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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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RUSAL

UNITED COMPANY RUSAL PLC

(Incorporated under the laws of Jersey with limited liability)

(Stock Code: 486)

**PROPOSED 2020, 2021 AND 2022 ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS
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 4 to 20 of this circular.

A letter of recommendation from the Independent Board Committee is set out on page 21 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 22 to 35 of this circular.

A notice convening the EGM to be held at Hong Kong SkyCity Marriott Hotel, 1 Sky City Road East, Lantau, Hong Kong on 14 November 2019 at 10:00 a.m. (Hong Kong time) is set out on pages 48 to 49 of this circular. Whether or not you intend to be present at the meeting, you are requested to duly sign and 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, Link Market Services (Hong Kong) Pty Limited, Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, 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.

18 October 2019

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 20 September 2019 in relation to, among other things, the E&C Contracts, the New Framework Agreement and Proposed 2020/2021/2022 CAPs for E&C Contracts with associates of En+.
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules.
“Board”	the board of Directors.
“Company”	United Company RUSAL Plc, a public company incorporated in Jersey, the shares of which are listed on the Main Board of the Stock Exchange.
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules.
“continuing connected transactions”	has the same meaning ascribed thereto under the Listing Rules.
“controlling shareholder”	has the same meaning ascribed thereto under the Listing Rules.
“Director(s)”	the director(s) of the Company.
“E&C Contract(s)” / “E&C Contracts with associates of En+”	the electricity and capacity supply contracts entered into from time to time with associates of En+, details of the subsisting contracts are set out in the section headed “2. E&C Contracts” in the letter from the Board set out in this circular.
“EGM”	the extraordinary general meeting of the Company to be held at Hong Kong SkyCity Marriott Hotel, 1 Sky City Road East, Lantau, Hong Kong on 14 November 2019 at 10:00 am (Hong Kong time).
“En+”	EN+ GROUP International public joint-stock company (formerly En+ Group Plc, a company initially registered in Jersey that continued as legal entity in Russia in 2019), a company registered in accordance with the procedure established by the laws of the Russian Federation, in accordance with the Federal Law of the Russian Federation “On International Companies”, and which is a Shareholder of the Company.

DEFINITIONS

“Glencore”	Glencore Plc, a public company incorporated in Jersey and listed on the London Stock Exchange, with a secondary listing on the Johannesburg Stock Exchange, which is an indirect Shareholder of the Company.
“Group”	collectively the Company and its subsidiaries, and “members of the Group” shall be construed accordingly.
“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”	independent committee of the Board consisting of the independent non-executive directors only who have no material interest in the transactions.
“Independent Shareholders”	has the same meaning ascribed thereto under Rule 14A.10(5) of the Listing Rules and, in relation to the Proposed 2020/2021/2022 Caps for E&C Contracts with associates of En+, means the Shareholders other than En+ and its associates.
“Latest Practicable Date”	11 October 2019, 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 E&C Contracts”	the three long-term E&C Contracts that were entered into by members of the Group and associates of En+, the details of which are set out in the circular of the Company dated 11 October 2016.
“New Framework Agreement”	the new framework agreement to cover E&C Contracts that members of the Group may enter into with associates of En+ over the years ending 31 December 2020, 2021 and 2022, as further described in the section headed “New Framework Agreement” in the letter from the Board set out in this circular.
“percentage ratios”	the percentage ratios as defined under Rule 14.07 of the Listing Rules.
“Proposed 2020/2021/2022 Caps for E&C Contracts with associates of En+”	the proposed 2020/2021/2022 annual caps for the E&C Contracts with associates of En+ for the years ending 31 December 2020, 2021 and 2022.

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“RUB”	Russian ruble(s), the lawful currency of the Russian Federation.
“Relevant Proposal”	the Proposed 2020/2021/2022 Caps for E&C Contracts with associates of En+ that require Independent Shareholders’ approval at an EGM of the Company.
“RSE Contracts” or “RSE Contracts with associates of En+”	the renewable sources of energy (RSE) contracts entered into from time to time with associates of En+; details of the subsisting contracts are set out in the section headed “2. E&C Contracts” in the letter from the Board set out in this circular.
“Shareholder(s)”	holder(s) of Share(s).
“Share(s)”	the ordinary share(s) with nominal value of USD0.01 each in the share capital of the Company.
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) as may be amended, supplemented and/or modified from time to time.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“SUAL Partners”	SUAL Partners Limited, a company incorporated under the laws of the Bahamas, which is a substantial shareholder (as the term is defined under the Listing Rules) of the Company.
“System Operator”	“System Operator of the United Power System”, Joint-stock Company, 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 Rules”	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, which was approved by the Government of the Russian Federation dated 27 December 2010 No 1172.
“%”	per cent.

LETTER FROM THE BOARD



RUSAL

UNITED COMPANY RUSAL PLC

(Incorporated under the laws of Jersey with limited liability)

(Stock Code: 486)

Executive Directors: Mr.

Evgenii Nikitin Mr.

Evgenii Vavilov Mr.

Evgeny Kuryanov

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

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Hong Kong

Non-executive Directors:

Mr. Marco Musetti

Mr. Vyacheslav Solomin Mr.

Vladimir Kolmogorov

Registered office in Jersey:

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JE4 9WG

Independent Non-executive Directors:

Dr. Elsie Leung Oi-sie

Mr. Dmitry Vasiliev

Mr. Bernard Zonneveld (Chairman) Mr.

Maxim Poletaev

Mr. Randolph N. Reynolds

Mr. Kevin Parker

Mr. Christopher Burnham

Mr. Nick Jordan

*Head Office and
principal place of business:*

28th Oktovriou, 249

LOPHITIS BUSINESS CENTRE, 7th floor

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18 October 2019

To the Shareholders

Dear Sir or Madam,

PROPOSED 2020, 2021 AND 2022 ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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 the Relevant Proposal.

LETTER FROM THE BOARD

Reference is made to certain continuing connected transactions relating to electricity and capacity supply described in the prospectus of the Company dated 31 December 2009, the annual reports of the Company for each of the years ended 31 December 2016, 2017 and 2018, 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, the announcement of the Company dated 19 September 2016, the circular of the Company dated 11 October 2016, the announcements of the Company dated 28 March 2014, 19 November 2014, 19 September 2016 and 29 November 2017, and the Announcement. As disclosed in these publications, certain members of the Group were parties to a number of continuing connected transactions with respect to the procurement of electricity and capacity supply by members of the Group.

The Company expects to continue procuring electricity and capacity supply from associates of En+, the controlling shareholder of the Company, and additional electricity and capacity supply contracts are expected to be entered into between members of the Group on the one part, and associates of En+ on the other part, from time to time.

The Company hereby proposes to obtain Independent Shareholders' approval of the annual caps for the years ending 31 December 2020, 2021 and 2022 for all these continuing connected transactions in accordance with the requirements under the Listing Rules.

2 E&C CONTRACTS

(a) Long-term E&C Contracts with associates of En+

As described in the circular of the Company dated 11 October 2016, certain members of the Group have entered into three long-term E&C Contracts with associates of En+ for the procurement of electricity. Pursuant to the terms of such contracts, the cost of electricity to be supplied by associates of En+ is based on a formula tied to the market price of electricity, with the application of a discount. For details of the formula, please refer to the circular of the Company dated 11 October 2016.

As described in the announcement of the Company dated 29 November 2017, as part of the reorganisation of En+ group companies, on 28 November 2017, long-term E&C Contracts entered into by JSC Irkutskenergo, a company controlled by En+, with members of the Group were terminated and replaced with E&C Contracts entered into by LLC "EuroSibEnergo-Hydrogeneration" ("**EuroSibEnergo-Hydrogeneration**", a wholly-owned subsidiary of En+) with respective members of the Group. The material terms and conditions under the new E&C Contracts (including those as set out in the circular of the Company dated 11 October 2016 such as the pricing formula, annual contractual amount of electricity to be supplied and payment timeframe, guarantee arrangements and annual caps) were the same as those under the original E&C Contracts, and the term of the new E&C Contracts covers the remaining term of the original E&C Contracts.

The prices of electricity supplied under the long-term E&C Contracts were 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 were determined based on a formula tied to the market prices of electricity, with the

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application of a discount. Such formula was determined through arm's length negotiations between the parties and, so far as the Company is aware, it is common market practice to adopt similar formulas in price calculations of electricity and capacity supply contracts. While such formula is not intended to be universally applied to all long-term E&C Contracts that may be entered into by members of the Group in the future, the Group may use the same principle of linking the cost of electricity with parameters such as the market price of electricity for the determination of prices of electricity in future long-term E&C Contracts with independent third parties and/or connected persons of the Group. On this basis, the Company took the view that the pricing terms based on the above formulas reflect normal commercial terms.

Under the terms of the long-term E&C Contracts, amounts due and payable by relevant members of the Group for electricity supplied by associates of En+ are made in instalments during each month (with reference to the preliminary estimated price of electricity supplied during the month), with the final payment made no later than the 21st day on the month following the month of billing, and all payment amounts shall be satisfied by the relevant members of the Group in cash via bank transfer.

It is expected that members of the Group may continue to enter into new long-term E&C Contracts with associates of En+ from time to time.

Historical transaction figures for existing long-term E&C Contracts entered with associates of En+

For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, the amount paid by the Group for electricity purchased under the long-term E&C Contracts amounted to approximately USD440.5 million, USD445.4 million, and USD252.7 million (unaudited) respectively.

(b) Short-term E&C Contracts with associates of En+

As disclosed in the prospectus of the Company dated 31 December 2009, the annual reports of the Company for each of the years ended 31 December 2016, 2017 and 2018, 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, the announcement of the Company dated 19 September 2016, the circular of the Company dated 11 October 2016, the announcements of the Company dated 28 March 2014, 19 November 2014 and 19 September 2016, and the Announcement, members of the Group, including PJSC RUSAL Bratsk ("**BrAZ**"), JSC "RUSAL Sayanogorsk" ("**SAZ**"), JSC "RUSAL Novokuznetsk" ("**NkAZ**"), RUSAL Ural JSC (formerly JSC "SUAL") and RUSAL Energo Limited Liability Company ("**RUSAL Energo**") have entered into, from time to time as part of their ordinary course of business, short-term E&C Contracts with the companies controlled by En+ (including JSC Irkutskenergo, LLC "Avtozavodskaya CHP", JSC "EuroSibEnergo" and EuroSibEnergo-Hydrogeneration), the term of which does not exceed one year.

The electricity and capacity supplied under these short-term E&C Contracts were derived from plants operated by JSC Irkutskenergo, LLC "Avtozavodskaya CHP", JSC "EuroSibEnergo" and EuroSibEnergo-Hydrogeneration.

