by the Company's treasury department, whose functions include financing, treasury and cash management and which operates independently from Glencore and shares no functions or resources with Glencore.

The Group's choice of financial institutions is mainly based on the credit standing of the institutions and the terms offered by them.

As at the year end of 2015, Glencore had not provided any security and/or guarantee over the Group's borrowings.

As a result of the above analysis, the Directors believe that the Group is financially independent from Glencore.

Extent of competition

Glencore participates in the marketing of both aluminium and alumina from world markets as well as from industrial assets in which it has an interest. Glencore's subsidiaries own 100% of the Columbia Falls aluminium smelter (which is currently idle), 100% of the Sherwin Alumina Refinery and has an economic interest of 47.5% (which represents Glencore's economic interest, comprising 42.9% voting interest and 4.6% non-voting interest) in Century Aluminium Company, a NASDAQ-quoted company whose assets include: Ravenswood aluminium smelter (which is currently idle), the Hawesville aluminium smelter, the Nordural aluminium smelter and the Mt. Holly aluminium smelter. Glencore, in its business of trading, is also a customer of the Group.

7 DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2015, being the date of latest published audited accounts of the Group, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

8 DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the Circular and in the section headed "Connected Transactions" and "Directors' interests in businesses that may compete with the Company" of the Company's 2015 annual report and the contracts set out below, as at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at such date which is significant in relation to the business of the Group taken as a whole:

- (a) two repair services contracts both dated 11 January 2016, between Russian Engineering Company LLC, a member of the Group, and Irkutskenergoremont JSC, an associate of En+, and between RUSAL Bratsk Aluminium Smelter OJSC, a member of the Group, and Irkutskenergoremont JSC, an associate of En+, as disclosed in the announcement of the Company dated 12 January 2016;
- (b) the addendum to the purchase of graphitized electrodes agreement dated 19 January 2016 between UC RUSAL TH, a member of the Group, and Doncarb Graphite Limited Liability Company, an associate of Mr. Len Blavatnik ("**Mr. Blavatnik**"), as disclosed in the announcement of the Company dated 20 January 2016;

- (c) two additional purchase of graphitized electrodes agreements both dated 19 January 2016 between UC RUSAL TH, a member of the Group, and associates of Mr. Blavatnik, as disclosed in the announcement of the Company dated 20 January 2016;
- (d) two transportation contracts dated 19 January 2016 and on or around 20 January 2016 respectively, between OJSC “RUSAL SAYANAL”, a member of the Group, and associates of En+, as disclosed in the announcement of the Company dated 20 January 2016;
- (e) the addendum to the raw materials supply contract dated 26 January 2016 between RUSAL TH, a member of the Group, and LLC “Sorskiy ferromolibdenoviy zavod”, an associate of Mr. Deripaska/En+, as disclosed in the announcement of the Company dated 27 January 2016;
- (f) two addendums to two separate sale of raw materials contracts both dated 4 February 2016, between RUSAL TH, a member of the Group, and associates of Mr. Deripaska, as disclosed in the announcement of the Company dated 5 February 2016;
- (g) the repair services contract dated 4 February 2016, between RUSAL Achinsk, a member of the Group, and Bratskenergoremont, an associate of En+, as disclosed in the announcement of the Company dated 5 February 2016;
- (h) an addendum to the sale of raw materials contract dated 2 March 2016 between RUSAL TH, a member of the Group, and LLC KraMZ, an associate of Mr. Deripaska/En+, as disclosed in the announcement of the Company dated 3 March 2016;
- (i) the transportation contract dated 3 March 2016 between Limited Liability Company “Russian Engineering Company” (branch in Krasnoyarsk), a member of the Group, and KraMZ-Auto Limited Liability Company (“**KraMZ-Auto**”), an associate of En+, as disclosed in the announcement of the Company dated 4 March 2016;
- (j) the raw materials supply contract dated 14 March 2016 between CJSC “Kremniy”, a member of the Group, and OJSC “Irkutskenergo”, an associate of Mr. Deripaska/En+, as disclosed in the announcement of the Company dated 15 March 2016;
- (k) the repair services contract dated 29 March 2016 between RUSAL Achinsk, a member of the Group, and Bratskenergoremont, an associate of En+, as disclosed in the announcement of the Company dated 30 March 2016;
- (l) the purchase of calcined petroleum coke agreement dated 1 April 2016 between UC RUSAL TH, a member of the Group, and Closed Joint Stock Company “ENERGOPROM — Novosibirsk Electrode Plant” (“**CJSC EPM-NovEP**”), an associate of Mr. Blavatnik, as disclosed in the announcement of the Company dated 5 April 2016;
- (m) the transportation contract dated 5 April 2016 between Limited Liability Company “Russian Engineering Company” (“**LLC Russian Engineering**”), a member of the Group, and KraMZ-Auto, an associate of En+, as disclosed in the announcement of the Company dated 6 April 2016;

- (n) two addendums to two separate transport logistics services contracts both dated 20 April 2016 and are between UC Rusal TH, a member of the Group, and LLC “EN+ LOGISTICA”, an associate of En+, as disclosed in the announcement of the Company dated 21 April 2016;
- (o) the purchase of raw materials for repairing contract dated 26 April 2016 between LLC Russian Engineering, a member of the Group, and CJSC “EPM-NovEP”, an associate of Mr. Blavatnik, as disclosed in the announcement of the Company dated 27 April 2016;
- (p) the purchase of anode blocks agreement dated 5 May 2016 between UC RUSAL TH, a member of the Group, and Open Joint Stock Company “ENERGOPROM — Chelyabinsk Electrode Plant”, an associate of Mr. Blavatnik, as disclosed in the announcement of the Company dated 6 May 2016;
- (q) the purchase of raw materials for repairing contract dated 17 May 2016 between LLC Russian Engineering, a member of the Group, and Public Joint Stock Company “ENERGOPROM — Novochoerkassk Electrode Plant”, an associate of Mr. Blavatnik, as disclosed in the announcement of the Company dated 18 May 2016;
- (r) two repair services contracts both dated 19 May 2016, between Joint stock company “RUSAL Sayanogorsk Smelter”, a member of the Group, and associates of En+, as disclosed in the announcement of the Company dated 20 May 2016;
- (s) the transportation contract dated 19 May 2016 between Russian Engineering Company, a member of the Group, and Joint Stock Company Irkutskenergotrans, an associate of En+, as disclosed in the announcement of the Company dated 20 May 2016;
- (t) the addendum to the transportation contract dated 30 May 2016 between Limited Liability Company “Russian Engineering Company” (branch in Krasnoyarsk), a member of the Group, and KraMZ-Auto, an associate of En+, as disclosed in the announcement of the Company dated 31 May 2016;
- (u) the purchase of assets contract dated 16 June 2016 between Compagnie des Bauxites de Kindia S.A., a member of the Group, and Commercial Automobiles — GAZ Group LLC, an associate of En+, as disclosed in the announcement of the Company dated 17 June 2016;
- (v) the addendum to the transportation contract dated 1 July 2016 between Joint stock company “RUSAK Sayanogorsk Aluminum Plant”, a member of the group, and KraMZ-Auto, an associate of En+, as disclosed in the announcement of the Company dated 5 July 2016;
- (w) the two repair services contracts and one addendum all dated 4 July 2016, between members of the Group and associates of En+, as disclosed in the announcement of the Company dated 5 July 2016;
- (x) the two addendums to the heat supply contract both dated 5 July 2016, both between JSC “RUSAL Sayanogorsk Aluminum Plant”, a member of the Group, and Closed Joint Stock Company “Baykalenergo”, an associate of En+, as disclosed in the announcement of the Company dated 6 July 2016;