The prices of electricity and capacity supplied (excluding electricity and capacity supplied to residential users) were determined under a competitive procedure (involving bidding and tendering by

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suppliers and customers of electricity and capacity) through the “Trading System Administrator of Wholesale Electricity Market Transactions” (“TSA”), a commercial operator and facilitator of transactions which matches suppliers and customers, and prices determined through such competitive procedure were generally considered as market prices. The parties to these short-term E&C Contracts receive information relating to prices of electricity and capacity directly from the TSA and this is consistent with normal market practice whereby prices are provided to each participant of the market individually.

The mechanism for the determination of market prices of electricity and capacity through the TSA is approved by, and is in compliance with statutory requirements stipulated in applicable regulations of, the Government of the Russian Federation, and the Group may only enter into short-term E&C Contracts (with independent third parties or connected persons) through the TSA.

Given that the TSA controls the tendering process in connection with the determination of market prices of electricity and capacity and facilitates the matching of and settlement among suppliers and customers of electricity and capacity, the relevant members of the Group entering into short-term E&C Contracts generally do not have control over the identity of its supplier, which may or may not be an associate of En+. On such basis, the Company takes the view that the prices of electricity and capacity procured by members of the Group under such short term E&C Contracts are no less favourable to the Group than those offered by independent third parties.

Under the terms of the short-term E&C Contracts, payments due to be paid by members of the Group shall be made in installments in accordance with the regulations of the Non-Commercial Partnership Market Council (“**Market Council**”), and all payment amounts shall be satisfied by the relevant members of the Group in cash via bank transfer.

In addition, members of the Group, including RUSAL Silicon Ural LLC, JSC RUSAL SAYANAL, JSC “Ural Foil”, JSC “RUSAL Krasnoyarsk” and JSC “South Ural Cryolite Plant” have entered into, from time to time as part of their ordinary course of business, short-term E&C contracts of a term not exceeding three years with LLC MAREM+ (formerly CJSC MAREM+ until 3 August 2015), a company controlled by En+, for the supply of electricity and capacity purchased at the wholesale energy and capacity market.

The purchase of electricity and capacity at 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 wholesale market, and subject to unpredictable external fluctuations (including, without limitation, weather factors, river stream flow rates, hydropower 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” 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 prices of electricity and capacity under these short-term E&C Contracts were derived from the wholesale market price regulated by regulations prescribed by the Government of the Russian

LETTER FROM THE BOARD

Federation. Under the terms of these short-term E&C Contracts, payments due by members of the Group shall be made in accordance with tentatively scheduled instalments during each month, and the final payment shall be made in the middle of the month following the month of billing, and all payment amounts shall be satisfied by the relevant members of the Group in cash via bank transfer.

Members of the Group have also from time to time entered into short-term E&C Contracts with LLC “Irkutskaya Energosbytovaya Company” (“**LLC Irkutskenergosbyt**”), a company controlled by En+ as to more than 30%, for the supply of electricity and capacity purchased at the wholesale electricity market and supplied to consumers in the retail market on normal commercial terms (including the pricing terms) regulated under the regulations of the Government of the Russian Federation. Payments due by members of the Group under each of these short-term E&C Contracts shall be made by instalments during each month of supply, and all payment amounts shall be satisfied by the relevant members of the Group in cash via bank transfer.

It is expected that members of the Group will continue to enter into short-term E&C Contracts with associates of En+ from time to time in the future. 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 circular.

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 fixed pricing formula covering all the short-term E&C Contracts with associates of En+.

The Company believes that the prices for the supply of electricity and/or capacity in respect of the above short-term E&C Contracts based on the aforesaid rules and regulations are on 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) in accordance with the regulations published on the website of the Market Council (website: <https://www.np-sr.ru/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 the websites of TSA and the Market Council; (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 short-term E&C Contracts entered with associates of En+

For the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, the aggregate amount paid for electricity and capacity purchased under the short-term E&C Contracts amounted to approximately USD106.8 million, USD245 million, USD244.1 million and USD128.8 million (unaudited) respectively.

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(c) Miscellaneous E&C Contracts with associates of En+

The Group has also from time to time entered into miscellaneous E&C Contracts and/or addendums to those contracts with Joint Stock Company “Irkutsk Electronetwork Company” (“JSC “IENC”), a company controlled by En+ as to more than 30% of its issued share capital.

The prices of electricity transmission under such miscellaneous E&C Contracts (and addendums thereto) were based on tariff rates 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), and on terms which are the same for all consumers (tariffs are differentiated depending on voltage levels). As tariff rates that were charged on customers were the same (whether or not the supplier is an independent third party or a connected person), the Company takes the view that the prices of electricity offered to the Group under such miscellaneous E&C Contracts were no less favourable than those offered by independent third parties.

Payments under these miscellaneous E&C Contracts (and addendums thereto) were made in accordance with tentatively scheduled installments during each month, with the final payment effected in the middle of the month following the month of billing, and all payment amounts were satisfied in cash via bank transfer.

It is expected that members of the Group will continue to enter into miscellaneous E&C Contracts with associates of En+ from time to time in the future.

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 miscellaneous E&C Contracts entered with associates of En+

For the years ended 31 December 2016, 2017 and 2018 and the six months in 2019, the amount paid by the Group for electricity purchased and ancillary services provided under the miscellaneous E&C Contracts amounted to approximately USD126.1 million, USD163.8 million, USD144.3 million, and USD68.6 million (unaudited) respectively

(d) Long-term capacity RSE Contracts with associates of En+

The Group from time to time entered into long-term capacity RSE Contracts (with a term of 15 years) with companies controlled by En+, including Krasnoyarskaya HPP (which was replaced by Abakanskaya SPP LLC in 2017) and EuroSibEnergo-Hydrogeneration as sellers, for the supply of capacity.

The entering into of these long-term capacity RSE Contracts is compulsory for participants of the wholesale electric energy market under the capacity-based renewable energy support scheme of the Russian Federation. Under applicable regulations of the Government of the Russian Federation,

LETTER FROM THE BOARD

participants in the electricity energy wholesale market must purchase capacity by entering into standard form of contracts, the terms and conditions (including the mechanics of price determination and duration of contract to be of 180 months) of which are determined by the Market Council and published on the website of the Market Council. Such terms and conditions prescribed by the Market Council may not be amended by the supplier or buyer entering into the long-term capacity RSE Contract. The exact capacity volume to be supplied under the contract and its value are determined by the TSA.

The price of capacity to be sold under 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 generating facilities using renewable energy sources approved by relevant legislation of the Government of the Russian Federation and the Wholesale Market Rules, details of which were set out in the circular of the Company dated 11 October 2016. Payment for the supply of capacity is made by the buyer of capacity via bank transfer using designated bank accounts it maintains pursuant to the TSA's instructions, and the buyer is only notified of the volume supplied for the payments made at a later stage.

The Company believes that the prices and the terms of the long-term capacity RSE Contracts based on the aforesaid rules and regulations were on normal commercial terms given that these terms and conditions were effectively prescribed in accordance with the Resolutions of the Russian Government and are equally applicable to all participants in the electric energy wholesale market.

It is expected that members of the Group may continue to enter into new long-term capacity RSE Contracts with associates of En+ from time to time in the future on the similar terms as described above.

The Board is of the view that the terms of the long-term capacity RSE Contracts (which are based on standard form of contracts in compliance with requirements prescribed by applicable regulations of the Government of the Russian Federation) are fair and reasonable. Further, having considered that the failure to conclude such contracts may result in the exclusion of members of the Group from the electric energy wholesale market (which means that such company would have to acquire the electricity/capacity at less favourable retail market prices), the Board is of the view that the entering into of such contracts by members of the Group would be in the best interest of the Company and its Shareholders as a whole.

Historical transaction figures for long-term capacity RSE Contracts entered with associates of En+

For the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, the aggregate amount paid by the Group for capacity purchased under the long-term capacity RSE Contracts amounted to approximately USD0.9 million, USD1.0 million, USD0.9 million, and USD0.4 million (unaudited) respectively

(e) Long-term mandatory agreements for purchase of capacity of retrofitted generating facilities

Members of the Group, including JSC "RUSAL Ural", RUSAL Energo LLC, JSC "RUSAL Sayanogorsk", JSC "RUSAL Novokuznetsk", PJSC "RUSAL Bratsk" are current participants (entities) on the wholesale electricity and capacity market, and purchase electricity and capacity on the wholesale electricity and capacity market.

LETTER FROM THE BOARD

Activity on the wholesale electricity and capacity market is regulated by legislation of the Russian Federation currently in effect (in particular, Resolution No. 1172 of the Government of the Russian Federation “On approving Rules for the wholesale electricity and capacity market and on making changes to some acts of the Government of the Russian Federation regarding the arrangement of functioning of the wholesale electricity and capacity market”). The wholesale electricity and capacity market operating principle is ensured by infrastructure organisations including the Market Council, the TSA, the “Financial Settlement Center” (the single settlement center of the wholesale electricity and capacity market) and System Operator.

Resolution of the Government of the Russian Federation No. 43 dated 25 January 2019 “On selecting projects for retrofitting of thermal power plant generating facilities” made changes to Resolution of the Government of the Russian Federation No. 1172 dated 27 December 2010 that introduced to the current wholesale electricity and capacity market model a procedure for selecting projects for the retrofitting of generating facilities of thermal power plants on the wholesale electricity and capacity market during the period from 2019 through 2025 (inclusively). This procedure guarantees the refund of cash spent for retrofitting thermal power plants at the expense of wholesale electricity and capacity market consumers.

As such, a new type of mandatory agreements for the purchase and sale (supply) of capacity of retrofitted generating facilities (“**KOMMod agreements**”) has been introduced on the Russian wholesale electricity and capacity market in 2019.

System Operator and the Government Commission for Electric Power Industry Development select projects for retrofitting thermal power plant generating facilities on an annual basis. According to the selection results, based on commercial representation agreements as an agent, the “Financial Settlement Center” concludes KOMMod agreements with selected suppliers on behalf of wholesale electricity and capacity market participants, with a delivery period of 16 years.

According to results of a selection of projects for retrofitting of thermal power plant generating facilities carried out in 2019, Decree of the Government of the Russian Federation No.1713-r dated 2 August 2019 approved a list of generating facilities the capacity of which are to be supplied under KOMMod agreements. Projects for retrofitting of thermal power plant facilities owned by JSC Irkutskenergo, were included in the list of selected projects.

In accordance with wholesale electricity and capacity market regulations, the “Financial Settlement Center”, as agent, is obliged to conclude KOMMod agreements on behalf of members of the Group participating in the Russian wholesale electricity and capacity market based on a commercial representation agreement. As such, the Company could neither participate nor exert control over conclusion of KOMMod agreements.

Members of the Group may not impede the conclusion of KOMMod agreements since this type of agreement is obligatory for conclusion by all wholesale electricity and capacity market members. If wholesale electricity and capacity market rules are not observed, members of the Group will be stripped of the wholesale electricity and capacity market entity status which will result in a significant growth in electricity and capacity purchase costs.

LETTER FROM THE BOARD

In September 2019, the “Financial Settlement Center” concluded KOMMod agreements on behalf of certain members of the Group (which are participants of the wholesale electricity and capacity market) with JSC Irkutskenergo, a company controlled by En+, as the counterparty/supplier. The obligations of the parties under these agreements (supply and payment) will commence from August 2022 at the earliest. Amounts payable by members of the Group under these KOMMod agreements shall be made in cash via bank transfer on payment terms prescribed by regulations of the Market Council.

As the terms and the pricing of the KOMMod agreements are determined in accordance with the regulations of the wholesale market on the basis of Resolutions of the Russian Government, and volumes of supplies are determined based on the list approved by the Russian Government, the Company believes that the prices and the terms of the KOMMod agreements based on the aforesaid rules and regulations are on normal commercial terms given that these terms and conditions are effectively prescribed in accordance with the Resolutions of the Russian Government equally applicable to all participants of the electric energy wholesale market.

The list of retrofitting projects is approved by the Government of the Russian Federation on the basis of selection of projects for retrofitting of thermal power plant generating facilities in accordance with the Wholesale Market Rules. Thus, the list of generating facilities the capacity of which is supplied under the KOMMod agreements with the start of delivery in the period from 2022 till 2024 was approved by Decree of the Government of the Russian Federation of 2 August 2019 No 1713-r. Section XX of the Wholesale Market Rules (which was amended by Resolution of the Government of the Russian Federation No. 43 dated 25 January 2019) defines the procedure for selecting projects for retrofitting of generating facilities of thermal power plant and the terms of capacity trading under the KOMMod agreements, including pricing. The marginal (maximum and minimum) capital costs (i.e. the procedure for calculating the amount of typical capital costs for the implementation of measures (CAPex)) for the implementation of projects of retrofitting of thermal power plant generating facilities are determined in accordance with the Rules for determination of the marginal (maximum and minimum) capital costs for the implementation of projects of retrofitting of thermal power plant generating facilities, which is also approved by Resolution of the Government of the Russian Federation of 25 January 2019 No 43. The aforementioned resolution also introduced the Rules establishing the procedure for indexation of typical capital costs value (i.e. indexing rules for the selection of modernization projects) for the implementation of retrofitting projects.

It is expected that members of the Group will enter into KOMMod agreements with associates of En+ from time to time in the future on the same terms as described above.

Having considered the adverse cost consequences to the Group for failing to enter into KOMMod agreements in compliance with mandatory requirements under applicable Russian legislation described above, the Company is of the view that the entering into of KOMMod agreements on terms which are concluded by the “Financial Settlement Center”, as agent, on behalf of members of the Group, would be in the best interest of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

Historical transaction figures for E&C Contracts entered with associates of En+

For the years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the first six months ended 30 June 2019, the aggregate amount paid by the Group for electricity, capacity and/or ancillary services purchased or provided under all E&C Contracts entered into by members of the Group with associates of En+ amounted to USD 472.7 million, and at the USD/RUB exchange rate as 1/70, equivalent to USD708.8 million, USD 747.7 million and USD420.6 million (unaudited) respectively and was within the caps approved by the independent shareholders in 2016.

New Framework Agreement

As disclosed in the announcement of the Company dated 28 March 2014, a framework agreement (“**Previous Framework Agreement**”) governing short-term electricity and capacity transactions between members of the Group with associates of En+ (including transactions under the above E&C Contracts) was signed on 27 March 2014 over the initial term of three years ending 31 December 2016, and such agreement was extended to cover three years ending 31 December 2019 by an addendum entered on 27 December 2016.

It is currently proposed that the Previous Framework Agreement and the addendum be replaced by a New Framework Agreement to cover E&C contracts (including long-term E&C Contracts, short-term E&C Contracts, miscellaneous E&C Contracts, long-term capacity RSE Contracts and KOMMod agreements) described above that members of the Group may enter into with associates of En+ over the years ending 31 December 2020, 2021 and 2022.

Pursuant to the terms of the New Framework Agreement, E&C Contracts in the form of definitive written agreements may be entered into from time to time by members of the Group with associates of En+ and these agreements shall (i) reflect normal commercial terms in compliance with all applicable laws, rules and regulations; (ii) set out the basis of the calculation of price of electricity, capacity and/or ancillary services (as applicable) to be supplied or transmitted and the terms of the payments to be made (which shall generally be in line with the terms described above); (iii) set out the fixed term of the agreement (other than the terms determined by the Government of the Russian Federation and/or as stipulated by Russian authorities); and (iv) be consistent with the terms applicable to the relevant type of E&C Contracts as disclosed in this circular. Under each of such contracts, the price at which electricity and capacity may be supplied, or ancillary services provided, to the Group must not be higher than the price or on less favourable terms (as applicable) to the Group than the price or terms on which the Group obtains electricity supply or transmission and capacity or procure ancillary services of a similar nature from independent third parties, having regard to the quantity and other conditions of the transactions, and where applicable, government regulations in effect from time to time and other conditions of the transaction(s).

LETTER FROM THE BOARD

Proposed 2020/2021/2022 Caps for E&C Contracts with associates of En+

The Board proposes the following annual caps in respect of the transactions under E&C Contracts (entered into, or to be entered into pursuant to general principles set out in the New Framework Agreement, by members of the Group with associates of En+) for the years ending 31 December 2020, 2021 and 2022:

Period	Annual Cap
Year ending 31 December 2020	USD1,024 million (net of VAT and determined at the USD/RUB exchange rate as 1/64.9)
Year ending 31 December 2021	USD1,141 million (net of VAT and determined at the USD/RUB exchange rate as 1/65.4)
Year ending 31 December 2022	USD1,220 million (net of VAT and determined at the USD/RUB exchange rate as 1/66.2)

The Proposed 2020/2021/2022 Caps for E&C Contracts with associates of En+ were calculated on the basis of (i) the historical amounts paid by the Group under E&C Contracts described above; (ii) the estimated consideration of contracts which members of the Group, as purchasers of capacity, are required to enter into with connected persons under the rules for purchase of capacity in the wholesale electricity supply market in Russia; (iii) the expected energy demand for aluminium smelting processes of the Group for the three years ending 31 December 2020, 2021 and 2022; (iv) the expected increase in transmission and electricity tariffs in Russia (as the prices under the miscellaneous E&C Contracts are determined by reference to tariffs); and (v) the anticipated entering into of KOMMod agreements to comply with applicable mandatory requirements under Russian legislation.

Since the exact prices for three years ahead for future E&C contracts are not yet known (as they are determined on the basis of prevailing circumstances on the market at certain moments in time), calculations are based on historical figures and indexes.

The projected volume of electricity or capacity to be supplied to members of the Group pursuant to E&C Contracts were determined with reference to:

- contractual amounts agreed to be supplied pursuant to existing E&C Contracts entered into by members of the Group; or
- in the absence of such contractual amounts, in accordance with the expected level of demand for electricity or capacity by relevant members of the Group in a planned year (with reference to, and projections are made based on, actual electricity and capacity consumption amount in the first half of 2019).

LETTER FROM THE BOARD

The transmission and electricity tariffs used in the annual cap calculations were determined with reference to:

- the base price taking into account the current level of prices (tariff rates) in the first half of 2019 and the expected level for the second half of 2019; and
- the forecasted index of the growth in network services and consumer price index for 2020-2022 published by the Ministry of Economic Development of the Russian Federation.

The increase in the proposed annual caps for 2020/2021/2022 was influenced by the change in volumes and structure of supply under E&C Contracts (in particular, the proposed annual caps for 2020/2021/2022 envisage an increase in demand for electricity and capacity due to the launch of Taishet Aluminum Smelter) and price increase due to inflation. It was also affected by the expected downward shift of the USD/RUB exchange rate, the expected USD/RUB exchange rate at which annual caps for 2020/2021/2022 are determined has decreased as compared to the USD/RUB exchange rate used for the annual caps for 2017/2018/2019.

The Proposed 2020/2021/2022 Caps for E&C Contracts with associates of En+ are calculated as follows:

Proposed 2020/2021/2022 Caps for E&C Contracts with associates of En+ = Projected volume of electricity demand of the Group x (base price x forecasted average price index) + Buffer of 5%.

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

The Company considers that the relevant associates of En+ supplying electricity, capacity and/or ancillary services under the E&C Contracts are reliable business co-operation partners of the Group.

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, without limitation, the availability of such supply and service in the particular region, the terms and conditions, and quality of such supply and service.

The Board 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:

- (i) the entering into of long-term E&C Contracts (a) helps to reduce the effect of volatility in the market price of electricity on the profit margins of the Group, as electricity price are fixed at a discount rate of 3.5 percent below market prices; and (b) would assist to secure continuous supply of electricity to the Group in the long term;
- (ii) the entering into of short-term E&C Contracts is intended to cover different circumstances under which the relevant members of the Group may require the supply of electricity and/or capacity from different regions for different needs based on prevailing market conditions; and

LETTER FROM THE BOARD

- (iii) in respect of miscellaneous E&C Contracts, JSC “IENC” is the only entity available in the Irkutsk region for the transmission of electricity and therefore the relevant members of the Group are required to enter into miscellaneous E&C Contracts with it to meet their demand for electricity.

Further, the Board considers that relevant members of the Group should enter into long-term capacity RSE Contracts (which is compulsory for participants of the wholesale electricity energy market under the capacity-based renewable energy support scheme of the Russian Federation) and KOMMod agreements (which is compulsory under applicable Russian legislation) given that the failure of relevant members of the Group to enter into these contracts/ agreements would have adverse cost, legal and other consequences for the Group as described above.

The New Framework Agreement provides a framework and structure for members of the Group to enter into prospective E&C Contracts with associates of En+ in a manner that is compliant with the requirements of the Listing Rules.