- (y) the addendum to the purchase of graphitized electrodes agreement dated 6 July 2016 between UC RUSAL TH, a member of the Group, and Doncarb Graphite Limited Liability Company, an associate of Mr. Blavatnik, as disclosed in the announcement of the Company dated 7 July 2016;
- (z) the purchase of raw materials for repairing contract dated 12 July 2016 between LLC Russian Engineering, a member of the Group, and JSC ENERGPROM-Novosibirsk Electrode Plant, an associate of Mr. Blavatnik, as disclosed in the announcement of the Company dated 13 July 2016;
- (aa) the addendum to the transportation contract dated 13 July 2016 between OJSC “RUSAL SAYANAL”, a member of the Group, and OJSC Otdeleniye Vremennoy Expluatatsii, an associate of En+, as disclosed in the announcement of the Company dated 14 July 2016;
- (bb) the contract/addendum to the transportation contract both dated 25 August 2016 between LLC Russian Engineering, a member of the Group, and KraMZ-Auto, an associate of En+, as disclosed in the announcement of the Company dated 26 August 2016;
- (cc) the addendum to the purchase of raw materials for repairing contract dated 31 August 2016 between LLC Russian Engineering, a member of the Group, and Public Joint Stock Company ENERGOPROM-Novocherkassk Electrode Plant, an associate of Mr. Blavatnik, as disclosed in the announcement of the Company dated 1 September 2016;
- (dd) the five addendums to the repair services contracts all dated 1 September 2016, between members of the Group and Joint Stock Company “Irkutskenergoremont”, an associate of En+, as disclosed in the announcement of the Company dated 2 September 2016;
- (ee) the two additional agreements to the sale of raw materials contracts both dated 5 September 2016, between JSC RUSAL Achinsk, a member of the Group, and Achinsk Cement LLC, an associate of Mr. Deripaska, as disclosed in the announcement of the Company dated 6 September 2016;
- (ff) the repair services contract dated 12 September 2016 between JSC RUSAL Achinsk, a member of the Group, and CJSC “Bratskernergoremont”, an associate of En+, as disclosed in the announcement of the Company dated 13 September 2016;
- (gg) the addendum to the sale of raw material contract dated 12 September 2016 between UC Rusal TH, a member of the Group, and LLC “Autocomponent-Group GAZ”, an associate of Mr. Deripaska, as disclosed in the announcement of the Company dated 13 September 2016;
- (hh) the five long-term capacity RSE contracts between members of the Group and Krasnoyarskaya HPP, an associate of En+, as disclosed in the announcement of the Company dated 19 September 2016;
- (ii) the addendum to the purchase of raw materials for repairing contract dated 1 October 2016 between OJSCSUAL branch “KAZ-SUAL”, a member of the Group, and Joint Stock Company ENERGOPROM-Novosibirsk Electrode Plant, an associate of Mr. Blavatnik, as disclosed in the announcement of the Company dated 4 October 2016;

- (jj) the addendum to the transportation contract dated 1 October 2016 between Joint Stock Company “RUSAL Bratsk aluminum plant”, a member of the Group, and KraMZ-Auto, an associate of En+, as disclosed in the announcement of the Company dated 4 October 2016; and
- (kk) the contracts / additional agreements to the repair services contracts all dated 4 October 2016, between members of the Group and associates of En+, as disclosed in the announcement of the Company dated 5 October 2016.

9 GENERAL

- (a) The registered office of the Company is situated at 44 Esplanade, St Helier, Jersey, JE4 9WG.
- (b) The Company’s principal share registrar is Computershare Investor Services (Jersey) Limited, Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES.
- (c) The Company’s Hong Kong branch share registrar is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (d) The English text of the Circular and the accompanying form of proxy shall prevail over the Chinese text in the case of any inconsistency.

10 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from Monday to Friday (other than public holidays) at the offices of our place of business in Hong Kong at 11th Floor, Central Tower, 28 Queen’s Road Central, Central, Hong Kong from the date of the Circular up to and including the date of the EGM:

- (a) the E&C Contracts with En+’s Associates;
- (b) the Aluminium Sales Contracts with Mr. Deripaska’s Associates;
- (c) the En+ Long-Term Electricity Supply Contracts;
- (d) the Long-Term Capacity RSE Contracts;
- (e) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 52 of the Circular;
- (f) the letter issued by Somerley, the text of which is set out on pages 53 to 85 of the Circular;
- (g) the written consent of the independent financial adviser referred to in paragraph 3(b) above; and
- (h) the Circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



UNITED COMPANY RUSAL PLC

(Incorporated under the laws of Jersey with limited liability)

(Stock Code: 486)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of United Company RUSAL Plc (the “Company”) will be held at InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East Kowloon, Hong Kong on 28 October 2016 at 11:00 am (Hong Kong time) for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company. Unless the context requires otherwise, terms defined in the circular of the Company dated 11 October 2016 in respect of the proposed annual caps of certain continuing connected transactions of the Company shall have the same meanings when used herein:-

ORDINARY RESOLUTIONS

- 1 THAT the annual cap in relation to the E&C Contracts with En+’s Associates for the year ending 31 December 2017 be and is hereby approved and confirmed as USD833 million (net of VAT and determined at the USD/RUB exchange rate as 1/70);
- 2 THAT the annual cap in relation to the E&C Contracts with En+’s Associates for the year ending 31 December 2018 be and is hereby approved and confirmed as USD887.3 million (net of VAT and determined at the USD/RUB exchange rate as 1/70);
- 3 THAT the annual cap in relation to the E&C Contracts with En+’s Associates for the year ending 31 December 2019 be and is hereby approved and confirmed as USD941.3 million (net of VAT and determined at the USD/RUB exchange rate as 1/70);
- 4 THAT the annual cap in relation to the Aluminium Sales Contracts with Mr. Deripaska’s Associates for the year ending 31 December 2017 be and is hereby approved and confirmed as USD361 million (net of VAT);
- 5 THAT the annual cap in relation to the Aluminium Sales Contracts with Mr. Deripaska’s Associates for the year ending 31 December 2018 be and is hereby approved and confirmed as USD371 million (net of VAT);
- 6 THAT the annual cap in relation to the Aluminium Sales Contracts with Mr. Deripaska’s Associates for the year ending 31 December 2019 be and is hereby approved and confirmed as USD507 million (net of VAT);

NOTICE OF EXTRAORDINARY GENERAL MEETING

- 7 THAT the entering into of the En+ Long-Term Electricity Supply Contracts be and is hereby approved, confirmed and ratified; and
- 8 THAT the entering into of the Long-Term Capacity RSE Contracts be and is hereby approved, confirmed and ratified.

By order of the Board
United Company RUSAL Plc
Matthias Warnig
Chairman

Hong Kong, 11 October 2016

Principal place of business in Hong Kong:

11th Floor
Central Tower
28 Queen's Road Central
Central
Hong Kong

Notes:

- (a) The registers of members of the Company will be closed from 18 October 2016 to 28 October 2016 (both days inclusive), and during such period no transfer of shares of the Company can be registered. In order to qualify for entitlement to attend and vote at the EGM, all completed transfer forms, accompanied by the relevant share certificates must be lodged with, in respect of the shares registered on the register of members in Jersey, Computershare Investor Services (Jersey) Limited, Queensway House, Hilgrove Street, St Helier, Jersey JE1 1ES not later than 5.30pm (Jersey time) on 17 October 2016 and in respect of shares registered on the overseas branch register in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm (Hong Kong time) on 17 October 2016.
- (b) At the EGM, the chairman of the meeting will put each of the above resolutions to be voted by way of a poll pursuant to article 16.14 of the Company's articles of association and pursuant to the requirements of the Listing Rules.
- (c) Any member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of shares in respect of which each such proxy is appointed. A form of proxy for use in connection with the EGM is enclosed with the circular to shareholders dated 11 October 2016. Completion and return of the proxy form will not preclude a member from attending and voting at the EGM or any adjournment thereof (as the case may be) should the member so desire.
- (d) Where there are joint registered holders of any share in the issued share capital of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he/she/it were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (e) To be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding of the EGM or any adjourned meeting.

- (f) This notice is provided in an English language version and a Chinese language version. In case of any inconsistency, the English version shall prevail.