Having considered the above matters (including the terms of the New Framework Agreement as well as the prospective E&C Contracts that may be entered pursuant thereto as disclosed in this circular), the Board (including the independent non-executive Directors) is of the view that (i) the New Framework Agreement and the prospective E&C Contracts that may be entered pursuant thereto are on normal commercial terms; (ii) the entering into of such contracts is in the ordinary and usual course of business of the relevant members of the Group; (iii) the entering into of the New Framework Agreement as well as entering into of prospective E&C Contracts contemplated thereunder is fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iv) the Proposed 2020/2021/2022 Caps for E&C Contracts with associates of En+ are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3 LISTING RULES IMPLICATIONS

En+ is the controlling shareholder of the Company. Accordingly, En+ and its associates (including companies described above which En+ exercises or controls the exercise of 30% or more voting power at general meetings) are connected persons of the Company under the Listing Rules and therefore transactions described above between each of them, on the one part, and members of the Group, on the other part, carried out on a continuing basis constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratio(s) with respect to the Proposed 2020/2021/2022 Caps for E&C Contracts with associates of En+ (being the maximum amounts of consideration payable by the Group under the continuing connected transactions constituted by E&C Contracts entered or to be entered (pursuant to general principles set out under the New Framework Agreement) over the years ending 31 December 2020, 2021 and 2022) are more than 5%, the Proposed 2020/2021/2022 CAPs for E&C Contracts with associates of EN+ will be subject to reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Directors' material interests

None of the Directors has a material interest in the continuing connected transactions set out above, save for Mr. Christopher Burnham and Mr. Nick Jordan who are directors of En+, Mr. Vyacheslav Solomin, who is the chief operating officer of En+, and Mr. Vladimir Kolmogorov, who is the first deputy chief executive officer for technical policy of En+. Mr. Vladimir Kolmogorov is also the head of technical supervision of JSC "EuroSibEnergo", a company which is owned by En+. Accordingly, Mr. Christopher Burnham, Mr. Nick Jordan, Mr. Vyacheslav Solomin and Mr. Vladimir Kolmogorov did not vote on the Board resolution approving the Relevant Proposal.

4 INDEPENDENT SHAREHOLDERS' APPROVAL

The Company will seek Independent Shareholders' approval in respect of the Relevant Proposal at the EGM. Any Shareholder with a material interest in the Relevant Proposal will not vote on the relevant resolutions at the EGM.

In view of the interests of En+ in the Relevant Proposal, En+ and its associates will abstain from voting in relation to the resolutions for approving the Relevant Proposal.

In accordance with the Listing Rules, an Independent Board Committee (consisting of only independent non-executive Directors) was established by the Company to give recommendations to Independent Shareholders (including to give their view as to whether the Relevant Proposal is fair and reasonable and whether the relevant underlying continuing connected transactions or arrangements contemplated thereunder are in the interests of the Company and its Shareholders as a whole) and to advise them on how to vote in respect of the Relevant Proposal. In providing such recommendations, the Independent Board Committee shall have regard to recommendations to be given by the independent financial adviser, Somerley Capital Limited, that has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Relevant Proposal and to explain whether it is normal business practice for long-term E&C Contracts, long-term capacity RSE Contracts and KOMMod agreements to be of such duration.

If the actual terms of E&C Contracts described above are, or be amended such that they are, different to those currently disclosed in this circular, the Company will re-comply with applicable requirements (including the obtaining of Independent Shareholders' approval) under Chapter 14A of the Listing Rules.

5 GENERAL

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

JSC Irkutskenergo is a power generating company.

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

LLC "EuroSibEnergo-Hydrogeneration" is a power generating company.

LETTER FROM THE BOARD

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

Abakanskaya SPP LLC is a solar power plant.

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

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

JSC “IENC” is principally engaged in transmission and distribution of electricity.

6 EGM

The EGM will be held at 10 a.m. on Thursday, 14 November 2019 at Hong Kong SkyCity Marriott Hotel, 1 Sky City Road East, Lantau, Hong Kong for the Shareholders to consider and, if thought fit, to approve the Relevant Proposal.

The notice convening the EGM is set out on pages 48 to 49 of this circular. The resolutions for approving the Proposed 2020/2021/2022 Caps for entering E&C Contracts with associates of En+ 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. Therefore, an EGM will be convened to consider and, if thought fit, to pass the resolutions by way of poll.

7 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 duly sign and 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, Link Market Services (Hong Kong) Pty Limited, Suite 1601, 16/F., Central Tower, 28 Queen’s Road Central, 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.

8 INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

In accordance with Rule 13.39(6) of the Listing Rules, the Company established the Independent Board Committee (consisting of only independent non-executive Directors) to give recommendations to Independent Shareholders:

- (i) as to whether the Relevant Proposal of En+ is fair and reasonable;

LETTER FROM THE BOARD

- (ii) as to whether the relevant underlying continuing connected transactions or arrangements contemplated by the Relevant Proposal are in the interests of the Company and the Shareholders as a whole;
- (iii) on how to vote, taking into account the recommendation of an independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders.

In accordance with Rule 13.39(6) of the Listing Rules, the Company appointed Somerley Capital Limited (“**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 Relevant Proposal is fair and reasonable, whether such transactions or arrangements are in the interests of the Company and its Shareholders as a whole, to explain whether it is normal business practice for long-term E&C Contracts, long-term capacity RSE Contracts and KOMMod agreements to be of such duration, and to advise the Independent Shareholders on how to vote.

Somerley is of the view that the E&C Contracts with associates of En+ are on normal commercial terms, in the ordinary and usual course of business of the Company, and the terms of such transactions and the Relevant Proposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, Somerley recommended that the Independent Board Committee advise the Independent Shareholders to vote in favour of the proposed resolutions at the EGM.

A letter from Somerley is set out in the section headed “Letter from the Independent Financial Adviser” of this circular.

A letter from the Independent Board Committee is set out in the section headed “Letter from the Independent Board Committee” of this circular.

9 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 21 of this circular, and which contains its 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 22 to 35 of this circular.

The Independent Board Committee, having taken into account the advice of Somerley, considers that the Relevant Proposal is fair and reasonable and is 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.

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 48 to 49 of this circular.

LETTER FROM THE BOARD

10 FURTHER INFORMATION

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

Yours faithfully,
On behalf of the board of
United Company RUSAL Plc
Bernard Zonneveld
Chairman



UNITED COMPANY RUSAL PLC

(Incorporated under the laws of Jersey with limited liability)

(Stock Code: 486)

18 October 2019

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 Relevant Proposal, details of which are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 18 October 2019 (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 22 to 35 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 22 to 35 of the Circular, we are of the view that the Relevant Proposal is fair and reasonable and is 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 the Relevant Proposal.

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. Dmitry Vasiliev, Mr.

Bernard Zonneveld, Mr. Maxim Poletaev,

Mr. Randolph N. Reynolds and Mr. Kevin Parker)

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

18 October 2019

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

Dear Sirs,

PROPOSED 2020, 2021 AND 2022 ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Proposed 2020/2021/2022 Caps for E&C Contracts with associates of En+ that requires Independent Shareholders' approval at the EGM of the Company, details of which are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 18 October 2019 (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, En+ is the controlling shareholder of the Company. Accordingly, En+ and its associates are connected persons of the Company under the Listing Rules and therefore transactions as mentioned above between each of them, on the one part, and members of the Group, on the other part, carried out on a continuing basis constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratio(s) with respect to the Proposed 2020/2021/2022 Caps for E&C Contracts with associates of En+ are more than 5%, the transactions proposed to be entered under the New Framework Agreement will be subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek Independent Shareholders' approval in respect of the Relevant Proposal at the EGM. In view of the interests of En+ in the Relevant Proposal, En+ and its associates will abstain from voting in relation to the resolutions for approving the Relevant Proposal.

The Independent Board Committee, consisting of the independent non-executive Directors who have no material interest in the continuing connected transactions, namely Dr. Elsie Leung Oi-sie, Mr. Dmitry Vasiliev, Mr. Bernard Zonneveld, Mr. Maxim Poletaev, Mr. Randolph N. Reynolds and Mr.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Kevin Parker, has been formed to making recommendations to the Independent Shareholders in respect of the Relevant Proposal. 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.

Furthermore, as stated in the Circular, two of the independent non-executive Directors, being Mr. Christopher Burnham and Mr. Nick Jordan (who are also directors of En+), together with two of the non-executive Directors, being Mr. Vyacheslav Solomin (who is the chief operating officer of En+) and Mr. Vladimir Kolmogorov (who is the first deputy chief executive officer for technical policy of En+ and the head of technical supervision of JSC “EuroSibEnergo”, a company which is owned by En+) did not vote on the Board resolution approving the Relevant Proposal.

We, Somerley Capital Limited, are not associated with the Company, En+ or any of their respective associates and accordingly we considered ourselves eligible to give independent advice on the Relevant Proposal. 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+ 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+ 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 Proposal and the transactions contemplated thereunder.

In formulating our opinion, we have reviewed, amongst others, the E&C Contracts (including the long-term E&C Contracts and the long-term capacity RSE 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 2020/2021/2022 Caps for E&C Contracts with associates of En+, the annual report of the Company for the year ended 31 December 2018, the interim report of the Company for the six months ended 30 June 2019, 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 52 E&C 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 Proposal and the transactions contemplated thereunder.

We relied on the information and facts supplied, and the opinions expressed to us, by management of the Group 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 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice and recommendation with regard to the Relevant Proposal 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 associates of En+

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

- JSC Irkutskenergo is a power generating company.
- JSC “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 “EuroSibEnergo-Hydrogeneration” is a power generating company.
- LLC “Avtozavodskaya CHP” is principally engaged in supply of electric and thermal energy.
- Abakanskaya SPP LLC is a solar power plant.
- LLC MAREM+ is principally engaged in sales of electricity and capacity.
- LLC “Irkutskenergosbyt” is principally engaged in sales of electricity and capacity.
- JSC “IENC” is principally engaged in transmission and distribution of electricity.

3. Background and reasons for the Relevant Proposal

Reference is made to certain continuing connected transactions relating to electricity and capacity supply described in the prospectus of the Company dated 31 December 2009, the annual reports of the Company for each of the years ended 31 December 2016, 2017 and 2018, 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, the circular of the Company dated 11 October 2016, and the announcements of the Company dated 28 March 2014, 19 November 2014, 19 September 2016 and 29 November 2017 and the Announcement. As disclosed in these publications, certain members of the Group were parties to a number of continuing connected transactions with respect to the procurement of electricity and capacity supply by members of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Since certain existing continuing connected transactions with respect to electricity and capacity supply shall continue, the Company expects to continue procuring electricity and capacity supply from associates of En+, the controlling shareholder of the Company, and additional electricity and capacity supply contracts are expected to be entered into between members of the Group on the one part, and associates of En+ on the other part, from time to time. Therefore, a new framework agreement shall be entered into by the Company with En+ in respect of (i) long-term E&C Contracts; (ii) short-term E&C Contracts; (iii) miscellaneous E&C Contracts; (iv) long-term capacity RSE Contracts; and (v) KOMMod agreements for the three years ending 31 December 2020, 2021 and 2022. In addition, the Company would like to seek Independent Shareholders' approval on the proposed annual caps for the three years ending 31 December 2020, 2021 and 2022 for all these continuing connected transactions.

4. New framework agreement

As set out in the letter from the Board, a new framework agreement shall be entered into by the Company with En+ in respect of (i) long-term E&C Contracts; (ii) short-term E&C Contracts; (iii) miscellaneous E&C Contracts; (iv) long-term capacity RSE Contracts; and (v) KOMMod agreements for the three years ending 31 December 2020, 2021 and 2022, pursuant to which the price at which electricity and capacity may be supplied, or ancillary services provided, to the Group must not be higher than the price or on less favourable terms (as applicable) to the Group than the price or terms on which the Group obtains electricity supply or transmission and capacity or procure ancillary services of a similar nature from independent third parties, having regard to the quantity and other conditions of the transactions, and where applicable, government regulations in effect from time to time and other conditions of the transaction(s). A summary of the pricing basis and term for the transactions to be carried out under the new framework agreement has been set out as follows:

TABLE 1: PRICING BASIS AND TERM OF DIFFERENT TYPES OF E&C CONTRACTS TO BE ENTERED INTO WITH ASSOCIATES OF EN+

		Name of Suppliers	Pricing basis and mechanism	Term of supply
1.	Long-term E&C Contracts	(i) LLC "EuroSibEnergohydrogeneration"	Agreed price between the parties through arm's length negotiation which is determined with reference to the market prices of electricity and applied with a discount. Such price is subject to the Wholesale Market Rules.	Up to 10 years
		(ii) JSC "EuroSibEnergohydrogeneration"		
2.	Short-term E&C Contracts			
	- Electricity and/or capacity supply contracts	(i) JSC Irkutskenergo	The prices of electricity and capacity supplied (excluding electricity and capacity supplied to residential users) are determined under a competitive procedure (involving bidding and tendering by suppliers and customers of electricity and capacity) through TSA, a commercial operator and facilitator of the transactions which matches the suppliers and purchasers.	Less than three years
		(ii) JSC "EuroSibEnergohydrogeneration"		
		(iii) LLC "EuroSibEnergohydrogeneration"		
		(iv) LLC "Avtozavodskaya CHP"		

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

		Name of Suppliers	Pricing basis and mechanism	Term of supply
	- Wholesale energy and capacity contract	LLC MAREM+	The prices are determined daily for electricity and monthly for capacity based on the trading results at the wholesale market, which is regulated by the regulations prescribed by the Government of the Russian Federation.	Less than three years
	- Supply of electricity and capacity purchased at wholesale market and supplied to retail market	LLC “Irkutskenergosbyt”	The pricing terms are regulated under the regulations of the Government of the Russian Federation.	Less than three years
3.	Miscellaneous E&C Contracts	JSC “IENC”	The price shall follow the tariff rates 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), and on terms which are uniform for all purchasers at the same voltage levels.	Less than three years
4.	Long-term capacity RSE Contracts	(i) Abakanskaya SPP LLC (ii) LLC “EuroSibEnergohydrogeneration”	The price and volume of capacity are 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 relevant legislation of the Government of the Russian Federation and the Wholesale Market Rules.	Up to 15 years
5.	KOMMod agreements	JSC Irkutskenergo	The terms and conditions (including the price) are effectively prescribed in accordance with the Resolutions of the Russian Government.	Up to 16 years

The transactions under the contracts set out in the above are the same as those set out in the Company’s circular dated 11 October 2016 except for the KOMMod agreements.

As advised by the management of the Group, certain members of the Group are current participants on the wholesale electricity and capacity market, which are able to purchase electric energy and capacity on the wholesale electricity and capacity market and thus enjoy lower price for electricity and capacity compared to the price in the retail market. In 2019, pursuant to the government policy, a new type of mandatory agreements for purchase and sale (supply) of capacity of retrofitted generating facilities is introduced on the Russian wholesale electricity and capacity market. The “Financial Settlement Center”, a designated agent on behalf of all wholesale electricity

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and capacity market participants, concludes such mandatory agreements with selected suppliers for a delivery period of 16 years based on the terms and conditions which are prescribed in accordance with the Resolutions of the Russian Government. Participants, which fail to observe the wholesale electricity and capacity market rules, would be deprived of their participants status and thus suffered from higher electricity and capacity purchase cost. In September 2019, the “Financial Settlement Center” concluded KOMMod agreements for certain members of the Group with JSC Irkutskenergo as the counterparty/supplier and the energy deliveries by the supplier and payment obligation of the relevant members of the Group will commence the earliest from August 2022.

Pricing basis

As set out in the letter from the Board, different rules and regulations of the Russian Government are applied to govern the pricing terms of different short-term E&C Contracts because these contracts are different in nature. There is no fixed pricing formula covering all the short-term E&C Contracts but pursuant to the relevant rules and regulations of the Russian Government, the determination of prices with respect to the short-term E&C Contracts and the miscellaneous E&C Contracts involves the following parties:

- (i) TSA in accordance with the regulations published on the website of the Market Council based on the existing supply and demand for electricity and capacity on the market which are publicly disclosed on the websites of TSA and Market Council;
- (ii) the regional/local authorities based on the rules for the calculation of tariffs (i.e. mandatory in nature);
- (iii) “provider of last resort” based on such provider’s sale and purchase of the electricity and capacity on the retail market; and
- (iv) the estimated supply and demand of the electricity and capacity in Russia prepared by the Russian Federal Antimonopoly Service.

The pricing of the long-term E&C Contracts is based on the agreed price between the parties to the transaction through arm’s length negotiation which is determined with reference to the market prices of electricity and applied with a discount. Such price is subject to the Wholesale Market Rules.

The KOMMod agreements, similar to the long-term capacity RSE contract, is a mandatory one to enable the relevant members of the Group to maintain their participant status in the electricity and capacity wholesale market. We are advised by the Company that the pricing formula under the KOMMod agreement is defined in the Section XX of the Wholesale Market Rules, approved by the Decree of the Government of the Russian Federation No. 1172 dated December 27, 2010 (according to the amendments introduced by the Resolution of the Government of the Russian Federation No. 43 dated January 25, 2019). During the 12-month period starting from the commencement of capacity supply, the price of capacity is determined equal to the value of the unit cost of operating the relevant generating facility indexed to the consumer price index during the period from 1 January of the year in which the selected project has carried out modernization until 1 January of the current year, which is determined based on the published official statistical information. For the remaining of capacity

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supply period, the price of capacity is calculated based on the generating facility's operational costs and planned capital cost and reimbursement of income tax and property tax less the forecast profit which is, in turn, based on the electricity price determined by competitive selection in the previous month and utilization of the installed capacity of the generating facility. In addition, we are further advised by the management of the Group that the pricing for capacity to which the energy buyers (such as the members of the Group) are subject effectively represents reimbursement for the thermal power plants which are selected by the System Operator on the basis of the Decree of the Government of the Russian Federation No. 1172 dated December 27, 2010 (with the amendments introduced by the Resolution of the Government of the Russian Federation No. 43 dated January 25, 2019) for modernization by adding new technology or features to older systems, which serves to create incentives for investments in the construction and upgrading of fixed assets. All participants are subject to the same terms (including pricing and duration) under the KOMMod agreements. The exact capacity volume to be supplied under the contract and the value is determined by the TSA.

Having considered (i) the pricing of the E&C Contracts, are governed by different rules and regulations of the Russian Government; (ii) the selection of a supplier is based on competitive bids or tenders through TSA without knowing the identity of the supplier; (iii) the tariff is regulated by the government whether or not the counterparties are independent third parties or connected persons; (iv) the pricing of the long-term E&C Contracts is subject to the Wholesale Market Rules and is determined with reference to the market price and applied with a discount; and (v) certain contracts are mandatory in order to maintain the Group's participant status in the electricity and capacity wholesale market and the terms of which would be the same across all participants, we are of the view that the terms under the long-term E&C Contracts, short-term E&C Contracts, miscellaneous E&C Contracts, long-term capacity RSE Contracts and KOMMod agreements are on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned.

In addition, in respect of the long-term E&C Contracts, we are advised that a comparable long-term electricity supply contract was entered into by a member of the Group with an independent third party in May 2017 and noted the invoiced amounts have been calculated based on the pricing formula as stated in the contract. From the four and 15 relevant invoice samples under one long-term electricity supply contract of an independent third party and three long-term electricity supply contracts of two associates of En+, respectively, we note that the rates offered by the associates of En+ were generally lower than those offered by the independent third party.

In respect of the short-term E&C Contracts, we have reviewed five relevant invoice samples under each of the five short-term capacity supply contracts with (i) four associates of En+; and (ii) five independent third parties, which are both within the same price zone, and noted that the pricing of capacity offered by the associates of En+ and the independent third parties in the invoice samples 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 associates of En+.

As advised by the management of the Group, for supply of electricity and capacity purchased on the electric energy wholesale market, 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 LLC MAREM+ could not be directly compared with those offered by independent third parties. Alternatively, we have

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been provided with the extracts from sample internal tender reports and the tender committee minutes 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 LLC 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 LLC MAREM+.

Furthermore, according to 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 LLC “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 LLC “Irkutskenergosbyt”.

In respect of the miscellaneous E&C Contracts, we have reviewed sample of the two existing contracts for the provision of electric power transmission services entered into with JSC “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, JSC “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.

In respect of the long-term capacity RSE Contracts, we have reviewed five relevant samples of invoices under each of the four long-term capacity RSE contracts with (i) an associate of En+ and (ii) two independent third parties, 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 parties in the invoice samples 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 the associate of En+.

Term of supply

Under the New Framework Agreement, the Group may enter into the long-term E&C Contracts, the long-term capacity RSE Contracts and the KOMMod agreements for a duration of more than three years.

As discussed with the management of the Group, the pricing formula of the long-term E&C Contracts to be entered into in future will be subject to the pricing formula similar to those under the existing long-term E&C Contracts with associates of En+ which tied to the market prices of electricity with the application of a discount. As shown in Table 4, the unit price for electricity under long-term E&C Contracts is substantially lower than that under the short-term one. In addition, in May 2017, a member of the Group entered into a long-term electricity and capacity supply contract with an independent third party for a term of 10 years. Based on the foregoing, it is considered that the entering into of the long-term E&C Contracts for a duration of more than three years would not only reduce the Group’s electricity cost but also ensure the stability of electricity and capacity supply for

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the aluminum smelters of the Group. We are also advised that the entering into of the long-term capacity RSE Contracts and KOMMod agreements with the terms and duration (for more than three years) fixed by regulatory authority is a pre-requisite for the relevant members of the Group to maintain the participants' status in the electricity and capacity wholesale market and thus continually enjoy lower electricity prices and the terms (including pricing) of which will be fixed by the relevant authority or authorized agent across all participants. On this basis, we concur with the view of the Directors that the entering into of long-term E&C Contracts, long-term capacity RSE Contracts and KOMMod agreements for more than three years 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.

5. Proposed 2020/2021/2022 Caps for E&C Contracts with associates of En+

Set out below are the historical transaction figures and existing annual caps for E&C Contracts with associates of En+ for the two years ended 31 December 2018 and the six months ended 30 June 2019 and their respective utilization rates, and the proposed annual caps for the three years ending 31 December 2020, 2021 and 2022 as extracted from the letter from the Board:

TABLE 2: HISTORICAL TRANSACTION FIGURES AND EXISTING/PROPOSED ANNUAL CAPS FOR E&C CONTRACTS WITH ASSOCIATES OF EN+

	For the year ended 31 December		For the six months ended 30 June	For the year ending 31 December		
	2017	2018	2019	2020	2021	2022
Historical transaction figures (<i>USD million</i>) (note 1)	708.8	747.7	420.6 (<i>unaudited</i>)	—	—	—
Existing / proposed annual caps (<i>USD million</i>)	833.0	887.3	941.3	1,024	1,141	1,220
Utilization (%)	85%	84%	90% (note 2)			

Notes:

1. The actual historical amounts have been translated from RUB to USD based on the exchange rate of RUB70/USD.
2. The utilization for 2019 of approximately 90% is calculated based on the actual amount for the six months ended 30 June 2019 of approximately USD420.6 million divided by the half of the existing annual cap for the year ending 31 December 2019 of USD941.3 million (which is equivalent to approximately USD470.7 million).

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We have reviewed and discussed with the management of the Group the calculations of the Proposed 2020/2021/2022 Caps for E&C Contracts with associates of En+, which is determined as follows:

Proposed cap = [projected volume of electricity demand of the Group x (base price x forecasted average price index) x forecast exchange rate of USD/RUB] + buffer of 5%

The actual purchase for the six months ended 30 June 2019 and the projected supply of electricity and capacity by associates of En+ for the four years ending 31 December 2022 are used to arrive at the Proposed 2020/2021/2022 Caps for E&C Contracts with associates of En+, which are as follows:

TABLE 3: ACTUAL AND PROJECTED SUPPLY OF ELECTRICITY AND CAPACITY BY ASSOCIATES OF EN+

	Actual purchase for the six months ended 30 June 2019	Projected supply of electricity and capacity by associates of En+ for the year ending 31 December			
<i>(in billion kWh)</i>		2019	2020	2021	2022
Long-term supply of electricity	17.9	35.8	37.0	36.9	36.9
Short-term supply of electricity	1.7	3.5	4.2	4.3	4.3
Electricity transmission services under miscellaneous E&C Contracts	4.2	9.0	9.6	14.3	15.7
 <i>(in thousand MW)</i>					
Short-term capacity supply contracts	27.0	54.0	55.0	59.5	60.9
 <i>(in MW)</i>					
Long-term capacity RSE contracts	11	21	22	23	24
KOMMod agreements	—	—	—	—	125

As advised by the management of the Group, only the long-term E&C Contracts have stated the contractual volume of electricity supply. Based on the cap projection provided by the Group, the projected long-term supply of electricity for each of the three years ending 31 December 2020, 2021 and 2022 was the sum of the contractual hourly volume of electricity to be supplied under each of the long-term E&C contracts (i.e. 833 MWh, 2,043 MWh and 1,416 MWh respectively) as reviewed by us, multiplied by 24 hours and the number of days in the respective year, but not higher than projected consumption.

For other electricity and capacity contracts, as advised by the management of the Group, they have collected the estimated volumes of the electricity or capacity required for production from each of the Group's smelters. We are further advised by the management of the Group that the Taishet

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aluminium smelter, which is currently under construction, is expected to commence production in the second half of 2020. The projected year-on-year increases in the consumption of electricity and capacity by the Group over 2020-2022 were mainly due to the commencement of production of Taishet aluminium smelter in the second half of 2020. We have reviewed and discussed with the management of the Group on the cap projection prepared by the Group and noted that the projected volume in deliveries to the Group's aluminium smelting processes for the three years ending 31 December 2020, 2021 and 2022 have been determined based on either (i) the annualised volumes in 2019, which is based on actual consumption of electricity or capacity in the first half of 2019 under the respective electricity or capacity contracts, to project the volumes for 2020, 2021 and 2022 by applying the growth rates of estimated electricity and capacity required by each of the smelters in the relevant year; or (ii) the projected volumes of electricity or capacity amount as required for the next three years by each of the smelters of the Group.

As advised by the management of the Group, the transmission and electricity tariffs used in the calculations of the Proposed 2020/2021/2022 Caps for E&C Contracts with associates of EN+ have been determined as the product of:

$$\begin{array}{l} \text{Expected average prices} \\ \text{(tariff rates) in 2019} \end{array} \quad \times \quad \begin{array}{l} \text{Forecast index of growth in network services and consumer price} \\ \text{index for 2020-2022 published by the Ministry of} \\ \text{Economic Development of the Russian Federation} \end{array}$$

Set out below is the base price taking into account the existing level of prices (tariff rates) in the first half of 2019 and the expected average price level for 2019 as follows:

TABLE 4: CURRENT AND EXPECTED PRICE LEVELS OF ELECTRICITY AND CAPACITY SUPPLIED BY ASSOCIATES OF EN+

	Average price level in the first half of 2019	Expected average price level for 2019
<i>(in RUB/kWh)</i>		
Long-term supply of electricity	0.91	0.91
Short-term supply of electricity	1.18	1.18
Electricity transmission services under miscellaneous E&C Contracts	1.07	1.06
<i>(in thousand RUB/MW)</i>		
Short-term supply of capacity	211	211
Long-term capacity RSE Contracts	2,298	2,298
KOMMod agreements	—	—

As shown in the above, the expected average price (tariff rates) for each of the E&C Contracts in 2019 is about the same as those in the first half of 2019.

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The forecasted average price index for electricity and transmission and RUB/USD exchange rates for 2019-2022 published by the Ministry of Economic Development of the Russian Federation on its website are as follows:

TABLE 5: FORECASTED PRICE INDEX FOR ELECTRICITY AND TRANSMISSION AND EXCHANGE RATE FOR 2019-2022

	Year ending 31 December			
	2019	2020	2021	2022
Growth of regulated prices for electricity of grid organisations	3.0%	3.0%	3.0%	3.0%
Consumer price index (“CPI”)	4.3%	4.0%	4.0%	4.0%
Exchange rate (RUB/USD)	64.9	64.9	65.4	66.2

Source: Ministry of Economic Development of the Russian Federation

As advised by the management of the Group, the market prices of electricity under the long-term E&C 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 to CPI. The prices under the short-term E&C contracts are indexed in accordance with the price growth in the electric energy wholesale market at the CPI level or at the index of the price increase of the current year. 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. It is noted in the annual cap projection that the growth rates which set out in Table 5 have been applied to forecast the prices (or tariff) for each type of contracts (where appropriate) for the respective years. As USD is the reporting currency of the Group, the exchange rates of RUB/USD as forecasted by Ministry of Economic Development of the Russian Federation have also been adopted for converting RUB into USD for the purpose of proposed annual caps for 2020-2022.

In addition, as advised by the management of the Group, a buffer of 5% is applied in calculation of the Proposed 2020/2021/2022 Caps for E&C Contracts with associates of En+, for which we concur with the view of the Directors that the setting of such buffer is reasonable as it will allow the Group flexibility to cater for any unexpected market fluctuations in prices and volumes.

In summary, as shown in Table 2, the utilisation of the annual caps for 2017-2019 ranges from 85% to 90% and the year-on-year increases of the annual caps for 2020-2022 are approximately 8.8%, 11.4% and 6.9%, respectively. Such increases are mainly attributable to the gradual increase in production output of the Group after the launch of the Taishet aluminium smelter and the increase in electricity price due to inflation.

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Having considered (i) the basis of determining the projected volume of energy demand under long-term E&C Contracts in accordance with the contractual volumes and under other contracts based on the estimated volumes of energy demand required for production of each of the Group's smelters and the projected volume based on the historical figure in the first half of 2019; (ii) the basis of determining the transmission and electricity tariffs used in arriving at the annual caps being indexed according to the data published by government authority; (iii) the exchange rate of RUB/USD being also indexed to the forecast of the same published by the government authority; and (iv) the buffer of 5% to allow flexibility for the Group's smooth operation, we consider the basis for determining the Proposed 2020/2021/2022 Caps for E&C Contracts with associates of En+ to be fair and reasonable.

6. Control measures to monitor the transactions contemplated under the Relevant Proposal

As set out in the letter from the Board, it has been disclosed in the announcement of the Company dated 28 March 2014 that on 27 March 2014, a framework agreement, governing the price and key terms of contracts with associates of En+ regarding transactions under the short-term and miscellaneous E&C Contracts was signed. The addendum to this framework agreement covering the above contracts and long-term capacity RSE Contracts was entered into on 27 December 2016. A new framework agreement will be entered into which will cover all of the above contracts as well as the long-term E&C Contracts and the KOMMod agreements with associates of En+ for the three years ending 31 December 2020, 2021 and 2022. Pursuant to this new framework agreement, the long-term, short-term and miscellaneous E&C Contracts as well as the long-term capacity RSE Contracts and the KOMMod agreements to be entered into from time to time with associates of En+ shall be on normal commercial terms in compliance with all applicable laws, rules and regulations and the price at which electricity and capacity may be supplied, or ancillary services provided, to the Group must not be higher than the price or on less favourable terms (as applicable) to the Group than the price or terms on which the Group obtains electricity supply or transmission and capacity or procure ancillary services of a similar nature from independent third parties, having regard to the quantity and other conditions of the transactions, and where applicable, government regulations in effect from time to time and other conditions of the transaction(s), and shall be consistent with the relevant terms of long-term, short-term and miscellaneous E&C Contracts, long-term capacity RSE Contracts and the KOMMod agreements as disclosed in the Circular.

To assess the effectiveness of the internal control procedures implemented by the Group, we have obtained and reviewed the samples of contracts and agreements entered into between the Group on one hand and the associates of En+ and the independent third parties on the other hand to determine whether the transactions contemplated under the E&C Contracts complied with the terms of the abovementioned framework agreement and addendum thereto. Our work done to review the samples of contracts and agreements on the transactions contemplated under the abovementioned framework agreement is set out in the section headed "4. New Framework Agreement — Pricing basis" in this letter.

As set out in the letter from the Board, prior to entering into each 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 the Circular.

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Having considered that (i) the entering into of E&C Contracts with associates of En+ is governed by the framework agreement dated 27 March 2014, the addendum dated 27 December 2016 and the new framework agreement to be entered into which will cover the three years ending 31 December 2020, 2021 and 2022; (ii) internal approval procedures by the Board are in place prior to the entering into of E&C Contracts; (iii) our review of the samples of contracts and agreements on the transactions contemplated under the previous framework agreement; (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 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 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 Proposal in order to protect the interests of the Company and the Independent Shareholders.

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 long-term E&C Contracts, the short-term E&C Contracts, the miscellaneous E&C Contracts, the long-term capacity RSE Contracts and the KOMMod agreements) 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 Proposal 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 Proposal and the transactions contemplated thereunder.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Jenny Leung
Director

Ms. Jenny Leung is a licensed person and responsible officer of Somerley Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong. Ms. Leung has over 19 years of experience in the corporate finance industry in Hong Kong.

1 RESPONSIBILITY STATEMENT

This 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 this 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 this 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, none of the Directors or the Chief Executive Officer had any interest and 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 have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and Chief Executive Officer are taken or deemed to have under such provisions of the SFO, or which are required to be and are 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 Transactions").

Substantial Shareholders' interest and short positions in the Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, so far as the Directors are aware based on their understanding and based on notifications made to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under Section 336 of the SFO, the following persons had interests or short positions in the Shares or underlying Shares (unless specified otherwise):

Interests and short positions in Shares

Name of Shareholder	Capacity	Number of Shares	Percentage of
		held as at the Latest Practicable Date	issued share capital as at the Latest Practicable Date
Oleg Deripaska	Beneficiary of a trust (Note 1)	7,612,299,974 (L)	50.10%
	Beneficial owner	1,669,065 (L)	0.01%
	Total	7,613,969,039 (L)	50.11%

APPENDIX

GENERAL INFORMATION

Name of Shareholder	Capacity	Number of Shares held as at the Latest Practicable Date	Percentage of issued share capital as at the Latest Practicable Date
Fidelitas Investments Ltd. (Note 1)	Interest of controlled corporation	7,612,299,974 (L)	50.10%
B-Finance Ltd. (Note 1)	Interest of controlled corporation	7,612,299,974 (L)	50.10%
En+ (Note 1)	Beneficial owner	7,612,299,974 (L)	50.10%
Access Aluminum Holdings Limited (Note 2)	Interest of controlled corporation	5,044,554,678 (L) 1,017,931,998 (S) (Note 2)	33.20% 6.70%
Access Industries Holdings LLC (Note 2)	Interest of controlled corporation	5,044,554,678 (L) 1,017,931,998 (S) (Note 2)	33.20% 6.70%
Access Industries, LLC (Note 2)	Interest of controlled corporation	5,044,554,678 (L) 1,017,931,998 (S) (Note 2)	33.20% 6.70%
GPTC LLC (Note 2)	Interest of controlled corporation	5,044,554,678 (L) 1,017,931,998 (S) (Note 2)	33.20% 6.70%
Zonoville Investments Limited (Note 2)	Beneficial owner	1,625,652,591 (L) (Note 2)	10.70%
	Other	5,044,554,678 (L) 1,017,931,998 (S)	33.20% 6.70%
TCO Holdings Inc. (Note 2)	Interest of controlled corporation	5,044,554,678 (L) 1,017,931,998 (S) (Note 2)	33.20% 6.70%
SUAL Partners (Note 2)	Beneficial owner	3,418,902,087 (L) 1,017,931,998 (S) (Note 2)	22.50% 6.70%
	Other	1,625,652,591 (L) (Note 2)	10.70%
	Total	5,044,554,678 (L) (Note 2)	33.20%
Victor Vekselberg (Note 3)	Beneficiary of a trust (Note 3)	5,044,554,678 (L) (Note 3)	33.20%

Name of Shareholder	Capacity	Number of Shares held as at the Latest Practicable Date	Percentage of issued share capital as at the Latest Practicable Date
Glencore (<i>Note 4</i>)	Interest of controlled corporation (<i>Note 4</i>)	1,029,588,048(L) 1,029,588,048(S) (<i>Note 4</i>)	6.78%

(L) Long position

(S) Short position

Notes — see notes on pages 38 to 40.

Other than the interests disclosed above and the notes set out below, so far as the Directors are aware, as at the Latest Practicable Date, the Company has not been notified of any other notifiable interests or short positions in Shares or underlying Shares.

(*Note 1*) These interests were directly held by En+ as beneficial owner. Based on the information provided by Mr. Oleg Deripaska and the records on the electronic filing systems operated by the Hong Kong Stock Exchange, Mr. Oleg Deripaska is the founder, trustee and a beneficiary of a private discretionary trust which, as at 30 June 2019, held 86.33% of the share capital of Fidelitas International Investments Corp. (formerly Fidelitas International Investments), which in turn held 99.99% of the share capital of B-Finance Ltd., which in turn held 44.95% of the share capital of En+. Each of B-Finance Ltd., Fidelitas International Investments Corp. and Mr. Oleg Deripaska was deemed to be interested in the Shares and underlying Shares held by En+ by virtue of the SFO.

Pursuant to the disclosure of interests notices filed on 1 February 2019 by Mr. Oleg Deripaska and En+ respectively in accordance with the requirements of Part XV of the SFO, on 26 January 2019:

- (i) the interest of Mr. Oleg Deripaska in the Company increased from 7,313,969,039 Shares to 8,643,557,087 Shares (representing approximately 56.89% of the total issued share capital of the Company); and
- (ii) the interest of En+ in the Company increased from 7,312,299,974 Shares to 8,641,888,022 Shares (representing approximately 56.88% of the total issued share capital of the Company).

For the avoidance of doubt however, as at the Latest Practicable Date, En+ is the registered Shareholder and the legal and beneficial owner of approximately 50.10% of the total issued share capital of the Company only, while the interest of the remaining shares mentioned above will only be transferred 12 months after the first stage of the transfer in pursuant to provisions of Part XV of the SFO. The first stage would be completed following the de-listing of En+ from the SDN List (pursuant to a securities exchange agreement entered into by En+ and certain subsidiaries of Glencore, and certain other related agreements). Further details of such transaction are disclosed in the Company's announcement dated 28 January 2019.

(Note 2) These interests and short positions were directly held by SUAL Partners or Zonoville Investments Limited. Based on the records on the electronic filing systems operated by the Hong Kong Stock Exchange, as at 30 June 2019, SUAL Partners is controlled as to 35.84% by Renova Metals & Mining Ltd., which is in turn wholly-owned by Renova Holding Ltd.. Renova Holding Ltd. is controlled by TZ Columbus Services Limited as to 100% and TZ Columbus Services Limited is in turn wholly-owned by TCO Holdings Inc. Zonoville Investments Limited is controlled as to 40.32% by Access Aluminum Holdings Limited, which is in turn controlled as to 98.48% by Access Industries Holdings LLC. Access Industries Holdings LLC is wholly-owned by Access Industries Holdings (BVI) L.P.. Access Industries Holdings (BVI) L.P. is controlled as to 67.16% by Access Industries, LLC, which is in turn controlled as to 69.70% by GPTC LLC.

Each of Renova Metals & Mining Ltd., Renova Holding Ltd., TZ Columbus Services Limited, TCO Holdings Inc., Access Aluminum Holdings Limited, Access Industries Holdings LLC, Access Industries, LLC, GPTC LLC are deemed to be interested in the Shares held by SUAL Partners and/or Zonoville Investments Limited by virtue of the SFO.

(Note 3) The Company has been informed by a representative of Mr. Victor Vekselberg (“**Mr. Vekselberg**”) that he is a beneficiary under a certain irrevocable and fully discretionary trust arrangement pursuant to which the trustee under such trust arrangement holds an indirect interest in approximately 36.39% of the issued shares in SUAL Partners. However, Mr. Vekselberg did not file any disclosure of interests notice on 11 October 2017 or thereafter up to the date of this circular, and according to the records of his disclosure of interests filings made to the Hong Kong Stock Exchange, as at 30 June 2019, the number of Shares which he was interested in remained at 3,710,590,137, representing 24.42% of the issued share capital of the Company, although his deemed interests in the Company should, if he had made disclosure of interests filings in accordance with requirements of the SFO, be the same as TCO Holdings Inc, his controlled corporation.

(Note 4) Based on the previous records on the electronic filing systems operated by the Hong Kong Stock Exchange, the interests of Glencore were held through its controlled corporations, including, Amokenga Holdings, which directly holds the relevant interests in the Company. Amokenga Holdings was 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 in turn wholly-owned by Glencore. In light of the fact that Glencore, 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, in accordance with the SFO, each of the Glencore Entities was deemed to be interested in the Shares held by Amokenga Holdings.

While it was disclosed in its disclosure filing dated 15 September 2017 that Glencore held interests in the Company as a beneficial owner, Glencore also disclosed in the same disclosure filing that the relevant interest in the Company was held through the above controlled corporations.

As disclosed in the Company's announcement dated 28 January 2019, on 28 January 2019, En+ announced that it had entered into a securities exchange agreement and certain other related agreements with certain subsidiaries of Glencore pursuant to which Glencore shall transfer 8.75% of the Company's shares to En+ (of which approximately 2% was to be transferred on the date upon En+'s removal from the SDN List, and the remaining approximately 6.78% shall be transferred 12 months later) in consideration for En+ issuing new GDRs to Glencore representing approximately 10.55% of the enlarged share capital of En+. Following the completion of the aforementioned share swap (expected to be on or about 31 January 2020), the indirect shareholding of Glencore in the Shares will be reduced to 0%. Pursuant to the disclosure of interests notice filed on 8 February 2019, the interests of Amokenga Holdings decreased from 1,329,588,048 Shares to 1,029,588,048 Shares, representing approximately 6.78% of the total issued share capital of the Company, due to the transfer of approximately 2% Shares pursuant to the aforementioned securities exchange agreement, following the removal of En+ from the SDN List on 27 January 2019. On such basis, the deemed interests of Glencore in the issued share capital of the Company should be correspondingly reduced to 6.78%, and Glencore and its controlled corporations should have a short position in respect of its entire 6.78% shareholding in the Company.

Save as disclosed above, the Directors 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.

3 PROFESSIONAL QUALIFICATIONS AND CONSENTS

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

Name	Qualifications
Somerley	A corporation licensed with the Securities and Futures Commission of Hong Kong 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 did not have any beneficial interest in the share capital of any member of the Group nor 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 2018, 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 this 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 this 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 2018, 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, (i) Mr. Christopher Burnham (appointed as an independent non-executive Director on 14 February 2019) and Mr. Nick Jordan (appointed as an independent non-executive Director on 14 February 2019) are directors of En+; (ii) Mr. Vyacheslav Solomin is the chief operating officer of En+; and (iii) Mr. Vladimir Kolmogorov is the first deputy chief executive officer for technical policy of En+ and also the head of technical supervision of JSC EuroSibEnerg, a company which is owned by En+. En+ has 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 the facts demonstrating that RUSAL 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 En+, the Directors have taken into account the following general reasons, as well as the specific reasons applicable to En+:

- (a) the Board consists of fourteen Directors, comprising three executive Directors, three non-executive Directors and eight independent non-executive Directors;
- (b) the decision-making mechanism of the Board set out in the Articles of Association provides that all Directors with a conflicting interest shall not vote when a conflicted resolution is to be discussed and voted on;
- (c) the Board has eight 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

- (d) 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 the specific relevant business:

En+

En+ is a company registered in accordance with the procedure established by the laws of the Russian Federation, in accordance with the Federal Law of the Russian Federation "On International Companies" with its registered office at Oktyabrskaya st. 8, office 34, Kaliningrad, Kaliningrad Region, 236006, Russian Federation. Pursuant to the disclosure of interests notices filed on 1 February 2019, Mr. Oleg Deripaska indirectly holds 44.95% of the shares in En+. Please refer to Note 1 of the "Substantial Shareholders' Interests" section.

En+ is a parent company for vertically integrated aluminium and power group, engaged in aluminium production and energy generation. En+ specializes in metals that require high energy consumption and then looks for synergies between its energy producing and energy consuming businesses.

Key assets of En+ include:

EuroSibEnergo — a 100% subsidiary with main assets engages in all aspects of the power industry, including power generation, power trading and supply. Core generating assets of EuroSibEnergo are located in Siberia, Russia. EuroSibEnergo has in total installed capacity of 19.7 GW, out of which 15.1 GW accounts for hydro power plants, three of which are among top-20 hydro power plants in the world in terms of installed capacity.

RUSAL — one of the largest producers of aluminium and alumina in the world with fully integrated value chain from bauxite mining to primary aluminium production. Core aluminium producing facilities are located in Siberia enjoying access to clean environmentally friendly hydro power. RUSAL is one of the lowest cost producers globally, benefiting from cheap, clean and renewable hydro energy in Siberia.

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 independent non-executive Directors. As at the Latest Practicable Date, four of the Directors were nominated by En+, one of which, Mr. Vyacheslav Solomin, a non-executive director, is also a chief operations officer of En+ and the other one, Mr. Vladimir Kolmogorov, a non-executive director, is the first deputy chief executive officer for technical policy of En+, and also the head of technical supervision of JSC "EuroSibEnergO", a company which is owned by En+. In addition, as at the Latest Practicable Date, Mr. Christopher Burnham (independent non-executive Director) and Mr. Nick Jordan (independent non-executive Director) were also directors of En+. All of the overlapping Directors have been elected on the basis of their qualifications and breadth of experience. 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.

The Directors are of the view that the Group is able to operate independently from En+, notwithstanding the fact that four Directors are nominated by En+.

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 the 2018 annual report of the Company, entered into contracts with the associates of En+ 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 the associates of En+ 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 En+ for the following reasons:

- (a) 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;
- (b) the Group purchases electricity in accordance with the Rules of the Wholesale Electricity and Capacity Market at contract prices in accordance with direct sale-purchase agreements with suppliers (both related or unrelated to its controlling shareholder) and/ or at market prices for electricity sold on the market irrelative to the particular supplier. In 2018, the overall share of electricity purchased by the Group's aluminium plants from the suppliers related to its controlling shareholder did not exceed 63%. The Group has an option of switching to suppliers unrelated to its controlling shareholder including by purchasing electricity on the wholesale electricity market, though there would be certain price impact;

- (c) none of the contracts is in take-or-pay format;
- (d) the Group is currently already a very large volume user with significant negotiating power in the Russian power market. In 2018, the Group has consumed approximately 28% of the power generated in Siberia; and
- (e) the power plants owned or controlled by En+ 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 more reliant on the customer rather than vice versa.

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 2018, 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 of the Company to acquire such excluded business.

As at the Latest Practicable Date, "KraMZ" Ltd. is held by En+ as to more than 30% of the issued share capital. "KraMZ" Ltd. is therefore an associate of En+. 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.

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 2018, 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 section headed “Connected Transactions” and “Directors’ interests in businesses that may compete with the Company” of the Company’s 2018 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) five repair services contracts (two dated 17 January 2019 between JSC RUSAL Achinsk, a member of the Group, and JSC Bratskenergozemont, an associate of En+; one dated 10 January 2019 between Limited Liability Company “Russian Engineering Company”, a member of the Group, and Joint-Stock Company “Irkutskenergozemont”, an associate of En+; one dated 10 January 2019 between PJSC RUSAL Bratsk, a member of the Group, and Joint-Stock Company “Irkutskenergozemont”, an associate of En+; and one dated 1 January 2019 between PJSC RUSAL Bratsk, a member of the Group, and KraMZ-Auto LLC, an associate of En+) as disclosed in the announcement of the Company dated 18 January 2019;
- (b) the transportation contract dated 20 March 2019 between RUSAL Krasnoyarsk JSC, a member of the Group, and “KraMZ” Ltd., an associate of En+, as disclosed in the announcement of the Company dated 21 March 2019;
- (c) the repair services contract dated 11 April 2019 between RUSAL Achinsk, a member of the Group, and JSC “Bratskenergozemont”, an associate of En+, as disclosed in the announcement of the Company dated 12 April 2019;
- (d) two repair services contracts dated 29 April 2019, which are additional agreements to the original contract dated 10 January 2019, between PJSC RUSAL Bratsk, a member of the Group, and Joint-Stock Company “Irkutskenergozemont”, an associate of En+, as disclosed in the announcement of the Company dated 30 April 2019;
- (e) the additional agreement to the connection of electrical grid contract dated 29 April 2019, which is an additional agreement to the original contract dated 3 October 2017, between “RUSAL Taishet Aluminium Smelter” Limited Liability Company, a member of the Group, and JSC “IENC”, an associate of En+, as disclosed in the announcement of the Company dated 30 April 2019;
- (f) the heat supply contract dated 22 May 2019 between Limited Liability Company “United Company RUSAL Anode Plant”, a member of the Group, and Limited Liability Company “Irkutskenergosbyt”, an associate of En+, as disclosed in the announcement of the Company dated 23 May 2019;

- (g) the repair services contract dated 22 May 2019 between Joint stock company “RUSAL Sayanogorsk Smelter”, a member of the Group, and JSC “Baikalenergo”, an associate of En+, as disclosed in the announcement of the Company dated 23 May 2019;
- (h) the repair services contract dated 1 July 2019, which is an additional agreement to the original contract dated 10 January 2019, between PJSC RUSAL Bratsk, a member of the Group, and Joint-Stock Company “Irkutskenergozemont”, an associate of En+, as disclosed in the announcement of the Company dated 2 July 2019;
- (i) two repair services contracts dated 10 July 2019, between RUSAL Achinsk, a member of the Group, and JSC “Bratskenergozemont”, an associate of En+, and between Joint stock company “RUSAL Sayanogorsk Smelter”, a member of the Group, and Limited Liability Company “Khakassia Utilities”, an associate of En+, as disclosed in the announcement of the Company dated 11 July 2019;
- (j) the heat supply contract dated 29 August 2019 between Limited Liability Company “United Company RUSAL Anode Plant”, a member of the Group, and Limited Liability Company “Irkutskenergosbyt”, an associate of En+, as disclosed in the announcement of the Company dated 30 August 2019.

9 GENERAL

- (a) The Jersey company secretary of the Company is Intertrust Corporate Services (Jersey) Limited. The Hong Kong company secretary of the Company is Ms. Aby Wong Po Ying. Ms. Wong is an associate member of the Hong Kong Institute of Company Secretaries and an associate member of The Institute of Chartered Secretaries and Administrators.
- (b) The registered office of the Company is situated at 44 Esplanade, St Helier, Jersey, JE4 9WG.
- (c) The Company’s principal share registrar is Computershare Investor Services (Jersey) Limited, Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES.
- (d) The Company’s Hong Kong branch share registrar is Link Market Services (Hong Kong) Pty Limited, Suite 1601, 16/F., Central Tower, 28 Queen’s Road Central, Hong Kong.
- (e) The English text of this 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 3806, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during business hours (Saturdays and public holidays excluded) from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. from the date of this circular up to and including the date of the EGM:

- (a) the E&C Contracts with associates of En+;
- (b) the New Framework Agreement;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 21 of this circular;
- (d) the letter issued by Somerley, the text of which is set out on pages 22 to 35 of this circular;
- (e) the written consent of Somerley referred to in paragraph 3(b) above; and
- (f) this 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 Hong Kong SkyCity Marriott Hotel, 1 Sky City Road East, Lantau, Hong Kong on 14 November 2019 at 10:00 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 18 October 2019 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 associates of En+ for the year ending 31 December 2020 be and is hereby approved and confirmed as USD1,024 million (net of VAT and determined at the USD/RUB exchange rate as 1/64.9);
- 2 THAT the annual cap in relation to the E&C Contracts with associates of En+ for the year ending 31 December 2021 be and is hereby approved and confirmed as USD1,141 million (net of VAT and determined at the USD/RUB exchange rate as 1/65.4); and
- 3 THAT the annual cap in relation to the E&C Contracts with associates of En+ for the year ending 31 December 2022 be and is hereby approved and confirmed as USD1,220 million (net of VAT and determined at the USD/RUB exchange rate as 1/66.2).

By order of the Board
United Company RUSAL Plc
Bernard Zonneveld
Chairman

Hong Kong, 18 October 2019

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal place of business in Hong Kong:

3806 Central Plaza

18 Harbour Road

Wanchai

Hong Kong

Notes:

- (a) The register of members of the Company will be closed starting 7 November 2019 to 14 November 2019 (both days inclusive); 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 duly completed transfer forms, accompanied by the relevant share certificates must be lodged with, in respect of 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 5:30 p.m. (Jersey time) on 6 November 2019, and in respect of shares registered on the overseas branch register in Hong Kong, Link Market Services (Hong Kong) Pty Limited, Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, Hong Kong, not later than 4:30 p.m. (Hong Kong time) on 6 November 2019.
- (b) At the EGM, the chairman of the meeting will put the above resolutions to be voted by way of a poll under Article 16.14 of the Company's Articles of Association and in accordance with Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
- (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 shareholder 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 18 October 2019. Completion and return of the proxy form will not preclude a shareholder 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.
- (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, Link Market Services (Hong Kong) Pty Limited, Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, 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.